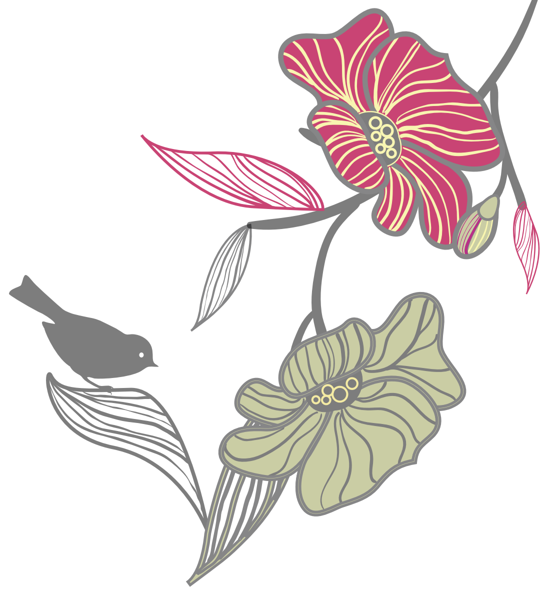
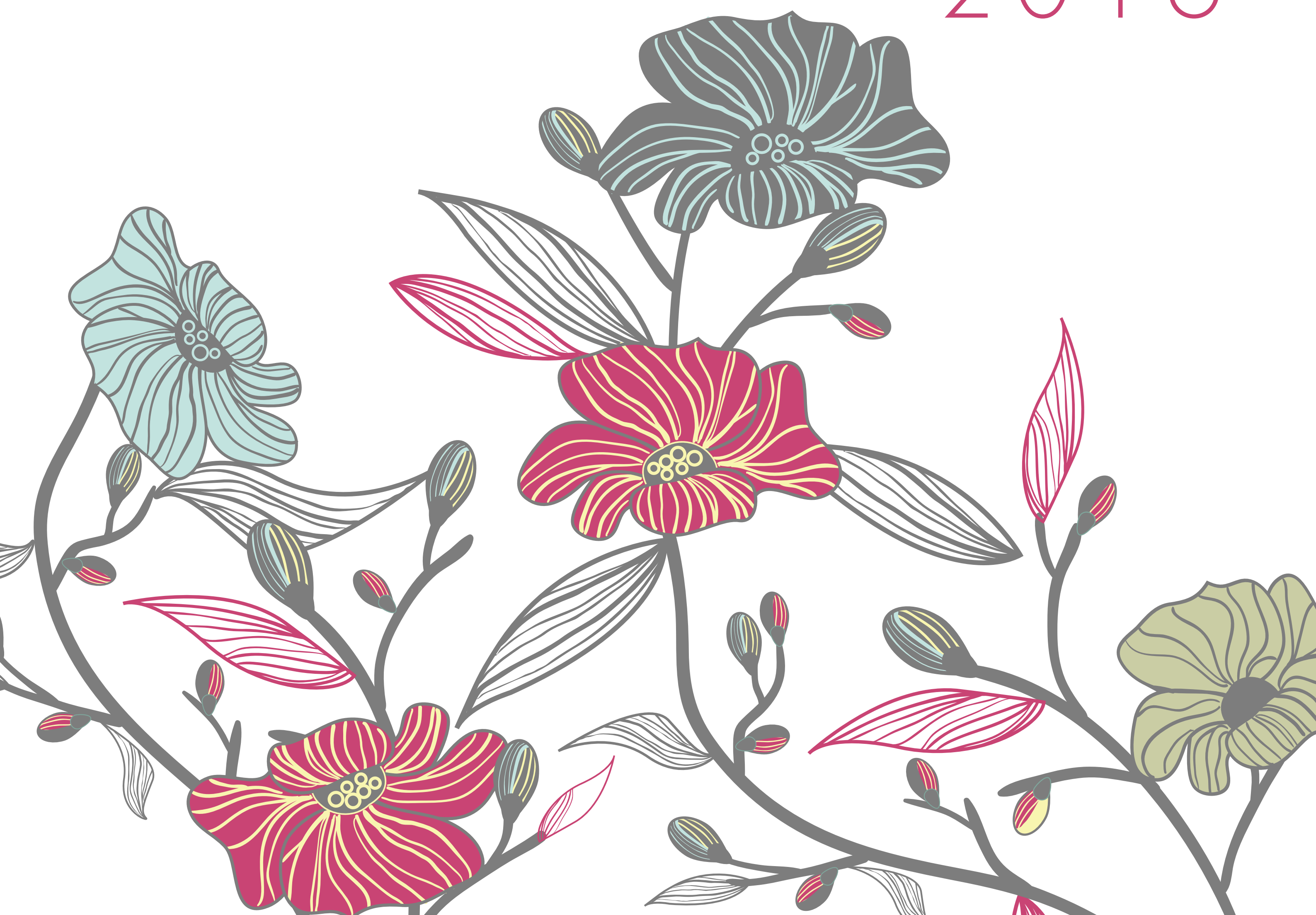


China Wah Yan Healthcare Limited
中國華仁醫療有限公司

Stock Code: 648

ANNUAL REPORT
2016



CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

CHAN Ka Chung *(Chairman)*
CHEUNG Wai Kwan
WANG Jianguo

Independent Non-executive Directors:

CHAN Yee Ping, Michael
HU Xuezhen
LAM Chun Ho
TONG Cheuk Man *(appointed on 27 May 2016 and resigned on 12 September 2016)*
WU Yan *(resigned on 22 March 2016)*

AUDIT COMMITTEE

CHAN Yee Ping, Michael *(Chairman)*
HU Xuezhen
LAM Chun Ho
WU Yan *(resigned on 22 March 2016)*

REMUNERATION COMMITTEE

CHAN Yee Ping, Michael *(Chairman)*
CHAN Ka Chung
HU Xuezhen
LAM Chun Ho

NOMINATION COMMITTEE

CHAN Yee Ping, Michael *(Chairman)*
CHAN Ka Chung
HU Xuezhen
LAM Chun Ho

CORPORATE GOVERNANCE COMMITTEE

CHAN Yee Ping, Michael *(Chairman)*
CHAN Ka Chung
CHEUNG Wai Kwan
HU Xuezhen
LAM Chun Ho
WANG Jianguo
WU Yan *(resigned on 22 March 2016)*

COMPANY SECRETARY

LAM Sung Him, Gaston

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

LEGAL ADVISERS

Baker & Mckenzie
Norton Rose Fulbright Hong Kong
W.K. To & Co.

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

36th Floor, Times Tower
391–407 Jaffe Road
Wanchai
Hong Kong

WEBSITE

www.chinawahyan.com

STOCK CODE

648

CHAIRMAN'S STATEMENT

Dear Shareholders,

During the year of 2016, the Group has made a number of strategic moves towards its goal of becoming a strategic healthcare and financial group. In May 2016, the Group completed the acquisition of Rui Kang Pharmaceutical which has enabled the Group to extend its business portfolio to the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business. In June and July 2016, the Group completed the acquisition of the O&G Business and the Ophthalmic Business respectively. As a result of the above acquisitions, the revenue of the Group increased to HK$194.2 million for the year ended 31 December 2016, representing a year-to-year increase of 52.6%.

During the year, the Group continued its strategy to invest in companies with strategic value to its business development. The Group participated in the rights issues of IR Resources in May 2016 following the resumption of trading in its shares in February 2016 to fuel its development. Following completion of its acquisition of Rui Kang Pharmaceutical and in June 2016, the Group became a major shareholder of New Ray Medicine, a company listed on the Main Board of the Stock Exchange with a leading position in the distribution of prescription drug market in Zhejiang Province, the PRC. With a view to establishing a closer strategic relationship among the Group, Rui Kang Pharmaceutical and New Ray Medicine, and complementing the business strengthens of Rui Kang Pharmaceutical and New Ray Medicine, in December 2016, the Group entered into a share transfer agreement to dispose part of its equity interest in Rui Kang Pharmaceutical to New Ray Medicine.

Competition of the Health Management Business remains fierce in the PRC. Although this business segment recorded segment profit for the year ended 31 December 2016, such profit was attributable to the one-off gain resulted from the closing down of certain non-performing sports and healthcare clubhouses during the year. The number of membership of the sports and healthcare centres has reduced by 25% to about 23,000. The Group will continue to monitor the development and performance of this business segment, particularly given the increasingly fierce competition in the sports and fitness market in the PRC, the shrinking membership base and the continuing loss and net liabilities situation of the business.

The Group's asset management business comprised its strategic investments in listed securities including its investment in IR Resources and New Ray Medicine as mentioned above. However, due to the volatile global equity market, the Group recorded a non-cash impairment loss of HK$183.4 million in this business segment. In December 2016, the Group also announced its proposed acquisition of Xinhua News Media, a company listed on the Main Board of the Stock Exchange and engaged in the media, cleaning and medical waste treatment business, by way of voluntary securities exchange offer. The Company anticipates that the acquisition of Xinhua News Media will enable the Group to further expand its business portfolio.

Looking forward, the volatile geopolitical environment will continue to affect the economy of Hong Kong and the PRC. On one hand, the Group will stay focused on its business strengths. On the other hand, it will continue to be open to strategic and attractive investment opportunities to diversify its business portfolio and enhance the return of its businesses and assets.

I, on behalf of the board of directors of the Company, would like to thank our shareholders for your support and loyalty and express my sincere gratitude to our partners, management and staff for your effort and contribution in the past years. I look forward to your continuing support in the years to come.

Chan Ka Chung
Chairman

Hong Kong, 20 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During 2016, China Wah Yan Healthcare Limited (the "Company", together with its subsidiaries, the "Group") completed a number of strategic moves towards its goal of becoming a strategic healthcare and financial group:

Acquisition of Rui Kang Pharmaceutical Group Investments Limited ("Rui Kang Pharmaceutical")

Rui Kang Pharmaceutical, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange, is principally engaged in (i) the provision of medical laboratory testing and health check services in Hong Kong (the "Medical Laboratory Testing Business"); and (ii) the manufacture, research and development, sale and distribution of health and related products in the PRC and Hong Kong (the "Pharmaceutical Manufacturing Business"). In May 2016, Rui Kang Pharmaceutical became a non wholly-owned subsidiary of the Company. As the holding company of Rui Kang Pharmaceutical, it has been the intention of the Company to formulate strategies in respect of Rui Kang Pharmaceutical which will ultimately benefit the Group. As such, the Group introduced New Ray Medicine, the shares of which are listed on the Main Board of the Stock Exchange, to become a strategic shareholder of Rui Kang Pharmaceutical.

Investment in New Ray Medicine International Holdings Limited ("New Ray Medicine")

As at 31 December 2016, the Group held 8.25% interest in New Way Medicine which is principally engaged in the distribution of pharmaceutical products in the PRC. In addition to its leading position in the distribution of the prescription drug market in Zhejiang Province, the PRC, the distribution network of New Ray Medicine also covers 22 regions in the PRC (including Shanghai, Chongqing, Anhui Province, Sichuan Province, Hebei Province and Guangdong Province). The Group expects its strategic investment in New Ray Medicine to benefit from the growth in demand for medical treatment/medicine (resulted from ageing population, urbanization, increase in household income, and wider coverage of medical insurance) in the PRC and to allow the Pharmaceutical Manufacturing Business to leverage on the distribution network of New Ray Medicine to expand its clientele and market coverage.

In late 2016, New Ray Medicine also made investment in (i) a medical group engaged in the provision of contracted medical schemes business (the "Contracted Medical Scheme Business"); and (ii) a medical group principally engaged in the distribution of pharmaceutical products in the PRC. The Contracted Medical Scheme Business provides contracted medical schemes mainly in Hong Kong for integrated medical and healthcare check-up services for corporate clients and has a network of over 700 contracted specialists and general practitioner doctors for providing medical and healthcare services.

Introduction of New Ray Medicine as a strategic shareholder of Rui Kang Pharmaceutical

In December 2016, the Company and New Ray Medicine entered into a sale and purchase agreement, pursuant to which the Group would dispose of up to 29% equity interest in Rui Kang Pharmaceutical in two tranches for a total consideration of HK$88.0 million (the "RKP Share Transfer").

The Group expects that the RKP Share Transfer will establish closer strategic relationship between Rui Kang Pharmaceutical and New Ray Medicine and enable the respective business strengths of the two companies to complement with each other, particularly, the Pharmaceutical Manufacturing Business, the Medical Laboratory Testing Business and the Contracted Medical Scheme Business.

As at the date of this report, the transfer of the first 11% equity interest of Rui Kang Pharmaceutical had been completed and the resolution relating to the transfer of the remaining 18% equity interest was voted down by the then shareholders of the Company at the extraordinary general meeting held on 15 February 2017.

Acquisition of obstetric and gynaecological business

In June 2016, the Group acquired a company engaged in the provision of obstetric and gynaecological services (the "O&G Business") and appointed Dr. Chan Leung Kwok, a renowned specialist in obstetrics and gynaecology and the vendor of the O&G Business, as the chief executive officer of the Company. The acquisition has enabled the Group to gain a foothold in the Hong Kong medical industry. The Group's intends to further extend the O&G Business into in-vitro fertilization and rejuvenation businesses by leveraging on Dr. Chan's expertise and network. As at the date of this report, the Group is in the course of establishing a joint venture specialising in in-vitro fertilization in the Republic of Philippines and expanding the clinic of the O&G Business for provision of multi-specialist clinical services.

Participation in the rights issue of IR Resources

The Group is the single largest shareholder of IR Resources, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange and principally engaged in the forestry and agricultural, energy, resources and logistics, and financial services businesses. The Group participated in full in the rights issue of IR Resources in May 2016 following resumption of trading in the shares of IR Resources in February 2016. During 2016, IR Resources has formed joint ventures with a group of business partners to develop its forestry and agricultural business in Cambodia. In October 2016, IR Resources completed the acquisition of 17.5% equity interest of a group engaged in the investment in and operation of solar power generation business in the PRC with a view to benefiting from the PRC government's favourable policies to encourage the development of clean and renewable energy (e.g. solar power) to combat air pollution and the expanding scale of the power generating capacity of that solar power group. In order to further extend its financial services business, IR Resources also entered into agreement in October 2016 to acquire the controlling stake of a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Future Ordinance. Given the implementation of measures between the Hong Kong government and the PRC government to fuel the growth momentum of the Hong Kong stock market (including the Shanghai-Hong Kong Connect in 2014 and the Shenzhen-Hong Kong Connect in 2016), IR Resources will continue to devote resources to expand the financial services business segment.

Investment in the ophthalmic business

In July 2016, the Group made a strategic investment in a minority equity interest in one of the leading providers of ophthalmic medical services in Hong Kong (the "Ophthalmic Business"). The Group expects to establish business collaboration between the Ophthalmic Business and the Group's business in the operation of a chain of optical products and eye-care services retail shops under the brand name of "Hong Kong Optical" (the "Eye-care Business").

Disposal of the tumour medical business

The Group, in view of the difficult and unfavourable regulatory environment and the continuous deterioration of the performance of its tumour diagnosis and treatment business in the PRC as stated in the past announcements, interim and annual reports of the Company, disposed of its remaining interest in the business during the year.

Reduction in equity interest in the Health Management Business

During the year, the Group disposed of 10.45% effective interest in its business in the operation of a chain of sports and healthcare clubhouses business under the brand name of "Megafit" in the PRC (the "Health Management Business") to an investor for purpose of reducing the Group's weight in the Health Management

Business for business risk management and with a view to leveraging on the expertise of the new shareholder to improve the operation of the business. Given the increasingly fierce competition in the sports and fitness market in the PRC as well as the continuing loss situation and shrinking membership base of the Health Management Business, the Group will continue to monitor the business performance of this business segment and review its strategy as and when appropriate.

Acquisition of Xinhua News Media Holdings Limited ("Xinhua News Media")

In December 2016, the Group made a voluntary conditional securities exchange offer to acquire all the issued shares of Xinhua News Media (the "Xinhua Share Offer"), the shares of which are listed on the Main Board of the Stock Exchange and principally engaged in the businesses of broadcasting information and advertisement on television screen services, cleaning and related services, and medical waste treatment services. As at the date of this report, the Xinhua Share Offer had not been completed. Please refer to the announcements of the Company dated 8 December 2016 and 16 March 2017 for details.

REVIEW OF FINANCIAL RESULTS

Business of the Group

The Group's principal businesses include (i) the Health Management Business; (ii) the medical and well-being business (comprising the Eye-care Business, the Medical Laboratory Testing Business, the Pharmaceutical Manufacturing Business and the O&G Business); and (iii) the asset management business.

Revenue

For the year ended 31 December 2016, the Group's revenue increased by 52.6% to HK$194.2 million (2015: HK$127.2 million) which was attributable to (i) the inclusion of the revenue derived from the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business in the aggregate amount of HK$58.5 million into the Group's consolidated financial statements since May 2016; (ii) the increase in the revenue derived from the Healthcare Management Business by 7.4% to HK$92.4 million due to recognition of full year revenue of the business; (iii) the increase in the revenue of the Eye-care Business by 20.9% to HK$38.0 million; and (iv) the revenue contribution of HK$4.7 million from the O&G Business since June 2016.

Gross Profit

Gross profit and gross profit margin of the Group for the year ended 31 December 2016 increased to HK$48.1 million (2015: HK$28.4 million) and 24.8% (2015: 22.3%) respectively. The increase in gross profit was attributable to (i) the increase in the revenue from the Health Management Business and the Eye-care Business whilst the gross profit margins of these two business lines remained at similar levels for the year ended 31 December 2016 when compared to previous year; and (ii) the gross profit contribution from the new businesses acquired during the year (the Medical Laboratory Testing Business, the Pharmaceutical Manufacturing Business and the O&G Business).

Loss for the year

For the year ended 31 December 2016, the Group's net loss amounted to HK$338.6 million (2015: HK$364.7 million). During the year, the Group recorded (i) the loss on disposal of the Group's tumour medical business of HK$39.3 million; (ii) the bargain purchase of Rui Kang Pharmaceutical of HK$49.3 million; and (iii) the gain of HK$11.2 million resulting from the increase in share price of Rui Kang Pharmaceutical prior to Rui Kang

Pharmaceutical becoming a subsidiary of the Group. In addition, given the occurrence of a number of events in 2016 which shocked the economic and geopolitical landscape of the world and Hong Kong, including the Britain's decision to leave the European Union, the victory of Mr. Donald Trump in the presidential election of the United States, the trend of interest rate hikes by the Federal Reserve of the United States and the rise of populism and protectionism, the global equity market and the Hong Kong financial/property market had been volatile in 2016 which adversely affected the performance of the Group's listed securities held as available-for-sale financial assets and financial assets at fair value through profit and loss. For the year ended 31 December 2016, the Group recorded impairment loss of HK$183.4 million on available-for-sale financial assets (mainly attributable to the investment in New Ray Medicine and IR Resources) and loss arising from the change in fair value of listed securities of HK$41.8 million in accordance with the Hong Kong Accounting Standards. However, the aforesaid impairment loss and loss due to change in fair value are of non-cash nature and the Company does not expect such provision would have any material adverse impact on the Group's operations, particularly, as mentioned above, the Group's investment in New Ray Medicine and IR Resources are strategic to its business development.

Basic and diluted loss per share of the Company for the year ended 31 December 2016 were HK$7.92 cents (2015: HK$24.49 cents) and HK$7.92 cents (2015: HK$24.49 cents) respectively.

REVIEW ON BUSINESS SEGMENTS

Health Management Business Segment

As mentioned above, due to the recognition of the full-year financial results of the Health Management Business, for the year ended 31 December 2016, the Health Management Business recorded revenue of HK$92.4 million (2015: HK$86.0 million) and segment profit of HK$3.5 million (2015: loss of HK$3.6 million). However, such segment profit was attributable to the recognition of one-off income of HK$9.9 million due to the closing down of certain non-performing sports and healthcare clubhouses. If such one-off income were excluded, the Health Management Business would have recorded a segment loss of HK$6.4 million. In addition, the number of membership decreased significantly to about 23,000 as at 31 December 2016 (2015: about 31,000). In view of the increasingly fierce competition in the sports and fitness market in the PRC, the shrinking membership base and the continuing loss and net liabilities situation, the Group will continue to monitor the performance of this business segment and review its strategy as and when appropriate.

Medical and Well-being Business

The Eye-care Business

Although the Eye-care Business, similar to other retail businesses in Hong Kong, has been suffering from decrease in the number of the PRC tourists visiting Hong Kong, its revenue was increased by about 21% for the year ended 31 December 2016 due to the opening of two additional shops during the second half of 2015 and its gross profit margin was able to be maintained at a similar level to previous year. However, fixed costs (such as rental and staff expenses) have continued to adversely affect the profitability and the Eye-care Business still incurred a net loss for the year. The Group will continue to devise plans to enhance the financial performance of this business line including potential business collaboration with the Ophthalmic Business.

The Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business

For the year ended 31 December 2016, the Group's revenue attributable to the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business amounted to HK$47.72 million and HK$10.78 million respectively.

The O&G Business

As the Group completed the acquisition of the O&G Business only in late June 2016, the revenue derived from this business line was not significant (amounting to only HK$4.7 million). With the gradual expansion of this business line including a new in-vitro fertilization centre to be established in the Republic of Philippines and the expansion of the clinic of the O&G Business for provision of multi-specialist clinical services including day surgery operation, the Group expects that revenue contribution from this business line will gradually gain a greater weight in the Groups' revenue composition.

Asset Management Segment

Investment in financial/fixed/distressed assets

The Group's investment portfolio comprises investment in financial/fixed/distressed assets in Hong Kong. As at 31 December 2016, the Group held 8.25% equity interest in New Ray Medicine and 24.41% equity interest in IR Resources.

As at 31 December 2016, the total assets of the Group's asset management segment amounted to HK$348.0 million (2015: HK$379.5 million). The decrease in the total assets of this business segment was resulted from the combined impact of (i) the Group's investment in New Ray Medicine and participation in the rights issue of IR Resources; (ii) the inclusion of the investment portfolio of Rui Kang Pharmaceutical after it became a subsidiary of the Company; (iii) the exclusion of the Group's investment in Rui Kang Pharmaceutical from this business segment after it became a subsidiary of the Company in May 2016; and (iv) the segment loss of HK$246.7 million mainly resulted from decrease in the prices of the listed securities held by the Group (which were mainly attributable to its investment in New Ray Medicine and IR Resources) due to the adverse market sentiment as mentioned above. The Group will continue to monitor the performance of this business segment and review its investment portfolio as and when appropriate.

Loan financing

Both the Group and Rui Kang Pharmaceutical are holders of money lender license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). Rui Kang Pharmaceutical commenced its money lending business in 2015 and its loan portfolio comprises unsecured loans granted to individual customers. It is the intention of the Group to focus its loan financing business on market sector different from that of Rui Kang Pharmaceutical. The Group will also keep abreast of opportunities for financial services and products platforms which would enhance the capability and sustainability of the loan financing business.

EVENTS AFTER THE REPORTING PERIOD

In February 2017, the Group participated in the rights issue of New Ray Medicine in full and subscribed for 103,070,880 new shares of New Ray Medicine under the rights issue for an amount of HK$28.3 million. Please refer to the announcement of the Company dated 22 February 2017 for details.

In the extraordinary general meeting of the Company held in February 2017, the then shareholders of the Company voted down the resolution relating to the disposal of 141,920,000 shares of Rui Kang Pharmaceutical to New Ray Medicine.

In March 2017, the Group revised the exchange ratios under the Xinhua Share Offer from (i) 1 issued share of Xinhua News Media for 4 new shares of the Company to 1 issued share of Xinhua News Media for 9 new shares of the Company; and (ii) the cancellation of 100 options of Xinhua News Media for 1 new share of the Company to the cancellation of 1 option of Xinhua News Media for 4 new shares of the Company. The revised Xinhua News Offers had not been completed as at the date of this report. Please refer to the announcement of the Company dated 16 March 2017 for details.

FUND RAISING ACTIVITIES

During the year ended 31 December 2016, the Company conducted the following equity fund raising exercise:

Date of announcement	Event	Net proceed raised *(approximately)*	Intended use of proceeds	Actual use of proceeds
23 August 2016	Placing of new Shares	HK$41 million	General working capital, investment opportunities and enhancement of capital structure	HK$21 million was utilised for debt repayment and HK$15 million was utilised for corporate expenses and the remaining to be used as intended
15 September 2016	Placing of new shares	HK$95.7 million	Debt repayment and general working capital	HK$91 million was utilised for debt repayment and the remaining to be used as intended

PROSPECTS

Looking forward, given the geopolitical uncertainty worldwide, the Group will remain cautious and continue to review the performance and development strategies of its businesses and streamline its portfolio through mergers, acquisitions, divestments and integration. In addition, the Group will devise strategies to (i) strengthen its financial condition and support its business development by seizing debt/equity fund raising opportunities as and when available; and (ii) invest in potential opportunities in healthcare and other business sectors to enhance its competitiveness.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and financial resources

The Company conducted a number of equity fund raising exercises during the year ended 31 December 2016 including the placing of 778,057,500 new shares at the placing price of HK$0.055 in August 2016 and 1,800,000,000 new shares of the Company at the placing price of HK$0.055 in September 2016. The net proceeds from the said placings amounted to HK$41.4 million and HK$95.7 million respectively.

As at 31 December 2016, the Group's total assets and net assets (including non-controlling interest) amounted to HK$874.1 million (31 December 2015: HK$1,094.0 million) and HK$319.9 million (31 December 2015: HK$551.6 million) respectively. Its cash and bank balances amounted to HK$72.9 million (31 December 2015: HK$91.7 million) and liquidity ratio (calculated based on the Group's current assets to current liabilities) was 1.1 times (31 December 2015: 1.1 times).

During the year ended 31 December 2016, the Group's net cash outflow from operating activities and investing activities amounted to HK$96.5 million (2015: net cash outflow of HK$163.8 million) and HK$67.8 million (2015: net cash outflow of HK$87.6 million) respectively, and net cash inflow from financing activities amounted to HK$147.1 million (2015: net cash inflow of HK$168.9 million). As a result, the Group recorded a net cash outflow of HK$17.2 million for the year ended 31 December 2016 (2015: net cash outflow of HK$82.5 million).

As at 31 December 2016, the Group's total borrowings amounted to HK$380.0 million (31 December 2015: HK$296.3 million), including borrowings of HK$183.2 million (31 December 2015: HK$197.5 million), convertible securities of HK$2 million (31 December 2015: HK$2.0 million) and bond/notes payable of HK$194.8 million (31 December 2015: HK$96.8 million).

Capital structure

For the year ended 31 December 2016, the Group generally financed its operations with internally generated resources, proceeds raised from the issue of new shares and borrowings. In addition, the Company acquired Rui Kang Pharmaceutical through the voluntary conditional securities exchange offers and resulted in the issue of 1,330,131,743 new shares of the Company. As such, the number of issued shares of the Company increased to 6,520,736,569 shares as at 31 December 2016.

Exposure to fluctuation in exchange rates

The Group's cash flow from operations is mainly denominated in Renminbi and Hong Kong dollars. Its assets are mostly denominated in Renminbi and Hong Kong dollars, and liabilities are mainly denominated in Japanese Yen and Hong Kong dollars. Although the Group currently does not have a foreign currency hedging policy, it does and will continue to monitor the foreign exchange exposure closely and will consider hedging if there is significant foreign currency exposure. On the other hand, the Group will continue to monitor the situation and may consider to reduce its debt exposure to Japanese Yen through external fund raising means as and when appropriate.

Charge on assets

As at 31 December 2016, investment properties with carrying value of HK$101 million (2015: HK$150.6 million) and leasehold land and building in Hong Kong with carrying amount of HK$14.9 million (2015: Nil) of the Group were pledged to secure bank borrowings of HK$54.8 million (2015: HK$55.2 million) of the Group.

CAPITAL COMMITMENT

Details of the capital commitment of the Group as at 31 December 2016 were disclosed in note 43(b) to the consolidated financial statements.

CONTINGENCIES

No provision in respect of contingencies would need to be made in the consolidated financial statements of the Group for the year ended 31 December 2016.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the total number of employees of the Group was approximately 1,001. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Chan Ka Chung
(Chairman and Executive Director)

Mr. Chan, aged 46, is a seasoned businessperson and an experienced investor. He possesses international business experience and was awarded the "Outstanding Entrepreneur of Guangdong Province" by the Guangdong Provincial Executive Association of Entrepreneurs. Mr. Chan also has in-depth professional experience in securities, investment and corporate finance involving initial public offerings, capital raising, mergers and acquisitions and corporate restructuring. Mr. Chan holds a bachelor's degree in commerce from the University of British Columbia in Canada and a master's degree in business administration and a post graduate's diploma in marketing from Edinburgh Business School in the United Kingdom. Mr. Chan was appointed as an executive Director in 2013 and elected to be the chairman of the board of Directors in 2014.

Mr. Cheung Wai Kwan
(Executive Director)

Mr. Cheung, aged 54, has over 20 years of management experience in manufacturing and distribution of resources, healthcare and related products and has maintained an extensive business network in Asia, particularly Japan and the PRC. Mr. Cheung holds a bachelor's degree in business management and a master's degree in business administration from Asia University, Japan. Mr. Cheung was appointed as an executive Director in 2014.

Mr. Wang Jianguo
(Executive Director)

Mr. Wang, aged 53, is a qualified lawyer in the PRC and, prior to joining the Group, was a practising lawyer at a law firm in the PRC, where his legal practice was mainly in the medical sector in the PRC. Mr. Wang was awarded an Advanced Lawyer in Anhui Province. Mr. Wang holds an executive master's degree in business administration from Nanjing University, the PRC. Mr. Wang was appointed as an executive Director in 2011.

Mr. Chan Yee Ping, Michael
(Independent Non-executive Director)

Mr. Chan, aged 40, has 15 years of experience in the areas of audit, financial management, corporate secretarial management and corporate governance. He is a member with practicing certificate of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chan is the company secretary of (i) China Sunshine Paper Holdings Company Limited (stock code: 2002), a company listed on the Stock Exchange and (ii) Northeast Electric Development Co., Limited (stock code: 42), a joint stock limited company whose shares are listed on both the Shenzhen Stock Exchange of the PRC and the Stock Exchange, Mr. Chan is the independent non-executive director of China Sandi Holdings Limited (stock code: 910) and was appointed as the independent non-executive director of Epicurean and Company, Limited (stock code: 8213) in November 2016. Mr. Chan holds a bachelor's degree of majoring in accountancy from the Hong Kong Polytechnic University. Mr. Chan was appointed as an independent non-executive Director in 2014.

Mr. Lam Chun Ho
(Independent Non-executive Director)

Mr. Lam, aged 35, has more than 10 years of experience in auditing, financial reporting and financial management and is currently the senior management of a local corporate services company. Mr. Lam is an associate member of the Hong Kong Institute of Certificate Public Accountants. He is also the independent non-executive director of China New Economy Fund Limited (stock code: 80), a company listed on the Stock Exchange. Mr. Lam holds a bachelor's degree in business administration (accounting) from Hong Kong Baptist University. Mr. Lam was appointed as an independent non-executive Director in 2014.

Ms. Hu Xuezhen
(Independent Non-executive Director)

Ms. Hu, aged 50, is the chairman and founder of companies engaged in education and manufacturing of household products in the PRC. Ms. Hu has extensive experience in corporate management and business development. Ms. Hu was appointed as an independent non-executive Director in 2014.

Dr. Tong Cheuk Man
(Independent Non-executive Director)

Dr. Tong, aged 61, is a highly recognised medical practitioner in the field of nuclear medicine. Dr. Tong is on the Specialist Register in Nuclear Medicine at the Medical Council of Hong Kong. He is a Fellow member (Nuclear Medicine) of the Hong Kong College of Radiologists ("FHKCR") and a Fellow member of Hong Kong Academy of Medicine ("FHKAM"). Prior to his retirement in 2016, Dr. Tong was the department head in nuclear medicine of Queen Elizabeth Hospital, Hong Kong. Dr. Tong holds a bachelor's degree in medicine from The National University of Ireland and a master's degree in nuclear medicine from The University of London. Dr. Tong was appointed as an independent non-executive director on 27 May 2016 and resigned on 12 September 2016.

Ms. Wu Yan
(Independent Non-executive Director)

Ms. Wu, aged 51, has over 20 years of experience in accounting and financing and is currently the management of a major bank in the PRC. Ms. Wu holds a bachelor's degree in accounting from Stamford College, Malaysia and a master's degree in business administration from The University of Greenwich, the United Kingdom. Ms. Wu was appointed as an independent non-executive Director in 2011 and resigned on 22 March 2016.

REPORT OF THE DIRECTORS

The Directors submit this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016 (the "Reporting Year").

GENERAL INFORMATION AND PRINCIPAL PLACE OF BUSINESS

The Company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 36th Floor, Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in notes 1 and 46 to the consolidated financial statements respectively.

An analysis of the Group's revenue and segmental information is set out in notes 7 and 8 to the consolidated financial statements, respectively.

RESULTS

The results of the Group for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 40 to 41.

RESERVES

Movements in the reserves of the Group and the Company during the Reporting Year are set out on page 44 and in note 52 to the consolidated financial statements, respectively. As at 31 December 2016, the Company had no reserves available for distribution under Companies Ordinance of Hong Kong (2015: Nil).

BUSINESS REVIEW AND PERFORMANCE

Review of the businesses of the Group and discussion and analysis of the Group's performance (including key performance indicators) during the Reporting Year and the material factors underlying its results and financial position are provided in the sub-sections headed "Business Overview" from pages 5 to 7 under the section headed "Management Discussion and Analysis" and the sub-section headed "Review of Final Results" under the section headed "Management Discussion and Analysis" from pages 7 to 8 of this annual report. Particulars of important events of the Group that have occurred following 31 December 2016 are set out in the sub-section headed "Events After the Report Period" section on pages 9 and 10. The outlook of the Group's businesses is discussed in this annual report including the section headed "Chairman's Statement" and the sub-section headed "Prospects" under the section headed "Management Discussion and Analysis" in pages 3 to 4 and 10 respectively. An account of the Group's relationship with its key stakeholders is included in the sub-section headed "Employees and Remuneration Policy" under the section headed "Management Discussion and Analysis" on page 11. The statements therein form part of this Report of the Directors section.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have knowledge that the Group is exposed to certain risks that could impact the Group and the industries in which the Group operates. As such, the Group has established risk management policies to ensure that significant risks which may adversely affect the Group are identified, reported, monitored and measured on a continuous basis. The followings are the principal risks which the Directors consider significant to the Group and may adversely or materially affect the businesses, financial conditions, operation and prospects of the Group:

Competition

The businesses that the Group operate are highly competitive and challenging, including the pressure from labour and production costs, price competition, customer preferences and products/services offerings from competitors. If the Group cannot respond to the market conditions and implement appropriate strategies, it would affect the financial performance, the consumers' demand of the Group's products and services and even the reputation of the Group.

Foreign exchange risk

Foreign exchange risk arises from recognised assets and liabilities in foreign currencies. The Group's cash flow from operations and assets are mainly denominated in Renminbi and Hong Kong dollar whilst non-current liabilities are mainly denominated in Japanese Yen. The management of the Group will continue to closely monitor its foreign exchange exposure and consider hedging if significant foreign currency exposure is observed.

Market risk

The Group's assets management segment, which comprises equity securities listed on the Stock Exchange and investment properties located in Hong Kong, is exposed to the risk of adverse price movements and stock market volatility. It has been the strategy of the Group to maintain a portfolio of investments with different risk and return profiles in order to mitigate such risk.

Economic conditions

The Group's major markets are Hong Kong and the PRC. Downturn in economic conditions in these major markets and the geopolitical uncertainty worldwide (e.g. the impacts to the future economic landscape as a result of the Britain's decision to leave the European Union, the presidency of Mr. Donald Trump and interest rate hike of the United States of America) may adversely affect the businesses and financial condition of the Group.

Other financial risks

The Group is also exposed to other financial risks including interest rate risk and liquidity risk.

The Group's interest-bearing borrowings are exposed to interest rate risk. The Group currently does not have an interest rate hedging policy. However, the Group monitors interest rate fluctuations within an acceptable level and will consider hedging strategies should the interest rate exposure becomes significant.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group finances its working capital requirements through a combination of internal generated funds, borrowings and issuance of new shares. It is the Group's policy to regularly monitor current and anticipated liquidity requirements to ensure sufficient working capital is maintained.

PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHT, INVESTMENT PROPERTIES, OTHER INTANGIBLE ASSETS AND LONG-TERM PREPAYMENT AND DEPOSITS

Details of the movements in property, plant and equipment, land use right, investment properties, intangible assets and long-term prepayments and deposits of the Group and of the Company (where applicable) during the Reporting Year are set out in notes 17, 18, 19, 21 and 25 to the consolidated financial statements, respectively.

BORROWINGS

Particulars of the Group's and the Company's borrowings as at 31 December 2016 are set out in note 33 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are shown in note 38 to the consolidated financial statements.

DONATION

During the Reporting Year, the Group made charitable donation amounting to HK$382,000 (2015: HK$1,039,000).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is shown on page 164.

DIRECTORS

The Directors during the Reporting Year and up to the date of this annual report are:

Executive Directors:
CHAN Ka Chung *(Chairman)*
CHEUNG Wai Kwan
WANG Jianguo

Independent non-executive Directors:
CHAN Yee Ping, Michael
HU Xuezhen
LAM Chun Ho
TONG Cheuk Man (appointed on 27 May 2016 and resigned on 12 September 2016)
WU Yan (resigned on 22 March 2016)

In accordance with the articles of association of the Company, Mr. Chan Ka Chung, Mr. Wang Jianguo and Ms. Hu Xuezhen, who had retired and been re-elected at the annual general meeting of the Company held on 12 June 2014, shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

All Directors (including independent non-executive Directors) are subject to the general provisions in respect of the retirement and rotation of Directors at the annual general meeting pursuant to the Company's articles of association.

The Company has received independence confirmation from all independent non-executive Directors and considers them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are set out on pages 12 and 13.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments in the Reporting Year are shown in note 13 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SERVICE CONTRACT

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed elsewhere, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company or his or her connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the Reporting Year.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Group (included in the audited consolidated financial statements of the Group for the Reporting Year) during the Reporting Year and up to the date of this annual report is available on the Company's website.

PERMITTED INDEMNITY PROVISIONS

During the Reporting Year and up to the date of this report, permitted indemnity provisions were in force for the benefit of the Directors of the Company and its subsidiaries. The permitted indemnity provisions are provided for in the Company's articles of association and in the Directors liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN SHARES AND OPTIONS

As at 31 December 2016, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(i) The Company

Interests in Shares

Name	Capacity	Number of shares of the Company held	Number of underlying shares of the Company held (Note)	Total	Approximate % of shareholding of the Company
Executive Directors					
Mr. Chan Ka Chung ("Mr. Chan")	Corporate interest	101,250,000	—	101,250,000	1.55%
	Personal	—	11,819,437	11,819,437	0.18%
Mr. Cheung Wai Kwan	Personal	—	3,000,000	3,000,000	0.05%
Independent Non-executive Directors					
Mr. Chan Yee Ping, Michael	Personal	—	1,499,866	1,499,866	0.02%
Ms. Hu Xuezhen	Personal	—	1,499,866	1,499,866	0.02%
Mr. Lam Chun Ho	Personal	—	1,499,866	1,499,866	0.02%
	Total	**101,250,000**	**19,319,035**	**120,569,035**	**1.84%**

Note:

Details of the share options granted by the Company to the Directors are as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share (HK$)	Number of share options: At 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2016
Executive Directors								
Mr. Chan	24-06-2015	24-06-2015 to 23-06-2017	0.28	11,819,437	—	—	—	11,819,437
Mr. Cheung Wai Kwan	31-10-2014	31-10-2014 to 30-10-2016	0.34	6,095,301	—	—	(6,095,301)	—
	24-06-2015	24-06-2015 to 23-06-2017	0.28	3,000,000	—	—	—	3,000,000
Independent Non-executive Directors								
Mr. Chan Yee Ping, Michael	31-10-2014	31-10-2014 to 30-10-2016	0.34	677,255	—	—	(677,255)	—
	24-06-2015	24-06-2015 to 23-06-2017	0.28	1,499,866	—	—	—	1,499,866
Ms. Hu Xuezhen	31-10-2014	31-10-2014 to 30-10-2016	0.34	677,255	—	—	(677,255)	—
	24-06-2015	24-06-2015 to 23-06-2017	0.28	1,499,866	—	—	—	1,499,866
Mr. Lam Chun Ho	31-10-2014	31-10-2014 to 30-10-2016	0.34	677,255	—	—	(677,255)	—
	24-06-2015	24-06-2015 to 23-06-2017	0.28	1,499,866	—	—	—	1,499,866
			Total:	**27,446,101**	**—**	**—**	**(8,127,066)**	**19,319,035**

(ii) Associated corporations

Save that Mr. Chan and Dr. Chan Leung Kwok were respectively interested in associated corporation of the Group as at 31 December 2016, no other Directors had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 30 October 2001, the Company adopted a share option scheme (the "2001 Share Option Scheme") under which the Board may, at its discretion, offer to any participant, options to subscribe for ordinary shares in the Company in accordance with the terms and conditions of the 2001 Share Option Scheme. The 2001 Share Option Scheme was expired on 30 October 2011.

At the annual general meeting of the Company held on 12 June 2014, the Company adopted a share option scheme (the "2014 Share Option Scheme") under which the Board may, offer to eligible participant, options to subscribe for ordinary shares of the Company in accordance with the terms and conditions of the 2014 Share Option Scheme. On 31 October 2014 and 24 June 2015 , the Company granted a total of 67,725,562 and 111,713,343 share options to eligible participants, respectively.

OPTIONS GRANTED UNDER THE SHARE OPTION SCHEMES

2001 Share Option Scheme

Details of the movements in share options granted under the 2001 Share Option Scheme during the Reporting Year and as at 31 December 2016 were as follows:

				Number of share options					
Grantee	Date of grant	Exercisable period	Adjusted exercise price per share *(HK$)*	At 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2016	% of shareholding of the Company
Consultants/advisors	10-04-2006	10-04-2006 to 09-04-2016	1.71	5,776,083	—	—	(5,776,083)	—	0.22%
	26-04-2007	26-04-2007 to 25-04-2017	3.42	2,937,268	—	—	—	2,937,268	0.11%
	06-11-2007	06-11-2007 to 05-11-2017	3.46	5,839,500	—	—	—	5,839,500	0.22%
	07-03-2008	07-03-2008 to 06-03-2018	2.23	7,410,676	—	—	—	7,410,676	0.29%
			Total:	21,963,527	—	—	(5,776,083)	16,187,444	0.84%

Notes:

1: *Vesting details under the 2001 Share Option Scheme are as follows:*

Date of grant	Date of vesting	No. of share options vested
26-04-2007	26-04-2007	2,858,435
	26-04-2008	26,278
	26-04-2009	52,555
06-11-2007	01-01-2008	2,919,750
	01-07-2009	2,919,750
07-03-2008	07-03-2010	3,705,338
	07-03-2011	3,705,338

2014 Share Option Scheme

Details of the movements in share options granted under the 2014 Share Option Scheme during the Reporting Year and as at 31 December 2016 were as follows:

				Number of share options					
Grantee	Date of grant	Exercisable period	Exercise price per share (HK$)	As at 1 January 2016 (Note 1 & 2)	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2016	% of shareholding of the Company
Directors	31-10-2014	31-10-2014 to 30-10-2016	0.34	8,127,066	—	—	(8,127,066)	—	—
	24-06-2015	24-06-2015 to 23-06-2017	0.28	19,319,035	—	—	—	19,319,035	0.30%
Employees	31-10-2014	31-10-2014 to 30-10-2016	0.34	18,624,529	—	—	(18,624,529)	—	—
	24-06-2015	24-06-2015 to 23-06-2017	0.28	60,895,637	—	—	—	60,895,637	0.93%
Consultants	31-10-2014	31-10-2014 to 30-10-2016	0.34	31,831,016	—	—	(31,831,016)	—	—
	24-06-2015	24-06-2015 to 23-06-2017	0.28	31,498,671	—	—	—	31,498,671	0.48%
			Total:	**170,295,954**	**—**	**—**	**(58,582,611)**	**111,713,343**	**1.71%**

Notes:

1. *Pursuant to an ordinary resolution approved by the shareholders of the Company at the annual general meeting of the Company held on 12 June 2014, the Company was authorised to issue 67,725,562 share options under the 2014 Share Option Scheme. On 31 October 2014, the Company granted a total of 67,725,562 share options. The share options was lapsed on 31 October 2016.*

2. *Pursuant to an ordinary resolution approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 6 January 2015, the Company was authorised to issue 111,713,343 share options under the 2014 Share Option Scheme. On 24 June 2015, the Company granted a total of 111,713,343 share options.*

3. *Vesting details under the 2014 Share Option Scheme are as follows:*

(i) Options granted to Directors of the Company:

Date of grant	Date of vesting	No. of share options vested
24 June 2015	24 June 2015	19,319,035

(ii) Options granted to employees:

Date of grant	Date of vesting	No. of share options vested
24 June 2015	24 June 2015	60,895,637

(iii) Options granted to consultants/advisors:

Date of grant	Date of vesting	No. of share options vested
24 June 2015	24 June 2015	31,498,671

SUBSTANTIAL SHAREHOLDER

As at 31 December 2016, there was no person (other than a director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO being 5% or more of the issued shares of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Reporting Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Year.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Year:

(A) The percentage of the aggregate amount of purchases attributable to the Group's major suppliers are as follows:

— the largest supplier	17%
— five largest suppliers combined	43%

(B) The percentage of the aggregate amount of sales attributable to the Group's major customers are as follows:

— the largest customer	3%
— five largest customers combined	9%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Year and up to the date of this report, none of the Directors or their respective associates has any interest in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 24 to 30.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited consolidated financial statements for the Reporting Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

AUDITORS

The consolidated financial statements for the Reporting Year were audited by HLB Hodgson Impey Cheng Limited who will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

By Order of the Board

Chan Ka Chung
Chairman

Hong Kong, 20 March 2017

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognises that corporate governance is essential in upholding accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders. To ensure continued compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, the management of the Company periodically reviews and proposes necessary amendments to its corporate governance practices.

During the Reporting Year, the Company has complied with all the code provisions of the CG Code except for none of the existing non-executive Directors being appointed for a specific term which constitutes a deviation from the code provision. However, 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. As such, the board of Directors (the "Board") considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

THE BOARD

The Board, which meets at least four times a year with additional meetings arranged when necessary, has established a schedule of matters reserved for its approval. In addition to the management and daily operation of the Company, the Board has specific responsibility including matters in relation to the strategy and overall management of the Group; capital, corporate and control structures; financial reporting and controls; internal controls; major capital projects and contracts; communication with the shareholders; Board membership and the appointment of company secretary and auditors; Directors' remuneration; delegation of authority to committees and the Group's overall corporate governance arrangements.

Save as those matters mentioned above as specifically reserved for the Board, the Board has delegated powers to the management and various committees of the Board to deal with the daily operations of the Company.

As at 31 December 2016, the Board comprises six members with a wide range of business, financial, legal, accounting and management skills and experience as well as a balanced composition of the executive and independent non-executive Directors to ensure independent judgment and effective operation of the Board. There were 11 Board meetings and 2 extraordinary general meetings held during the Reporting Year. Changes to the

Board during the Reporting Year as well as the number of Board meetings held and attended by each individual Director (including attendance via telephone conference) during his/her respective term of office in the Reporting Year are as follows:

		Board meetings	Extraordinary general meeting	Annual general meeting
Executive Directors:				
CHAN Ka Chung (Chairman)		11/11	2/2	1/1
CHEUNG Wai Kwan		11/11	2/2	0/1
WANG Jianguo		11/11	0/2	0/1
Independent Non-executive Directors:				
CHAN Yee Ping, Michael		10/11	2/2	1/1
HU Xuezhen		11/11	0/2	0/1
LAM Chun Ho		11/11	2/2	1/1
TONG Cheuk Man	(appointed on 27 May 2016 and resigned on 12 September 2016)	3/3	0/0	0/0
WU Yan	(resigned on 22 March 2016)	2/3	0/0	0/0

The biographical details of each existing Director are set out on pages 12 and 13.

Roles of the Chairman and Chief Executive Officer

To ensure a balance of power and authority, a clear division of the responsibilities of the chairman of the Board and the chief executive officer has been set out in writing.

The chairman is mainly responsible for providing leadership to the Board, encouraging all Directors to make full and active contribution to the Board's affairs and ensuring that the Board acts in the best interests of the Group.

The chief executive officer is responsible for the implementation of the Group's strategies and policies adopted by the Board in achieving the overall commercial objectives and assumes full accountability to the Board for the operations of the Group.

During the Reporting Year, the Company appointed Dr. Chan Leung Kwok as the chief executive officer.

Directors' training

Upon joining the Company, each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's affairs as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Directors are also provided with updates on latest development and changes in Listing Rules and other relevant legal and regulatory requirements from time to time.

Pursuant to the revised CG Code which was effective on 1 April 2012, the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. For the Reporting Year, all Directors have appropriate continuous professional development activities either by attending training courses or by reading relevant materials.

BOARD COMMITTEES

The Board is supported by four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. Each committee has defined terms of reference covering its constitution, duties and authorities. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website.

Audit Committee

The principal responsibilities of the Audit Committee include: making recommendations to the Board in relation to the appointment, re-appointment and removal of the external Auditors; review of and monitoring 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, interim and annual reports and accounts; review of significant financial reporting judgments particularly on any changes in accounting policies and practices; ensuring that management has discharged its duty to have an effective internal control system and considering any findings of major investigations of internal control matters; review of the external auditors' management letter, any material queries raised by the auditors to management in respect of the accounting records, financial statements or systems of control and management's response.

During the Reporting Year, the Audit Committee discharged its responsibilities by reviewing the interim and annual results of the Group and the relevant statements and reports prior to Board approval; reviewing the external auditors' reports and findings on the work performed and the related internal control matters; reviewing significant financial reporting judgements focusing in accounting policies, reviewing and approving the external auditors' terms of engagement (including audit fee).

The Audit Committee comprised three members, all of which are independent non-executive Directors. All members possess diversified expertise and experience, including those in finance and accounting matters. There were 2 Audit Committee meetings held during the year. The number of Audit Committee meetings held and attended by each individual member during his/her respective term of office in the Reporting Year are as follows:

		Audit Committee meeting attended/ held
CHAN Yee Ping, Michael		2/2
HU Xuezhen		2/2
LAM Chun Ho		2/2
Wu Yan	(resigned on 22 March 2016)	1/1

Remuneration Committee

The Remuneration Committee is principally responsible for making recommendations to the Board on the Company's remuneration policy for the Directors and senior management; determining the specific remuneration packages of executive Directors and senior management; recommending to the Board on the remuneration of non-executive Directors; reviewing performance-based remuneration; determining compensation payable to executive Directors and senior management in connection with any loss or termination of office.

During the Reporting Year, there were no changes to the remuneration policy of the Directors.

The Remuneration Committee comprised four members, with Mr. Chan Yee Ping, Michael as chairman and Mr. Chan, Ms. Hu Xuezhen and Mr. Lam Chun Ho as members.

Nomination Committee

The Nomination Committee is principally responsible for reviewing the structure, size and composition of the Board; making recommendations on any proposed changes to the Board for implementation of the Company's corporate strategy; identifying and nominating appropriate candidates as Board members; assessing the independence of independent non-executive Directors; recommending to the Board on succession planning for chairman and chief executive officer.

The Nomination Committee comprises four members, with Chan Yee Ping, Michael as chairman and Mr. Chan, Ms. Hu Xuezhen and Mr. Lam Chun Ho as members. During the Reporting Year, one Nomination Committee meeting was held to review relevant matters.

Corporate Governance Committee

The Corporate Government Committee is principally responsible for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Company's internal control; reviewing the Company's compliance with the CG Code and disclosure in its corporate governance report.

The Corporate Governance Committee comprises all Directors, with Chan Yee Ping, Michael as chairman and other directors as members. During the Reporting Year, one Corporate Governance Committee meeting was held to review the relevant matters.

REMUNERATION OF DIRECTORS

The Board has set out a formal policy for determining Directors' remuneration, the main elements involved are:

- There should be a formal and transparent procedure for fixing the remuneration packages of individual Directors and no individual should determine his own remuneration.

- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performance individuals but the Group should avoid paying more than is necessary for these purposes.

- The total remuneration package should be competitive in relation to comparable organisations in each of the countries or regions in which the Group operates.

Remuneration of Executive Directors

The key components to executive Directors' remuneration are basic salary, performance bonus, retirement and other benefits.

The remuneration of ongoing executive Directors are mainly subject to an annual performance appraisal. A performance standard is established and fixed for duties and responsibilities of each single executive Director and appraisal results are discussed with the chairman and/or chief executive officer by reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee should then consult the chairman regarding their proposals relating to the remuneration of the executive Directors. It is a duty of the Remuneration Committee to determine the specific remuneration packages of executive Directors by considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the executive Directors, employment conditions elsewhere in the Group and individual performance.

Remuneration of non-executive Directors

In view of the growing responsibilities of non-executive Directors, their role has become more complex and demanding. The remuneration for any particular non-executive Director has reflected the likely workload and responsibility involved, the scale and complexity of the business and the market practice.

The directors' fees of non-executive Directors are based on independent review undertaken no less frequently than every three years. Such fees are proposed by the executive management, reviewed and recommended to the Board by the Remuneration Committee from time to time and approved by the shareholders (either specifically or by means of a resolution authorising the Board to fix the fees) at each annual general meeting.

Share Options

A Director (either executive or non-executive Director) may benefit from the share option scheme adopted by the Company from time to time. Such reward is to provide additional incentive to Directors and to reward loyal Directors who have contributed to the Company's success in various ways. Share options granted to a Director are approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) or approved by shareholders whenever it is applicable pursuant to the scheme rules and the Listing Rules. Such share options are exercisable during a period not exceeding ten years from the date of grant subject to vesting or other conditions (if any) and under an exercise price to be determined by the Board in compliance with the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors.

Having made enquiry of all Directors, each of them has confirmed that he/she had complied with the required standard as set out in the Model Code during the Reporting Year.

FINANCIAL REPORTING

The Directors hereby acknowledge their responsibility for preparing the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The interim and annual results of the Group are announced on a timely manner within the time limits set by the regulatory authorities.

In preparing the financial statements for the Reporting Year, the Directors have selected suitable accounting policies; made judgments and estimates that are prudent, fair and reasonable.

The statement of the Auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditors' Report on pages 34 to 39.

INTERNAL CONTROLS

Internal control systems have been designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to assure against material financial misstatement or loss. It is the responsibility of the Board to maintain the internal control systems of the Group. During the Reporting Year, the Board has discussed and reviewed the internal control systems of the Group and the relevant proposal made by senior management in order to ensure that the Group has adequate and effective internal control systems in place.

AUDITORS' FEES

The Company's current external auditors are HLB Hodgson Impey Cheng Limited. For the Reporting Year, the fees payable to the external auditors for audit service and review service (non-audit service) were HK$1,200,000 and HK$310,000, respectively.

COMPANY SECRETARY

During the Reporting Year, the Company Secretary of the Company was Mr. Lam Sung Him, Gaston.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meetings ("EGM")

Shareholders holding not less than one-twentieth (i.e. 5%) of the paid-up capital and carrying the right of voting at a general meeting of the Company can deposit a written request to convene an EGM (stating the objects of the meeting and shareholders concerned) at the register office of the Company for the attention of the Company Secretary. If the Directors do not within twenty one days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM for a day not more than twenty eight days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

Putting forward proposals at shareholders' meetings

To put forward proposals at shareholders' meeting, a request in writing must be made by:

(a) shareholders holding not less than one-fortieth (i.e. 2.5%) of the total voting rights of all shareholders having the right to vote at the meeting; or

(b) not less than fifty shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

If a shareholder of the Company intends to propose a person other than a Director of the Company for election as a Director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a written notice by that person of his/her willingness to be elected; together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later seven days prior to the date of such general meeting.

Enquiries to the Board

Enquiries may be put to the Board at the registered office of the Company at 36th Floor, Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong (email: chinawahyan@chinawahyan.com).

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given high priority. Information about the Group's activities is provided in the annual reports and the financial statements as well as the interim reports which are available to shareholders on a timely basis. All shareholders are encouraged to attend the general meetings of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to the principles of good corporate governance and strives to integrate corporate social responsibility into its business environment and management approach.

ENVIRONMENT PROTECTION

Environment

The Group's principal businesses comprises (i) the Health Management Business involving the operation of a chain of sports an healthcare clubhouses in the PRC; (ii) the medical and well-being businesses including the Eye-care Business, the Medical Laboratory Testing Business, the Pharmaceutical Manufacturing Business, the O&G business; and (iii) the asset management business. Given the nature of the Eye-care Business, O&G Business and Health Management, the Group considers these businesses lines do not have significant impact to the environment and do not generate hazardous waste.

The laboratories of the Medical Laboratory Testing Business in Hong Kong have complied with the legal requirement of the Waste Disposal Ordinance (Chapter 354) and the Waste Disposal (Clinical Waste) (General) Regulation. A safety policy has been developed to manage and reduce the risk of these materials and its impact on the environment. In addition, in order to minimise the risk of pollution, all clinical waste produced from the laboratories are carefully collected and handled by a licensed clinical waste collector and leak-proof containers are used to contain laboratory waste.

Measures have been taken to ensure that water discharge of the manufacturing plant under the Pharmaceutical Manufacturing Business meets the regulatory standards and swages are discharged to the municipal waste sewage pipes. All solid waste materials produced in the manufacturing process are sorted into recyclable and non-recyclable categories, whereby recyclable goods such as industrial scrap and cardboard boxes are distributed to qualified waste collection points for recycling whilst other unrecyclable goods such as expired pharmaceutical products are safely handled by recognised third parties.

The Group will continue to take steps to closely monitor and manage the environmental effect of its operations to minimize their impacts on the environment and observes the applicable laws, standards and regulations.

Use of Resources and Raising Environmental Awareness

Utilities such as water and electricity consumption remain the Group's key consumption of natural resources and carbon emission. For example, the swimming pool and changing areas of the Group's sports and healthcare centres, the electricity consumption in the Group's head office, the retail shops of the Eye-care Business and the clinic of the O&G Business. During the Reporting Year, the utilities expenses of the Group amounted to HK$13,035,000. The Group will continue to monitor the use of resources on its operations.

The Group aims to build an environmental friendly working environment that conserves natural resources. The Group aims to maximise energy conservation and has a number of measures to better conserve resources and promote environmental awareness, including:

Energy saving

— use energy efficient electronics equipment as far as possible;

— maintain the office temperature at about 25 degree celsius; and

— switch off or set to energy saving mode for electronic appliances when they are not in use.

Paper saving

— use electronic means to disseminated information as far as possible;

— use single-sided printing for formal and confidential documents, other documents are required to use double-sided printing; and

— use electronic means for marketing materials as far as possible.

The Company also publishes its financial reports and announcements, through the websites of the Company and the Stock Exchange instead of in printed form. By introducing electronic means of corporate communications to the Shareholders, the quantity of printed materials con be considerably reduced. This paperless practice thus helps to protect th environment, as well as save costs for stationery, printing and administrative charges, etc.

SOCIAL

Employment

Employees are regarded as the valuable assets and core competitive advantages of the Group. The Group employs staff in accordance with the applicable regulations, rewards and recognizes performing staff by providing a competitive remuneration package and appropriate incentives. The Group promotes career development and progression and provides opportunities for career advancement.

Health and safety

The health and safety of employees are of the Group's priority and the Group promotes occupational health and safety policy. During 2016, the Group did not encounter any work-related fatalities due to work injury.

In addition, the Medical Laboratory Testing Business has developed a hazardous material classification system specifying the different risk groups that chemical, reagents, equipment, etc. are classified into. A comprehensive and structured system has been development to manage the hazardous goods and minimise their risk levels.

The Group also promotes work-life balance and considers that maintaining a work-life balance is essential for sustainability and a sound body and mind for its employees.

Development and training

Knowledgeable employees who are capable to meet the demands of the dynamic market is crucial to the success of the Group. The Group believes that training is an important path to improve the overall quality and provide comprehensive development of the employees. Apart from on the job training, the Group also encourages its employees to attend external training courses or seminars to enhance their competence and job related knowledge.

In addition, experienced employees will provide supervision to the newcomers/subordinates so as to enhance communication and team spirits, improve their technical skills and managerial capability.

OPERATING PRACTICES

Community

As a socially responsible corporation, the Group is committed to the improvement of community well-being and recognizes the importance of donation to charitable organizations. During the Reporting Year, the Group donated HK$382,000 (2015: HK$1,039,000) to a number of charitable institutions. The Group also encourages its employees to join volunteering activities.

Anti-corruption

The Group requires its employees to conform to business ethics and put effort to prevent corruption and comply with the relevant legislation on standards of conducts and the relevant anti-corruption laws.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

To the members of China Wah Yan Healthcare Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Wah Yan Healthcare Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 163, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of available-for-sales financial assets Refer to Note 24 to the consolidated financial statements The Group has listed available-for-sale financial asset of approximately HK$91,095,000 at fair value and unlisted available-for-sale financial asset of approximately HK$113,944,000 at cost as at 31 December 2016. During the year, the management concluded an impairment loss of approximately HK$183,372,000 was recognised due to the significant decline in the fair value of the available-for-sales financial assets. This conclusion requires significant management judgement.	Our procedures in relation to management's impairment assessment of available-for-sale financial assets included: • Assessing the appropriateness of the methodologies used by management for the impairment assessment; and • Comparing the management's estimates of fair values of available-for-sale financial assets to market data. We found the impairment assessment of available-for-sales financial assets were supported by the available evidence.

Key audit matters	How our audit addressed the key audit matters
Valuation of investment property	
Refer to Note 19 to the consolidated financial statements	
Management has estimated the fair value of the Group's investment property to be approximately HK$101,000,000 as at 31 December 2016, with net loss in fair value for the year ended 31 December 2016 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately HK$12,901,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including market selling price of comparable properties and assuming the properties are capable of being sold in the existing state.	Our procedures in relation to management's determination of the valuation of the investment properties included: • Evaluation of the independent valuer's competence, capabilities and objectively; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; and • Checking, on sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

Key audit matters	How our audit addressed the key audit matters
Business Combination Refer to Note 41(a) to the consolidated financial statements During the year, the Group completed the acquisition of Rui Kang Pharmaceutical Group Limited ("Rui Kang"). The total consideration was approximately HK$176,482,000 and the fair value of net assets acquired from the business combination was approximately HK$323,451,000. As a result, the Group has recognised a gain on bargain purchases of subsidiaries of approximately HK$49,318,000 in its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016. The acquisition requires the identification of assets acquired and the liabilities assumed and the consideration measured at their acquisition-date fair values, which require significant management judgement. Independent external valuations were obtained in order to support management estimates.	Our procedures in relation to the management determination of the gain on bargain purchases of subsidiaries included: • evaluation of the independent external valuers' competence, capabilities, independence and objectivity; • assessing the methodologies used and the appropriateness of the key assumptions used; and • checking on a sample basis, the accuracy and relevance of the input data used. We found that the key assumptions were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility toward or accept liability to any other persons for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 20 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Revenue	7	**194,211**	127,236
Cost of goods sold and services		**(146,071)**	(98,817)
Gross profit		**48,140**	28,419
Other gains and losses	9	**28,719**	5,996
Selling and distribution expenses		**(25,756)**	(11,756)
Administrative expenses		**(124,685)**	(179,752)
Loss on disposal of financial asset at fair value through profit or loss	28	**(5,432)**	—
Loss arising from change in fair value of financial assets at fair value through profit or loss	28	**(41,804)**	(2,011)
Impairment loss on available-for-sale financial assets	24	**(183,372)**	(40,734)
Impairment loss on trade receivables	27(c)	**(5,075)**	(17,172)
Impairment loss on property, plant and equipment and intangible assets		**—**	(18,532)
Loss arising from change in fair value of investment properties	19	**(12,901)**	(44,110)
Loss on disposal of subsidiaries	42	**(40,475)**	—
Gain on bargain purchase of subsidiaries	41(a)	**49,318**	—
Loss arising on extinguishment of convertible bonds		**—**	(69,410)
Share of results of associates	22	**8,741**	—
Share of result of a joint venture	23	**(3,902)**	6,891
Finance costs	10	**(29,445)**	(16,655)
Loss before taxation		**(337,929)**	(358,826)
Income tax	11	**(702)**	(5,847)
Loss for the year	12	**(338,631)**	(364,673)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Other comprehensive loss 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)**	—
Exchange differences on translating foreign operations		**(611)**	(26,121)
Reclassification adjustments relating to foreign operations disposed of during the year		**(72,191)**	—
Other comprehensive loss for the year, net of income tax		**(73,397)**	(26,121)
Total comprehensive loss for the year		**(412,028)**	(390,794)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(311,388)**	(436,503)
Non-controlling interests		**(27,243)**	71,830
		(338,631)	(364,673)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(385,332)**	(454,989)
Non-controlling interests		**(26,696)**	64,195
		(412,028)	(390,794)
Loss per share attributable to the owners of the Company (HK cents)	16		
— Basic		**(7.92)**	(24.49)
— Diluted		**(7.92)**	(24.49)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**57,462**	26,986
Land use right	18	**7,842**	3,506
Investment properties	19	**101,000**	150,600
Goodwill	20	**69,010**	61,237
Investment in associates	22	**72,611**	—
Intangible assets	21	**60,621**	3,610
Available-for-sale financial assets	24	**113,944**	335,324
Long-term prepayments and deposits	25	**1,944**	108,921
		484,434	690,184
Current assets			
Land use right	18	**225**	84
Inventories	26	**17,781**	11,099
Trade receivables	27	**25,103**	24,011
Other receivables, prepayments and deposits	27	**47,849**	133,473
Tax recoverable		**1,157**	—
Available-for-sale financial assets	24	**91,095**	67,858
Financial assets at fair value through profit or loss	28	**124,714**	75,584
Cash and bank balances	29	**72,943**	91,713
		380,867	403,822
Assets classified as held for sale	30	**8,777**	—
		389,644	403,822
Current liabilities			
Trade and other payables	31	**96,962**	143,444
Receipt in advance	32	**60,808**	77,807
Tax payable		**275**	17,189
Borrowings	33	**113,600**	129,835
Convertible notes	34	**1,990**	—
Bonds payable	35	**79,693**	—
		353,328	368,275
Net current assets		**36,316**	35,547
Total assets less current liabilities		**520,750**	725,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Other payables	31	**13,821**	7,000
Borrowings	33	**69,619**	67,684
Convertible notes	34	**—**	1,963
Bonds payable	35	**53,734**	96,828
Promissory note	36	**61,383**	—
Deferred tax liabilities	37	**2,314**	642
		200,871	174,117
Net assets		**319,879**	551,614
CAPITAL AND RESERVES			
Share capital	38	**3,030,660**	2,757,283
Reserves		**(2,784,783)**	(2,379,093)
Equity attributable to the owners of the Company		**245,877**	378,190
Non-controlling interests		**74,002**	173,424
Total equity		**319,879**	551,614

The consolidated financial statements were approved and authorised for issue by the board of directors on 20 March 2017 and are signed on its behalf by:

CHAN KA CHUNG
Director

WANG JIANGUO
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to the owners of the Company										
	Share capital	Share option reserve	Exchange translation reserve	Equity component of convertible bonds/notes	Warrant reserves	Other reserves	Investment revaluation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	2,464,228	45,524	94,910	185	179	72,717	—	(2,225,290)	452,453	134,764	587,217
(Loss)/profit for the year	—	—	—	—	—	—	—	(436,503)	(436,503)	71,830	(364,673)
Other comprehensive loss for the year:											
Exchange difference on translating foreign operations	—	—	(18,486)	—	—	—	—	—	(18,486)	(7,635)	(26,121)
Total comprehensive (loss)/income for the year	—	—	(18,486)	—	—	—	—	(436,503)	(454,989)	64,195	(390,794)
Issue of convertible bonds	—	—	—	176	—	—	—	—	176	—	176
Extinguishment of convertible bonds	—	—	—	(294)	—	—	—	294	—	—	—
Recognition of convertible bonds upon modification	—	—	—	155,012	—	—	—	—	155,012	—	155,012
Issue of share pursuant to conversion of convertible bonds	86,689	—	—	(155,012)	—	—	—	68,323	—	—	—
Issue of share pursuant to placing	212,775	—	—	—	—	—	—	—	212,775	—	212,775
Transaction costs attributable to issue of shares pursuant to placing	(6,409)	—	—	—	—	—	—	—	(6,409)	—	(6,409)
Recognition of equity-settled share-based payments	—	15,148	—	—	—	—	—	—	15,148	—	15,148
Lapse of share options	—	(1,364)	—	—	—	—	—	1,364	—	—	—
Change in ownership interests of subsidiaries	—	—	—	—	—	4,024	—	—	4,024	806	4,830
Non-controlling interests arising on acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	(26,341)	(26,341)
At 31 December 2015 and 1 January 2016	**2,757,283**	**59,308**	**76,424**	**67**	**179**	**76,741**	**—**	**(2,591,812)**	**378,190**	**173,424**	**551,614**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(311,388)**	**(311,388)**	**(27,243)**	**(338,631)**
Other comprehensive (loss)/income for the year:											
Exchange difference on translating foreign operations	**—**	**—**	**(1,158)**	**—**	**—**	**—**	**—**	**—**	**(1,158)**	**547**	**(611)**
Reclassification adjustment relating to foreign operations disposed of during the year (note 42)	**—**	**—**	**(72,191)**	**—**	**—**	**—**	**—**	**—**	**(72,191)**	**—**	**(72,191)**
Change in fair value of available-for-sale financial assets	**—**	**—**	**—**	**—**	**—**	**—**	**10,619**	**—**	**10,619**	**—**	**10,619**
Reclassification adjustment relating to derecognition of available-for-sale financial assets upon business combination	**—**	**—**	**—**	**—**	**—**	**—**	**(11,214)**	**—**	**(11,214)**	**—**	**(11,214)**
Total comprehensive loss for the year	**—**	**—**	**(73,349)**	**—**	**—**	**—**	**(595)**	**(311,388)**	**(385,332)**	**(26,696)**	**(412,028)**
Acquisition of subsidiaries, net of transaction cost (note 41(a))	**135,877**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**135,877**	**98,249**	**234,126**
Issue of shares pursuant to placing, net	**137,500**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**137,500**	**—**	**137,500**
Disposal of subsidiaries	**—**	**—**	**—**	**—**	**—**	**(76,741)**	**—**	**76,741**	**—**	**(205,046)**	**(205,046)**
Change in ownership of subsidiaries	**—**	**—**	**(1,050)**	**—**	**—**	**(18,231)**	**—**	**—**	**(19,281)**	**34,071**	**14,790**
Addition of a joint venture	**—**	**—**	**(1,077)**	**—**	**—**	**—**	**—**	**—**	**(1,077)**	**—**	**(1,077)**
Lapse of share options	**—**	**(8,745)**	**—**	**—**	**—**	**—**	**—**	**8,745**	**—**	**—**	**—**
At 31 December 2016	**3,030,660**	**50,563**	**948**	**67**	**179**	**(18,231)**	**(595)**	**(2,817,714)**	**245,877**	**74,002**	**319,879**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Cash flows from operating activities			
Loss before taxation		**(337,929)**	(358,826)
Adjustments for:			
Finance cost		**29,445**	16,655
Exchange loss/(gain)	9	**4,979**	(18)
Interest income	9	**(369)**	(27)
Dividend income	9	**(961)**	(49)
Forfeiture of consideration received	9	**(1,360)**	—
Depreciation of property, plant and equipment and jointly-operated assets	17	**8,402**	7,455
Amortisation of land use right	18	**151**	87
Amortisation of intangible assets	21	**1,653**	1,642
Impairment loss on trade receivable	27	**5,075**	17,172
Impairment loss on property, plant and equipment	17	**—**	15,756
Impairment loss on intangible assets		**—**	2,776
Impairment loss on available-for-sale financial assets		**183,372**	40,734
Net loss on disposal of property, plant and equipment and other intangible assets	9	**1,171**	119
Fixed assets written off		**6,818**	—
Loss arising from change in fair value of investment properties	19	**12,901**	44,110
Loss on disposal of financial asset at fair value through profit or loss		**5,432**	—
Loss arising from change in fair value of financial assets designated as at fair value through profit or loss		**41,804**	2,011
Gain arising from derecognition of available-for-sale upon business combination	9	**(11,214)**	—
Gain on bargain purchases of a subsidiary	41(a)	**(49,318)**	—
Net loss on disposal of subsidiaries		**40,475**	—
Share of results from associates		**(8,741)**	—
Share of result of a joint venture		**3,902**	(6,891)
Lapse of disposal of a joint venture		**(794)**	—
Loss on redemption of promissory note and convertible notes		**—**	305
Loss on extinguishment of convertible bonds		**—**	69,410
Expenses recognised in respect of equity settled share based payments		**—**	15,148
Withholding tax in relation to offshore transfer of available-for-sale financial asset		**—**	67,131
Operating cash flows before movements in working capital		**(65,106)**	(65,300)
Decrease/(increase) in inventories		**11,539**	(3,703)
Increase in trade receivables		**(9,814)**	(74)
Increase in other receivables, prepayments and deposits		**(9,749)**	(10,883)
Decrease in loan receivable		**11,832**	—
Decrease in long term prepayments and deposit		**500**	9,858
Net cash generated from/(used in) trading of financial assets at fair value through profit or loss		**10,593**	(39,562)
Decrease in received in advance		**(12,520)**	(4,891)
Increase in amounts due from a joint venture		**—**	(55,079)
(Decrease)/increase in trade and other payables		**(32,910)**	17,822
Decrease in amounts due to directors		**—**	(12,043)

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash used in operations		**(95,635)**	(163,855)
Interest received		**369**	27
Income tax paid		**(1,255)**	—
Net cash used in operating activities		**(96,521)**	(163,828)
Cash flows from investing activities			
Purchase of property, plant and equipment	17	**(7,825)**	(7,667)
Proceeds from disposal of property, plant and equipment		**—**	596
Addition for investment properties	19	**(401)**	(1,598)
Net cash inflow/(outflow) on acquisition of subsidiaries		**26,321**	(10,178)
Net cash outflow arising on acquisition of asset through acquisition of subsidiaries		**—**	(3,483)
Purchase of available-for-sale financial assets		**(111,969)**	(70,124)
Net cash outflow on disposal of subsidiaries		**(3,545)**	—
Net cash inflow in change in ownership of subsidiaries		**28,624**	4,830
Dividend received		**961**	49
Net cash used in investing activities		**(67,834)**	(87,575)
Cash flows from financing activities			
Proceeds from borrowings		**312,969**	150,000
Net proceeds from issue of shares pursuant to placing		**137,500**	206,366
Net proceeds from issue of bonds payable		**35,110**	76,306
Proceeds from placing of convertible bonds		**—**	42,044
Repayment of borrowings		**(310,803)**	(274,845)
Repayment of promissory notes		**—**	(10,240)
Interest paid		**(27,606)**	(20,751)
Net cash generated from financing activities		**147,170**	168,880
Net decrease in cash and cash equivalents		**(17,185)**	(82,523)
Cash and cash equivalents at the beginning of the year		**91,713**	178,069
Effect of foreign exchange rate changes		**(1,585)**	(3,833)
Cash and cash equivalents at the end of the year		**72,943**	91,713
Analysis of balances of cash and cash equivalents			
Cash and cash balances		**72,943**	91,713

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company are set out in the section headed "Corporate Information" of the annual report.

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in Note 46.

The consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated. The directors of the Company (the "Directors") consider that the functional currency of the Company is Hong Kong Dollar. As the Company is listed on the Main Board of the Stock Exchange, the Directors consider that it will be more appropriate to adopt Hong Kong dollars as the Group's and the Company's presentation currency.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong 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.

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

In the current year, the Group has applied a number of new and revised HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2016:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operation
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 HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative

The application of these new and revised HKFRSs 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.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[1]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instrument with HKFRS 4 Insurance Contract[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[2]
HKFRS 16	Lease[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods to be determined

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

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credits loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting.

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

HKFRS 9 "Financial Instruments" — continued

The Directors will assess the impact of the application of HKFRS 9. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 "Revenue from contracts with customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the HKFRS 15 may have significant impact on amounts reported in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the other new and revised HKFRSs, will have a significant impact on the Group's financial performance and position.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(a) Basis of consolidation — continued

The consolidated financial statements comprise the financial statements of the Company and its entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total consolidated comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "*Income Taxes*" and HKAS 19 "*Employee Benefits*" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with HKFRS 2 "*Share-based Payment*" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis specified in another HKFRS.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(b) Business combinations — continued

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the acquisition.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(c) Goodwill — continued

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

(d) Investments in associates and joint ventures

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests, that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(d) Investments in associates and joint ventures — continued

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests. When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(d) Investments in associates and joint ventures — continued

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or a joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Rental income from operating leases is recognised in profit or loss over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Contingent rentals are recognised as income in the accounting period in which they are earned.

Sales of financial assets at FVTPL are recognised on a trade data basis.

Service income is recognised when services are provided.

Revenue from sale of goods is recognised when goods are delivered and title has passed to customers.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(f) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(f) Property, plant and equipment — continued

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for the current year are as follows:

Land and buildings	Over remaining unexpired terms of the relevant lease 20 years
Leasehold improvements	20%–33.3% or over the shorter of the term of the lease
Plant	5%
Medical equipment	5%–18% or over the shorter of the term of the co-operative contracts
Furniture, fixtures and equipment	10%–33.3%
Motor vehicles	10%–33.3%
Computer equipment	30%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(g) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gain and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Investment properties under construction are accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period which the property is derecognised.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(g) Investment property — continued

If an investment property become a stock of properties because its use has changed as evidenced by the commencement of development with view to sale, any difference the carrying amount and the fair value of the property at the date of transfer is recognised in profit or loss. Subsequent to the changes, the property is stated at lower of deemed cost, equivalent to the fair value at the date of transfer, and net realisable value.

The Group transfers properties from the stock of properties to investment properties when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which evidence by the commencement of an operating lease to another party. For a transfer from the stock of properties to investment properties, any difference between the fair value of the property at the date of the change in use and its previous carrying amount recognised in profit or loss.

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a basis of specific percentage of the revenue of the lease in accordance with the contractual term of the leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Land use right under operating lease is initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(i) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the exchange translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in other comprehensive income.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(j) Borrowings costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets, which are assets that necessary take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Retirement benefits costs

Payments to state-managed retirement benefit scheme and Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered the service entitling them to the contributions.

(l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(l) Taxation — continued

Deferred tax — continued

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(m) intangible assets

intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Other intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, other intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

Intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(n) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(n) Financial instruments — continued

Financial assets — continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(n) Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

Financial liabilities and equity instruments

Classification as financial liabilities or equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(n) Financial instruments — continued

Financial liabilities and equity instruments — continued

Guaranteed convertible notes

Guaranteed convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the guaranteed convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the guaranteed convertible notes into equity, is included in equity (guaranteed convertible notes — equity component reserve).

In subsequent periods, the liability component of the guaranteed convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in guaranteed convertible notes — equity component reserve until it is exercised (in which case the balance stated in guaranteed convertible notes — equity component reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in guaranteed convertible notes — equity component reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the guaranteed convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the guaranteed convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities (including trade and other payables, bonds payables, promissory note, convertible notes and borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(n) Financial instruments — continued

Financial liabilities and equity instruments — continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(o) Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated statement of comprehensive income in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees and others providing similar services after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings/accumulated losses.

Modification to original share options

If new share options are granted as replacement for the cancellation of previously granted share options, the grant of replacement share options is accounted for as modifications. The incremental fair value granted, representing the difference between the fair value of the modified/replaced share option and that of the original share option at the date of modification/replacement is expensed over the remaining vesting period of the share options, in addition to the amount based on fair value of the original share options at the grant date.

In situation where equity instruments are issued to parties other than employees are measured at the fair value of the goods or services received, except where the fair value of goods or services cannot be estimated reliably, in which case, they are measured at the fair value of equity instruments granted, measured at the date the Group receives the goods or services.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(p) Impairment loss on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(s) Related parties

A party is considered to be related to the Company if:

(1) A person or a close member of that person's family is related to the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(s) Related parties — continued

(2) An entity is related to the Company if any of the following condition applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsorship employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Current assets and liabilities

Current assets are expected to be realised within twelve months of the reporting date or in the normal course of the operating cycle. Current liabilities are expected to be settled within twelve months of the reporting date or in the normal course of the operating cycle.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of trade and other receivables

The Group makes allowance for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Allowance is applied to trade and other receivables and promissory note receivable where events of changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables and promissory note receivable requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate had been changed.

Impairment of tangible assets

Management periodically reviews each tangible asset and assets classified as held for sale for possible impairment or reversal of previously recognised impairment. Recoverability of tangible assets and assets classified as held for sale is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell.

Impairment of intangible assets and property, plant and equipment

Determining whether intangible assets and property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units to which other intangible assets and property, plant and equipment have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculations are disclosed in notes 17 and 21 respectively.

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY — CONTINUED

Valuation of investment properties

Investment properties are included in the statement of financial position at their fair value, which is assessed annually by independent qualified valuers, after taking into consideration all readily available information and current market environment. The methodology and assumptions adopted in the property valuations are mentioned in note 19.

Business combination

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the income statement.

Impairment assessment of available-for-sales financial assets

A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result that occurred after the initial recognition of assets and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. A significant or prolonged decline in the fair value of an investments in an equity instrument below its cost is an objective evidence of impairment.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and People's Republic of China. Significant judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will accordingly be adjusted in the relevant tax account in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and current tax charges in the period in which such estimates have been changed.

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt (which includes the borrowings and guaranteed convertible notes, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, new borrowings raised and repayment of borrowings.

The gearing ratio at the end of the reporting period was as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Debt (note (i))	**380,019**	296,310
Cash and cash equivalents (note 29)	**(72,943)**	(91,713)
Net debt	**307,076**	204,597
Equity (note (ii))	**245,877**	378,190
Net debt to equity ratio	**124.89%**	54.10%

The deterioration of net debt to equity ratio in 2016 resulted primarily from the issue of promissory note as part of the consideration of acquisition of listed securities as available-for-sale financial assets (note 24).

Notes:

(i) Debt comprises borrowings, convertible bonds/note, bonds payable and promissory note as detailed in notes 33, 34, 35 and 36 respectively.

(ii) Equity includes all capital and reserves attributable to the owners of the Company.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Loans and receivables:		
— Trade receivables	**25,103**	24,011
— Other receivables	**39,626**	127,276
— Long-term deposits	**—**	106,477
— Cash and bank balances	**72,943**	91,713
	137,672	349,477
Financial assets at fair value through profit or loss	**124,714**	75,584
Available-for-sale financial assets		
— At fair value	**91,095**	85,288
— At cost	**113,944**	317,894
	205,039	403,182
Financial liabilities		
At amortised cost		
— Trade and other payables	**110,783**	150,444
— Borrowings	**183,219**	197,519
— Convertible notes	**1,990**	1,963
— Bonds payable	**133,427**	96,828
— Promissory note	**61,383**	—
	490,802	446,754

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, long-term deposits, cash and bank balances, financial assets at fair value through profit or loss, available-for-sale financial assets, trade and other payables, borrowings, convertible notes, bonds payable and promissory note. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these are set out below. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(i) Credit risk management

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers.

The Group's exposure to credit risk is also influenced by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentration of credit risk as 13.5% (2015: 48%) and 41.3% (2015: 90%) of the trade receivables which was due from the Group's largest customer and the five largest customers respectively.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(ii) Market risk

(i) Foreign currency risk management

The carrying amounts of the Group's foreign currency denominated monetary liabilities at the end of the reporting period are as follows:

	2016 **HK$'000**	2015 HK$'000
Liabilities		
Japanese Yen ("JPY")	**69,619**	68,546
Renminbi ("CNY")	**18,854**	—

Foreign currency sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in JPY and CNY.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in Hong Kong dollars against JPY and CNY. 5% (2015: 5%) is the sensitivity rate used by management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a rate of 5% (2015: 5%) change in JPY and CNY. A positive number below indicates a decrease in loss/ an increase in profit where HK$ strengthens 5% (2015: 5%) against the JPY and CNY. For a 5% (2015: 5%) weakening of HK$ against the JPY and CNY, there would be an equal and opposite impact on the loss/profit and the balances below would be negative.

	2016 **HK$'000**	2015 HK$'000
Impact of JPY		
Profit or loss	**3,481**	3,427
Impact of CNY		
Profit or loss	**943**	—
Total	**4,424**	3,427

Note:

This is mainly attributable to the exposure outstanding on payables denominated in JPY and CNY not subject to cash flow hedge at the end of the reporting period.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(ii) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to convertible notes and promissory note (see notes 34 and 36 respectively for details). The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate borrowings (see Notes 33 respectively for details).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on its variable-rate bank balances and borrowings at the end of each reporting period. For variable-rate bank balances and borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2016 would increase/decrease by HK$268,000 (2015: loss would increase/decrease by HK$614,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(iii) Other price risks

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted in the Stock Exchange. In addition, the management of the Company monitor the price risk and will consider hedging the risk exposure should the need arise.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the equity price had been 5% higher/lower (2015: 5% higher/lower), post-tax loss for the year ended 31 December 2016 would decrease/increase by approximately HK$10,790,000 (2015: decrease/increase by approximately HK$5,248,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

(iv) Liquidity risk management

The Group has net current asset as at 31 December 2016 and 31 December 2015. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing borrowings and cash flows from operations.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilization of borrowings from time to time.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(iv) Liquidity risk management — continued

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or within 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2016					
Trade and other payables	**—**	**96,962**	**13,821**	**110,783**	**110,783**
Borrowings	**3.67**	**113,600**	**69,619**	**183,219**	**183,219**
Convertible notes	**6.48**	**2,000**	**—**	**2,000**	**1,990**
Promissory note	**9.07**	**—**	**65,000**	**65,000**	**61,383**
Bonds payable	**9.82**	**80,900**	**58,000**	**138,900**	**133,427**
		293,462	**206,440**	**499,902**	**490,802**
2015					
Trade and other payables	—	143,444	7,000	150,444	150,444
Borrowings	4.61	129,835	67,684	197,519	197,519
Convertible notes	5.00	—	2,000	2,000	1,963
Bonds payable	8.45	—	99,000	99,000	96,828
		273,279	175,684	448,963	446,754

(c) Fair value measurements

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively.

(ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

(iii) the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

6. FINANCIAL INSTRUMENTS — CONTINUED

(c) Fair value measurements — continued

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

There were no transfers between Levels 1 and 2 in the both years.

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at			
Financial assets	**31 December 2016**	31 December 2015	**Fair value hierarchy**	**Valuation techniques and key inputs**
Financial assets at fair value through profit or loss	**Listed equity securities in Hong Kong: — HK$124,714,000**	Listed equity securities in Hong Kong: — HK$75,584,000	Level 1	Quoted bid prices in an active market
Available-for-sale financial assets	**Listed equity securities in Hong Kong: — HK$91,095,000**	Listed equity securities in Hong Kong: — HK$85,288,000	Level 1	Quoted bid prices in an active market

6. FINANCIAL INSTRUMENTS — CONTINUED

(c) Fair value measurements — continued

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:

	2016		2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial liabilities				
Convertible notes	**1,990**	**1,936**	1,963	1,867
Promissory note	**61,383**	**60,260**	—	—

	Fair value hierarchy as at 31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets				
Financial assets at fair value through profit or loss	**124,714**	**—**	**—**	**124,714**
Available-for-sale financial assets	**91,095**	**—**	**—**	**91,095**

	Fair value hierarchy as at 31 December 2015			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	75,584	—	—	75,584
Available-for-sale financial assets	85,288	—	—	85,288

7. REVENUE

Revenue represents the amounts received and receivable for goods and services provided, net of discounts and sales related taxes, by the Group to outside customers.

An analysis of the Group's revenue for the year is as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Income from membership program	**64,890**	54,653
Income from private coaching program	**13,711**	17,406
Income from fitness centre operation and related business	**13,829**	13,976
Income from optical products and eye-care services	**38,041**	31,458
Income from obstetric and gynaecological services	**4,708**	—
Income from pharmaceutical manufacturing business	**8,422**	—
Income from medical laboratory testing business	**48,324**	—
Income from money lending business	**528**	—
Provision of research and development services	**1,758**	—
Leasing and service income from chain of medical centres	**—**	9,743
	194,211	127,236

8. SEGMENT INFORMATION

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.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Health management business — chain of sports and healthcare clubhouses in the People's Republic of China (the "PRC").

(ii) Medical and well-being business
- — chain of medical centres specialising in the diagnosis and treatment of tumours in the PRC;
- — chain of optical products and eye-care services retail shops in Hong Kong;
- — manufacturing and sale of pharmaceutical and health related products in the PRC and Hong Kong;
- — provision of medical laboratory testing services and health check services in Hong Kong; and
- — provision of obstetric and gynaecological services in Hong Kong.

(iii) Asset management business — investment in financial/fixed/distressed assets and loan financing.

8. SEGMENT INFORMATION — CONTINUED

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

For the year ended 31 December 2016

	Health Management business *HK$'000*	Medical and well-being business *HK$'000*	Asset management *HK$'000*	Total *HK$'000*
Segment revenue				
External sales	92,430	101,253	528	194,211
Segment revenue	92,430	101,253	528	194,211
Segment results	3,467	(13,834)	(246,687)	(257,054)
Unallocated other gains and losses				14,489
Central administration costs				(79,601)
Loss on disposal of subsidiaries				(40,475)
Gain on bargain purchase of subsidiaries				49,318
Share of result of associates				8,741
Share of result of a joint venture				(3,902)
Finance costs				(29,445)
Loss before taxation				(337,929)
Taxation				(702)
Loss for the year				(338,631)

8. SEGMENT INFORMATION — CONTINUED

For the year ended 31 December 2015

	Health management business *HK$'000*	Medical and well-being business *HK$'000*	Asset management *HK$'000*	Total *HK$'000*
Segment revenue				
External sales	86,035	41,201	—	127,236
Segment revenue	86,035	41,201	—	127,236
Segment results	(3,558)	(128,627)	(87,425)	(219,610)
Unallocated other gains and losses				(69,284)
Central administration costs				(60,168)
Share of result of a joint venture				6,891
Finance costs				(16,655)
Loss before taxation				(358,826)
Taxation				(5,847)
Loss for the year				(364,673)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the profit earned/loss incurred by each segment without allocation of central administration costs including directors' emoluments, loss on disposal of subsidiaries, gain on bargain purchase of subsidiaries, share of results of associates, share of result of a joint venture, other gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

8. SEGMENT INFORMATION — CONTINUED

Segment assets and liabilities

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

As at 31 December 2016

	Health management business *HK$'000*	Medical and well-being business *HK$'000*	Asset management *HK$'000*	Total *HK$'000*
Segment assets	**92,853**	**260,572**	**347,957**	**701,382**
Unallocated				**172,696**
Consolidated assets				**874,078**
Segment liabilities	**93,803**	**45,390**	**4,916**	**144,109**
Unallocated				**410,090**
Consolidated liabilities				**554,199**

As at 31 December 2015

	Health management business *HK$'000*	Medical and well-being business *HK$'000*	Asset management *HK$'000*	Total *HK$'000*
Segment assets	112,456	534,931	379,449	1,026,836
Unallocated				67,170
Consolidated assets				1,094,006
Segment liabilities	109,508	127,976	55,886	293,370
Unallocated				249,022
Consolidated liabilities				542,392

8. SEGMENT INFORMATION — CONTINUED

Segment assets and liabilities — continued

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

- All assets are allocated to operating segments other than investment in associates. Goodwill and intangible assets are allocated to segments as described in notes 20 and 21. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- All liabilities are allocated to operating segments other than convertible bonds/notes, bonds payable, promissory note and deferred tax liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the year ended 31 December 2016

	Health management business *HK$000*	Medical and well-being business *HK$000*	Asset management *HK$000*	Unallocated *HK$000*	Total *HK$000*
Additions to non-current assets	125	6,116	—	1,584	7,825
Amortisation of land use right	—	151	—	—	151
Amortisation of intangible assets	456	1,197	—	—	1,653
Depreciation of property, plant and equipment	2,562	5,260	5	575	8,402
Net loss on disposal of property, plants and equipment and other intangible assets	1,136	—	—	35	1,171
Impairment loss on trade receivables	—	5,075	—	—	5,075
Impairment loss on available-for-sale financial assets	—	—	183,372	—	183,372
Loss arising from change in fair value of investment properties	—	—	12,901	—	12,901
Loss on disposal of financial asset at fair value through profit or loss	—	—	5,432	—	5,432
Loss arising from change in fair value of financial assets at fair value through profit or loss	—	—	41,804	—	41,804
Loss on disposal of subsidiaries	—	—	—	40,475	40,475
Gain on bargain purchase of subsidiaries	—	—	—	(49,318)	(49,318)

8. SEGMENT INFORMATION — CONTINUED

Other segment information — continued

For the year ended 31 December 2015

	Health management business *HK$000*	Medical and well-being business *HK$000*	Asset management *HK$000*	Unallocated *HK$000*	Total *HK$000*
Additions to non-current assets	1,392	5,747	1,619	507	9,265
Amortisation of land use right	—	87	—	—	87
Amortisation of other intangible assets	304	1,338	—	—	1,642
Net loss on disposal of property, plants and equipment and other intangible assets	118	1	—	—	119
Impairment loss on trade receivables	—	17,172	—	—	17,172
Impairment loss on property, plant and equipment and others intangible assets	—	18,532	—	—	18,532
Impairment loss on available-for-sale financial assets	—	—	40,734	—	40,734
Depreciation of property, plant and equipment	2,210	4,501	2	742	7,455
Loss arising from change in fair value of investment properties	—	—	44,110	—	44,110
Loss arising from change in fair value of financial assets at fair value through profit or loss	—	—	2,011	—	2,011
Loss arising on extinguishment of convertible bonds	—	—	—	69,410	69,410
Loss on redemption of promissory note	—	—	—	305	305

8. SEGMENT INFORMATION — CONTINUED

Revenue from major products and services

The Group's revenue from its major products and services were as follows:

	2016 HK$'000	2015 HK$'000
Income from membership program	**64,890**	54,653
Income from private coaching program	**13,711**	17,406
Income from fitness centre operation and related business	**13,829**	13,976
Income from optical products and eye-care services	**38,041**	31,458
Income from obstetric and gynaecological services	**4,708**	—
Income from pharmaceutical manufacturing business	**8,422**	—
Income from medical laboratory testing business	**48,324**	—
Income from money lending business	**528**	—
Provision of research and development services	**1,758**	—
Leasing and service income from chain of medical centres	**—**	9,743
	194,211	127,236

Geographical information

The Group operates in Hong Kong and in the PRC.

The Group's revenue from external customers by location of operations are detailed below.

	2016 HK$'000	2015 HK$'000
Hong Kong	**91,601**	31,458
PRC	**102,610**	95,778
	194,211	127,236

The Group's information about its non-current assets by location of assets are detailed below.

	2016 HK$'000	2015 HK$'000
Hong Kong	**305,204**	303,924
PRC	**148,204**	386,260
Switzerland	**31,026**	—
	484,434	690,184

8. SEGMENT INFORMATION — CONTINUED

Information about major customers

For the year ended 31 December 2016, there was no single customer accounted for over 10% of total revenue of the Group (2015: Nil).

9. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Licence fee income	**6,843**	4,960
Interest income on bank balances	**369**	27
Dividend income	**961**	49
Subsidy received	**1,135**	910
Exchange (loss)/gain, net	**(4,979)**	18
Net loss on disposal of property, plant and equipment and intangibles assets	**(1,171)**	(119)
Forfeiture of consideration received	**1,360**	—
Gain arising from derecognition of available for sales upon business combination (Note 41(a))	**11,214**	—
Forfeiture income	**7,577**	—
Compensation received	**2,286**	—
Loss on redemption of promissory note	**—**	(305)
Others	**3,124**	456
	28,719	5,996

10. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on:		
Bank and other borrowings wholly repayable within five years	**13,480**	7,433
Loans from a former intermediate holding company and a former fellow subsidiary not wholly repayable within five years	**1,866**	1,665
Imputed interest on convertible bonds/notes (Note 34)	**127**	3,224
Imputed interest on bonds payable (Note 35)	**11,159**	4,271
Imputed interest on promissory note (Note 36)	**2,770**	62
Imputed interest on loan from a non-controlling shareholder of a subsidiary	**43**	—
	29,445	16,655

11. INCOME TAX

	2016 HK$'000	2015 HK$'000
Hong Kong profits tax	**830**	—
PRC enterprise income tax	**128**	5,946
Deferred taxation (Note 37)	**(256)**	(99)
	702	5,847

Hong Kong profits tax had been provided at 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxes on profit assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

PRC corporate income tax has been provided at the rate of 25% (year ended 31 December 2015: 25%) on the taxable profits of the Group's PRC subsidiaries during the year, except for 貴州雙升製藥有限公司 (in English, for identification purpose only, Guizhou Shuang Sheng Pharmaceutical Co., Ltd.) (formerly known as 貴陽舒美達製藥廠有限公司 (in English, for identification purpose only, Guiyang Shu Mei Da Pharmaceutical Co., Ltd.)) ("Shuang Sheng"), which is a non-wholly owned subsidiary through Rui Kang, is accredited with high and new technology enterprise status and thus enjoys a preferential tax rate of 15% for the year ended 31 December 2016.

The taxation charge for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Loss before taxation	**(337,929)**	(358,826)
Taxation of Hong Kong profit tax rate of 16.5% (2015: 16.5%)	**(55,758)**	(59,206)
Tax effect of expenses not deductible for tax purpose	**32,792**	35,137
Tax effect of income not taxable for tax purpose	**(2,075)**	(1,148)
Tax effect of tax losses not recognised	**30,553**	35,698
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,810)**	(4,634)
Income tax charge for the year	**702**	5,847

12. LOSS FOR THE YEAR

	2016 **HK$'000**	2015 HK$'000
Loss for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment (Note 17)	**8,402**	7,455
Amortisation of intangible assets included in cost of services (Note 21)	**1,653**	1,642
Amortisation of land use right (Note 18)	**151**	87
Total depreciation and amortisation	**10,206**	9,184
Auditors' remuneration		
— Audit services	**1,200**	1,100
— Non-audit services	**310**	1,063
Cost of inventories recognised as expenses	**49,841**	15,154
Impairment loss on available-for-sale financial assets	**183,372**	40,734
Impairment loss on trade receivables	**5,075**	17,172
Impairment loss on property, plant and equipment and intangible assets	**—**	18,532
Loss on disposal of financial asset at fair value through profit or loss	**5,432**	—
Loss arising from change in fair value of financial assets at fair value through assets profit or loss	**41,804**	2,011
Loss arising from change in fair value of investment properties	**12,901**	44,110
Loss on disposal of subsidiaries	**40,475**	—
Gain on bargain purchase of subsidiaries	**(49,318)**	—
Loss arising on extinguishment of convertible bonds	**—**	69,410
Share of results of associates	**(8,741)**	—
Share of result of a joint venture	**3,902**	(6,891)
Withholding tax in relation to offshore transfer of available-for-sale financial assets	**—**	67,131
Employee benefit expenses, including directors' emolument:		
— salaries and other benefits	**111,573**	49,977
— equity-settled share-based payments	**—**	15,148

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2015: eight) directors and one (2015: Nil) chief executive officer of the Company were as follows:

For the year ended 31 December 2016

		Other emoluments			
	Fees	Salaries and other benefits	Employer's contribution to pension scheme	Share-based payments emoluments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors					
Chan Ka Chung	—	21,902	98	—	22,000
Cheung Wai Kwan	168	—	—	—	168
Wang Jianguo	2,950	—	—	—	2,950
Chan Yee Ping, Michael	120	—	—	—	120
Lam Chun Ho	120	—	—	—	120
Hu Xuezhen	120	—	—	—	120
Wu Yan (note (a))	25	—	—	—	25
Tong Cheuk Man (note (b))	36	—	—	—	36
Chief Executive Officer					
Dr. Chan Leung Kwok (note (d))	—	1,122	9	—	1,131
	3,539	23,024	107	—	26,670

For the year ended 31 December 2015

		Other emoluments			
	Fees	Salaries and other benefits	Employer's contribution to pension scheme	Share-based payments emoluments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors					
Chan Ka Chung	—	23,688	18	1,603	25,309
Hui Ka Chun (note (c))	—	200	6	—	206
Cheung Wai Kwan	132	—	—	407	539
Wang Jianguo	600	—	—	—	600
Chan Yee Ping, Michael	120	—	—	203	323
Lam Chun Ho	120	—	—	203	323
Hu Xuezhen	120	—	—	203	323
Wu Yan	100	—	—	—	100
	1,192	23,888	24	2,619	27,723

13. DIRECTORS' EMOLUMENTS — CONTINUED

Notes:

(a) Resigned on 22 March 2016.

(b) Appointed on 27 May 2016 and resigned on 12 September 2016 .

(c) Resigned on 16 April 2015.

(d) Appointed on 7 June 2016.

There is no emolument paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2016 and 2015. None of the Directors has waived any emolument during the year ended 31 December 2016 (2015: Nil).

Senior management of the Group represents the executive directors and chief executive officer during the years ended 31 December 2016 and 2015.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2015: two) were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three individuals (2015: three) were as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Salaries and other benefits	**5,254**	5,888
Employer's contribution to pension scheme	**52**	54
Share-based payment expenses	**—**	6,567
Total	**5,306**	12,509

The emoluments of the three (2015: three) non-director individuals with the highest emoluments were within the following bands:

	2016 ***No. of employees***	2015 *No. of employees*
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$2,000,000	**3**	3
HK$2,000,001 to HK$2,500,000	**—**	—

14. EMPLOYEES' EMOLUMENTS — CONTINUED

The emoluments paid or payable to member of senior management (excluding the Directors as disclosed in note 13) were with in the following bands:

	2016 **No. of employees**	2015 No. of employees
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$2,500,000	**—**	—

There is no emolument paid by the Group to any of the five highest paid individuals and senior management as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2016 and 2015. None of the five highest paid individuals and senior management has waived any emolument during the years ended 31 December 2016 and 2015.

15. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

16. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

Loss

	2016 ***HK$'000***	2015 *HK$'000*
Loss for the purpose of basic loss per share	**(311,388)**	(436,503)

Number of shares

	2016 ***'000***	2015 *'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,929,484**	1,782,725

The effects of the convertible notes and outstanding share options were not included in the calculation of diluted loss per share for the years ended 31 December 2016 and 2015 as they have an anti-dilutive effect on the basic loss per share of the Company during the respective reporting periods.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and Building	Leasehold improvements	Plant	Medical and operating equipment	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group									
Cost									
At 1 January 2015	—	437	5,043	315,594	1,856	4,615	1,378	12,512	341,435
Additions	—	3,272	—	3,093	181	—	1,121	—	7,667
Acquisitions through business combinations	—	4,001	—	14,801	—	—	—	—	18,802
Disposals	—	(1,222)	—	(2,044)	(771)	—	(128)	—	(4,165)
Exchange realignment	—	—	(278)	(15,762)	(74)	(254)	—	(689)	(17,057)
At 31 December 2015 and 1 January 2016	—	6,488	4,765	315,682	1,192	4,361	2,371	11,823	346,682
Additions	553	3,778	1,141	282	586	71	874	540	7,825
Acquisitions through business combinations	22,831	1,786	16,627	180	2,666	552	—	1,320	45,962
Disposals	—	(3,499)	(7,573)	(5,027)	(190)	(125)	—	—	(16,414)
Disposals of subsidiaries	—	—	(4,741)	(297,922)	(1,363)	(4,340)	—	(11,765)	(320,131)
Exchange realignment	(279)	—	(211)	(2,444)	(130)	(19)	—	(149)	(3,232)
At 31 December 2016	23,105	8,553	10,008	10,751	2,761	500	3,245	1,769	60,692
Accumulated depreciation and impairment									
At 1 January 2015	—	74	888	310,712	847	2,199	306	—	315,026
Provided for the year (Note 12)	—	1,576	238	4,273	430	418	520	—	7,455
Eliminated on disposals of assets	—	(1,222)	—	(1,569)	(771)	—	(126)	—	(3,688)
Impairment loss recognised in Profit and loss	—	—	2,671	2,917	264	1,362	—	8,542	15,756
Exchange realignment	—	—	(51)	(14,637)	(44)	(121)	—	—	(14,853)
At 31 December 2015 and 1 January 2016	—	428	3,746	301,696	726	3,858	700	8,542	319,696
Provided for the year (Note 12)	492	2,664	1,702	2,137	628	99	680	—	8,402
Eliminated on disposals of assets	—	(2,474)	(1,272)	(4,505)	—	(61)	—	—	(8,312)
Disposal of subsidiaries	—	—	(3,788)	(296,915)	(1,269)	(3,880)	—	(8,500)	(314,352)
Exchange realignment	(58)	—	(204)	(1,837)	(63)	—	—	(42)	(2,204)
At 31 December 2016	434	618	184	576	22	16	1,380	—	3,230
Carrying amount									
At 31 December 2016	**22,671**	**7,935**	**9,824**	**10,175**	**2,739**	**484**	**1,865**	**1,769**	**57,462**
At 31 December 2015	—	6,060	1,019	13,986	466	503	1,671	3,281	26,986

17. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

Note:

Owner-occupied leasehold land in Hong Kong is included in property, plant and equipment as the allocations between the land and buildings elements cannot be measured reliably.

As at 31 December 2016, certain leasehold land and buildings in Hong Kong with aggregate carrying amounts of approximately HK$14,914,000 (2015: Nil) have been pledged to secure bank borrowing granted to the Group (Note 33).

The Directors considered that no impairment loss should be recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

During the year ended 31 December 2015, as a result of the promulgation of the CCMC Audit and Rectification Exercise in April 2015 which may have adverse effect on the Group's medical business, the Group carried out a review of the recoverable amount of the medical equipment. During the year, the impairment loss recognised on property, plant and equipment of approximately HK$15,756,000 which are located in the PRC. The impairment losses have been included in the consolidated statement of profit and loss and other comprehensive income.

18. LAND USE RIGHT

	2016	2015
	HK$'000	*HK$'000*
Carrying amount		
At 1 January	**3,590**	3,887
Addition through acquisition of subsidiaries (Note 41(a))	**8,665**	—
Disposal of subsidiaries (Note 42(a))	**(3,556)**	—
Exchange realignment	**(481)**	(210)
Amortisation of land use right	**(151)**	(87)
At 31 December	**8,067**	3,590
Analysed for reporting purpose as:		
Non-current assets	**7,842**	3,506
Current assets	**225**	84
	8,067	3,590

The land use right is situated outside Hong Kong and is held under a medium term lease and are amortised over the period of the rights of 38 years.

19. INVESTMENT PROPERTIES

	2016	2015
	HK$'000	*HK$'000*
Completed investment properties	**101,000**	150,600
At fair value		
Completed investment properties		
At 1 January	**150,600**	44,850
Additions through acquisition of subsidiaries	**—**	148,262
Capitalised subsequent expenditure	**401**	1,598
Disposal of subsidiaries	**(37,100)**	—
Loss arising from change in fair value	**(12,901)**	(44,110)
Balance at 31 December	**101,000**	150,600
Unrealised loss arising from change in fair value of investment properties included in the consolidated statement of profit or loss and other comprehensive income	**(12,901)**	(44,110)

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sales. The Group has pledged its investment property to secure its general banking facilities (Note 33).

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 December 2016 has been arrived at on the basis of a valuation carried out on the respective dates by American Appraisal China Limited, an independent qualified professional valuer not connected to the Group.

The independent qualified professional valuer is a members of the Institute of Valuers in Hong Kong, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

At the end of each reporting periods, the management of the Group will (i) verity all major inputs to the independent valuation reports; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) holds discussion with the independent valuer.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

19. INVESTMENT PROPERTIES — CONTINUED

Fair value measurement of the Group's investment properties — continued

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2016 and 2015 are as follows:

Investment property	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Fair values as at 31/12/2016** *HK$'000*
Residential units — Hong Kong	**—**	**101,000**	**—**	**101,000**

Investment properties	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Fair values as at 31/12/2015 *HK$'000*
Residential units — Hong Kong	—	148,000	—	148,000
Car parking spaces — Hong Kong	—	2,600	—	2,600
Total	—	150,600	—	150,600

For the investment property located in Hong Kong, the fair value was derived using direct comparison method assuming each of the properties are capable of being sold in the existing state and by making reference to comparable sales evidence as available in the relevant markets. The significant observable inputs are the market unit values between comparables, taking into account the difference in location, and individual factor such as frontage and size.

The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

The carrying amounts of investment properties shown above:

	2016 *HK$'000*	2015 *HK$'000*
Land in Hong Kong		
— Medium term lease	**101,000**	108,400
— Long term lease	**—**	42,200
	101,000	150,600

20. GOODWILL

	HK$'000
Cost	
At 1 January 2015	666,471
Additional amounts recognised from business combinations occurring during the year	56,194
At 31 December 2015 and 1 January 2016	722,665
Additional amounts recognised from business combinations occurring during the year (note 41(b))	7,773
Disposal of subsidiaries	(661,428)
At 31 December 2016	69,010
Accumulated impairment losses	
At 1 January 2015, 31 December 2015 and 1 January 2016	661,428
Eliminated in disposal of subsidiaries	(661,428)
At 31 December 2016	—
Carrying amount	
At 31 December 2016	**69,010**
At 31 December 2015	61,237

Goodwill has been allocated for impairment testing purposes to the following groups of CGUs:

- Medical and well-being business — Eye-caring business line
- Medical and well-being business — O&G business
- Health management business — Chain of sports and healthcare clubhouses line

20. GOODWILL — CONTINUED

Before recognition of impairment losses, the carrying amount of goodwill was allocated to groups of CGUs units as follows:

	2016 **HK$'000**	2015 HK$'000
Medical and well-being business:		
— Tumour medical business line	**—**	661,428
— Eye-care business line	**5,043**	5,043
— O&G business	**7,773**	—
Health management business:		
— Chain of sports and healthcare clubhouses business line	**56,194**	56,194
	69,010	722,665

Impairment testing on cash generating unit

Medical and well-being business — Tumour medical business line

During the year ended 31 December 2015, as a result of the promulgation of the CCMC Audit and Rectification Exercise in April 2015 which may have adverse effect on the Group's tumour medical business line. The Group considered it was an indication that the assets of the tumour medical business line may be impaired. The review of the recoverable amount of cash-generating unit (the "CGU") was performed by an independent qualified valuer as at 31 December 2015 and the values in use of the CGU have been measured by using cash flow projections based on the cash flows covering a five-years period with discount rate and terminal growth rate of 19.21% and 3% respectively.

The goodwill allocated to CGU was fully impaired in 2014. The exceeds of carrying amount of CGU to its recoverable amount was the impairment loss of approximately HK$18,532,000 was allocated to each individual assets of the CGU pro rata on the basis of the carrying amounts of each assets in CGU. The amount was allocated as follows:

	2015 HK$'000
Properties, plant and equipment	15,756
Other intangible assets	2,776
	18,532

20. GOODWILL — CONTINUED

Impairment testing on cash generating unit — continued

Medical and well-being business — Eye-care business line

The recoverable amount of this group of CGU is determined based on a value in use calculation which uses a cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 15.66% (2015: 16.01%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady 2% (2015: 3%) per annum growth rate. This growth rate does not exceed the long-term average growth rate for the optical market.

Medical and well-being business — O&G business line

The recoverable amount of this group of CGU is determined based on a value in use calculation which uses a cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 20.35% per annum. Cash flows beyond that five-year period have been extrapolated using a steady 2% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the O&G market.

Health management business — Chain of sports and healthcare clubhouses business line

The recoverable amount of this group of CGU is determined based on a value in use calculation which uses a cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 17.93% (2015: 19.32%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3% (2015: 3%) per annum growth rate.

The key assumptions used in the value in use calculations are as follows:

Budgeted sales	Average sales in the period immediately before the budget period, plus a growth of 5%–7% (2015: 4.8%–10%) of sales per year. Except the Eye-care business is projected with a growth rate of 10% (2015: 30%) due to two new shops opened in 2016. The values assigned to the assumptions reflect past experience and are consistent with management plans for focusing operations in these markets. Management believes that the budgeted sales per year for the next five years is reasonably achievable.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements.

21. INTANGIBLE ASSETS

	Brand name	Pharmaceutical licenses	Other intangible assets	Trademark	Customers relationship	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 2015	—	—	287,386	—	—	287,386
Acquisition through business combinations	—	—	—	1,708	1,139	2,847
Exchange realignment	—	—	(12,273)	—	—	(12,273)
At 31 December 2015 and 1 January 2016	—	—	275,113	1,708	1,139	277,960
Addition through acquisition of subsidiaries (Note 41(a))	34,357	11,140	—	—	14,556	60,053
Eliminated upon disposal of subsidiaries (Note 42(a))	—	—	(274,360)	—	—	(274,360)
Exchange realignment	—	(641)	(753)	—	—	(1,394)
At 31 December 2016	34,357	10,499	—	1,708	15,695	62,259
Accumulated amortisation and impairment						
At 1 January 2015	—	—	281,964	—	—	281,964
Provided for the year (Note 12)	—	—	1,338	114	190	1,642
Impairment loss recognised in profit or loss (Note 20)	—	—	2,776	—	—	2,776
Exchange realignment	—	—	(12,032)	—	—	(12,032)
At 31 December 2015 and 1 January 2016	—	—	274,046	114	190	274,350
Provided for the year (Note 12)	—	—	319	170	1,164	1,653
Eliminated upon disposal of subsidiaries (Note 42(a))	—	—	(273,607)	—	—	(273,607)
Exchange realignment	—	—	(758)	—	—	(758)
At 31 December 2016	—	—	—	284	1,354	1,638
Carrying amount						
At 31 December 2016	**34,357**	**10,499**	**—**	**1,424**	**14,341**	**60,621**
At 31 December 2015	—	—	1,067	1,594	949	3,610

21. INTANGIBLE ASSETS — CONTINUED

The following useful lives are used in the calculation of amortisation

Brand name	Indefinite
Other intangible assets	3 years
Trademark	10 years
Customers' relationship	4–10 years
Pharmaceutical licence	Indefinite

During the year, the Group obtained certain intangible assets of approximately HK$34,357,000 for brand name, HK$11,140,000 for pharmaceutical licence and HK$14,556,000 for customer relationship respectively through the acquisition of Rui Kang.

The brand name has no legal life and is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

The recoverable amounts of pharmaceutical licences are determined based on value in use calculation and no impairment loss was recognised during the years ended 31 December 2016.

The recoverable amounts of customer relationship and brand name are determined based on value in use calculation and no impairment loss was recognised during the year ended 31 December 2016 (2015: Nil).

22. INVESTMENT IN ASSOCIATES

	2016 ***HK$'000***	2015 *HK$'000*
At 1 January	**—**	—
Initial cost recognised in interests in associates (note (a))	**27,448**	—
Addition through acquisition of subsidiaries	**42,892**	—
Reclassified to investment in subsidiaries	**(5,760)**	—
Share of post-acquisition profit and other comprehensive income	**8,741**	—
Exchange realignment	**(710)**	—
At 31 December	**72,611**	—

22. INVESTMENT IN ASSOCIATES — CONTINUED

Name	Place of incorporation/ registration/ operation	Particulars of issued and paid up capital	Proportion of ownership interests/voting rights/ profit sharing 2016 Direct	Indirect	Principal activities
Integrity Sino Limited ("Integrity Sino") (Note a)	Samoa	Ordinary shares US$100	49%	—	Property investment
Bright Eagle Ltd. ("Bright Eagle") (Note a)	BVI	Ordinary share US$100	—	49%	Property investment
Magical Bloom Limited ("Magical Bloom") (Note b)	BVI	Ordinary shares US$100	—	30%	Investment holding of subsidiaries principally engaged in sale of medicated oil products
Ultimate Synergy Limited ("Ultimate Synergy") (Note b)	Republic of Seychelles	Ordinary shares US$9,141	—	Approximately 27.80%	Investment holding of subsidiaries principally engaged in manufacture of cosmetic products and management of spa centre in Switzerland

Notes:

(a) During the year 2016, the Group undertook a restructuring for its assets management business. After that, certain subsidiaries of the Group were deconsolidated from its financial statement and accounted for as investment in associates.

(b) During the year, the Group completed the acquisition of Rui Kang in May 2016 (see note 41(a)). Upon completion of the acquisition, the interest in associates (30% of Magical Bloom and 27.8% of Ultimate Synergy) hold by Rui Kang was collectively consolidated into the Group.

22. INVESTMENT IN ASSOCIATES — CONTINUED

The summarised financial information in respect of the Group's interest in associates is set out as below:

	Integrity Sino	**Bright Eagle**	**Magical Bloom**	**Ultimate Synergy**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	1,339	38,606	16,515	6,098	62,558
Current assets	154	—	60,675	42,690	103,519
Current liabilities	—	(4)	(37,507)	(18,928)	(56,439)
Non-controlling interests	379	—	—	—	379
Total equity attributable to the owners of the associates	1,872	38,602	39,683	29,860	110,017
The above amounts of assets and liabilities include the following:					
Cash and cash equivalents	154	—	8,840	855	9,849
Revenue	—	—	61,243	26,293	87,536
Profit for the year	3,714	32,029	12,182	10,820	58,745
Other comprehensive loss for the year	—	—	(818)	(3,295)	(4,113)
Total comprehensive income for the year	3,714	32,029	11,364	7,525	54,632
The above loss/profit for the year include the following:					
Depreciation	—	—	(43)	(1,068)	(1,111)
Interest income	—	—	6	3	9
Income tax expenses	—	—	(5,459)	(48)	(5,507)

22. INVESTMENT IN ASSOCIATES — CONTINUED

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Integrity Sino *HK$'000*	**Bright Eagle** *HK$'000*	**Magical Bloom** *HK$'000*	**Ultimate Synergy** *HK$'000*	**Total** *HK$'000*
Net assets of the associates	1,872	38,602	39,683	29,860	110,017
Proportion of the Group's ownership interest	49%	49%	30%	27.8%	N/A
The Group's share of net assets of the associates	917	18,915	11,905	8,301	40,038
Goodwill	20	—	—	22,725	22,745
Share of net assets of the associates	937	18,915	11,905	31,026	62,783

Aggregate information of associates that are not individually material:

	2016 *HK$'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**9,828**
Aggregate amounts of the Group' share of those associates'	
Profit for the year	**1,136**
Other comprehensive income	**—**
Total comprehensive income	**1,136**

23. JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	2016	2015
	HK$'000	*HK$'000*
Cost of investments in joint ventures		
Addition	**12,679**	—
Share of post-acquisition (loss)/profit and other comprehensive income, net of dividends received	**(3,902)**	6,891
Disposal on acquisition of assets through acquisition of a subsidiary	**—**	(6,891)
Transfer to asset classified as held for sale	**(8,777)**	—
	—	—

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Classes of share held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
					2016	2015	**2016**	2015	
Golden Times Management Limited	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**—**	—	**—**	—	Investment holding
Trillion Epoch Limited ("Trillion Epoch")	Incorporated	British Virgin Islands	PRC	Ordinary	**—**	—	**—**	—	Investment holding

23. JOINT VENTURES — CONTINUED

(a) Summarised financial information of Trillion Epoch, reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2016 *HK$'000*
Current assets	142,607
Non-current assets	562
Current liabilities	(131)
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	419
Current financial liabilities (excluding trade and other payables and provision)	—
Revenue	2,416
Loss and total comprehensive loss for the period	(73,970)
Included in the above loss for the year:	
Depreciation	920
Interest income	—
Income tax expenses	2,202
Reconciled to the Group's interest in Trillion Epoch	
Gross amounts of Trillion Epoch's net assets	143,038
The Group's effective interests	6.136%
The Group's share of Trillion Epoch's net assets	8,777

On 17 November 2016, Rui Kang, a non-wholly owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party in respect of the disposal of its entire issued share capital in Allied View and the Sale Loan at a cash consideration of HK$10,000,000. The completion of the disposal took place on 15 February 2017.

Along with the disposal of Allied View, the interest in joint venture of the Group has been reclassified asset held for sale at the year ended 31 December 2016.

23. JOINT VENTURES — CONTINUED

(b) On 20 May 2015, the Company entered into a sale and purchase agreement in relation to the further acquisition of 50% of the issued share capital of Golden Times Management Limited at a consideration of HK$3,500,000. The acquisition was completed on 20 May 2015.

Summarised financial information of material joint ventures:

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Golden Times Management Limited and its subsidiary

	2015 *HK$'000*
Current assets	—
Non-current assets	—
Current liabilities	—
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	—
Current financial liabilities (excluding trade and other payables and provisions)	—
Revenue	—
Profit and total comprehensive income for the period	13,934
The above profit for the year include the following:	
Interest expense	3,022
Group's share of profit of joint venture for the period	6,891

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 *HK$'000*	2015 *HK$'000*
Available-for-sale financial asset comprise:		
Listed investments — equity securities listed in Hong Kong (Note (a))	**91,095**	153,146
Unlisted investments, at cost (Notes (b))	**113,944**	250,036
	205,039	403,182
Analysed for reporting purposes as:		
Current assets	**91,095**	67,858
Non-current assets	**113,944**	335,324
	205,039	403,182

Notes:

(a) Balance is mainly comprised of the Group's investment in the share of companies listed on The Stock Exchange of Hong Kong Limited (the "Stock exchange") and is detailed as follow:

As at 31 December 2015 and 2016, the Group's investment in IR Resources Limited ("IR Resources") amounted to HK$67.8 million (29.3% of the issued share capital of IR Resources) and HK$49.0 million (24.4%of the issued share capital of IR Resources), respectively. During the year ended 31 December 2016, the Group recorded an impairment loss of HK$114.3 million in respect of its investment in IR Resources due to significant decrease in the share price of IR Resources as at 31 December 2016.

As at 31 December 2016, the Group's investment in New Ray Medicine International Holding Limited ("New Ray Medicine") amounted to HK$12.3 million (8.25% of its issued share capital) and an impairment loss of HK$58.8 million was recorded in respect of such investment due to significant decrease in the share price of New Ray Medicine as at 31 December 2016.

As at 31 December 2015 and 2016, the Group's investment in other companies listed on the Stock Exchange amounted to HK$55.9 million and HK$29.7 million respectively and recorded an impairment loss of HK$10.3 million during the year ended 31 December 2016.

As at 31 December 2015, the Group's investment in Rui Kang Pharmaceutical Group Investments Limited ("Rui Kang Pharmaceutical") of HK$29.4 million was included in its available-for-sale financial assets. Since Rui Kang Pharmaceutical has become a non-wholly-owned subsidiary of the Company since May 2016, the Group's investment in Rui Kang Pharmaceutical was no longer accounted for as available-for-sale financial assets as at 31 December 2016. During the year ended 31 December 2016, the Group recorded a gain of HK$11.2 million in respect of its investment in Rui Kang Pharmaceutical based on the share price of Rui Kang Pharmaceutical as at the date when Rui Kang Pharmaceutical became a subsidiary of the Company. A reclassification adjustment from investment revaluation reserve to profit or loss of approximately HK$11,214,000 was recognised.

During the year ended 31 December 2016, the impairment loss of approximately HK$183,372,000 (2015: approximately HK$40,734,000) was recognised as the market price of the listed investment of the Group is significantly less than its cost. The Group did not receive any dividend in respect of the listed investment in available-for-sale financial assets during the year.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS — CONTINUED

Notes: — continued

(b) Balance is mainly comprised of the Group's unlisted investments and are detailed as follow:

As at 31 December 2016, available-for-sale financial assets amounted to approximately HK$88.8 million represented the Hospital Project Company and other assets. Pursuant to the announcement dated 26 May 2016, Treasure Link, the Group former subsidiary, and the Group's entered into the Acquisition Agreement and the Group SPV, the Purchaser and the Guarantor entered into the Disposal Agreement for the purpose of restructuring the Group's medical/healthcare related investments such that (i) the Group's effective interests in the Hospital Project Company will be increased from 8.1% to 18%.

On 15 July 2016, Angel Rise International Limited ("Angel Rise"), an indirect wholly-owned subsidiary of Rui Kang, as purchaser, entered into the sale and purchase agreement with an independent third party, JFA Capital, as vendor, pursuant to which Angel Rise has conditionally agreed to acquire, and JFA Capital has conditionally agreed to sell, 400 shares of C&C International Healthcare Group Limited ("C&C"), representing 4% of its issued share capital, at a cash consideration of HK$19,416,800. C&C, its subsidiaries and various joint venture companies are principally engaged in provision of contracted medical schemes for integrated medical and healthcare check-up services. Details of the acquisition of C&C are disclosed in the announcement of the Company dated 15 July 2016. The completion of the acquisition took place on 25 August 2016, and C&C was accounted for as an available-for-sale financial asset of the Group.

On 22 March 2016, the Group disposed of it's the Tumour Medical Business along with the effective interest of approximately 12.5% in the health and elderly care project amounted to approximately HK$161,213,000.

During the year ended 31 December 2016, the Group neither recorded any realised gain/loss nor received any dividend respect of the unlisted investments in available-for-sale financial assets.

25. LONG-TERM PREPAYMENTS AND DEPOSITS

	2016 **HK$'000**	2015 HK$'000
Deposits paid for acquisition of available-for-sale financial assets	**—**	17,913
Deposits paid for acquisition of property, plant and equipment	**—**	88,564
Prepaid interest of bonds payable (Note 35)	**1,944**	2,444
	1,944	108,921

26. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Consumables and others	**1,078**	918
Raw materials	**1,820**	—
Work in progress	**32**	—
Finished goods	**14,851**	10,181
	17,781	11,099

27. TRADE RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2016 **HK$'000**	2015 HK$'000
Trade receivables (note (a))	**29,814**	41,183
Less: provision for impairment of receivable (note (c))	**(4,711)**	(17,172)
Trade receivables — net	**25,103**	24,011
Other receivables, prepayments and deposits	**47,849**	133,473
	72,952	157,484

27. TRADE RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS — CONTINUED

Notes:

(a) The Group generally allows an average credit period of 180 days (2015: 180 days) to its trade customers. The following is an ageing analysis of trade receivables, based on the invoice date and net of provision for impairment of receivable, at the end of the reporting period.

	2016 *HK$'000*	2015 *HK$'000*
0–180 days (neither past due nor impaired)	**21,211**	1,146
181–270 days (1 to 3 months pas due)	**1,254**	1,047
271–365 days (3 to 6 months pas due)	**376**	7,373
Over 365 days (More than 6 months past due)	**2,262**	14,445
	25,103	24,011

Before accepting any new customer, the Group assesses the potential customer's quality and defines credit limit by customer.

(b) At 31 December 2016, trade receivables of HK$21,211,000 (2015: HK$1,146,000) are neither past due nor impaired. The Group considers the credit quality of the trade receivables within the credit limit set by the Group using the internal assessment taking into account of the repayment history and financial difficulties (if any) of the trade debtors and did not identify any credit risk on these trade receivables. The Group does not hold any collateral over these balances.

Age of receivables that are past due but not impaired

	2016 *HK$'000*	2015 *HK$'000*
Overdue by:		
1–90 days	**1,254**	1,047
91–180 days	**376**	7,373
More than 180 days	**2,262**	14,445
	3,892	22,865

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

27. TRADE RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS — CONTINUED

Notes: — continued

(c) Movements in provision for impairment of receivables was as follow:

	2016 **HK$'000**	2015 HK$'000
At 1 January	**17,172**	—
Acquisition of subsidiaries	**116**	—
Derecognition due to disposal of subsidiaries	**(17,172)**	—
Impairment loss recognised on trade receivables	**5,075**	17,172
Uncollectible amounts written off	**(263)**	—
Exchange alignment	**(217)**	—
At 31 December	**4,711**	17,172

The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. At the end of the reporting period 31 December 2016 and 2015, included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of approximately HK$4,711,000 (2015: HK$17,172,000).

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 **HK$'000**	2015 HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	**124,714**	75,584

The fair values of the listed investments are determined by reference to the quoted market bid prices available on the Stock Exchange.

During the year ended 31 December 2016, the Group recorded loss on disposal and change in fair value of financial assets at fair value through profit or loss of HK$5,432,000 (2015: Nil) and HK$41,804,000 (2015: HK$2,011,000) respectively in its consolidated statement of profit or loss. Such investment of the Group is comprised of companies principally engaged in the healthcare and financial services sectors including 1.24% issued share capital of Town Health International Medical Group Limited (a company principally engaged in the provision of healthcare services in Hong Kong) with a fair value of HK$120.6 million as at 31 December 2016.

During the year ended 31 December 2016, the Group received dividend income of HK$961,000 (2015: HK$49,000) from its listed investments.

29. CASH AND BANK BALANCES

The Group's bank balances of HK$72,943,000 (2015: HK$91,619,000) carried variable-rate interest at 0.01%–0.35% per annum (2015: 0.01%–0.27% per annum).

At the end of reporting period, the bank balances and cash of the Group denominated in RMB amounted to HK$19,581,000 (2015: HK$34,989,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

30. ASSETS CLASSIFIED AS HELD FOR SALE

	2016 ***HK$'000***
Assets classified as held for sale	
Allied View	8,777

Allied View International Limited ("Allied View") holds 6.136% of the total issued share capital of Trillion Epoch Limited ("Trillion Epoch"), which, in turn, holds the entire issued share capital of Bravo Star Holdings Limited ("Bravo Star"). 重慶兩江新區利亨小額貸款有限公司 (in English, for identification purpose only, Chongqing Liangjing New Area Li Hang Microfinance Co., Ltd.) (formerly known as 重慶市北部新區利亨小額貸款有限公司 (in English, for identification purpose only, Chongqing City North New District Li Hang Microfinance Co., Ltd.)), a direct wholly-owned subsidiary of Bravo Star, is principally engaged in the money lending business in the PRC.

The major classes of assets and liabilities classified as held for sale of Allied View as at 31 December 2016 which have been presented separately in the consolidated statement of financial position, are as follows:

	2016 ***HK$'000***
Investment in a joint venture	8,777
Total assets classified as held for sale	8,777
Other payable	—
Total liabilities associated with assets classified as held for sale	—
Net assets classified as held for sale	8,777

31. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**13,321**	5,975
Provision for clawback of fund performance fee (note)	**8,915**	8,915
Provision for long service payment	**160**	537
Other payables and accruals	**56,481**	47,030
Withholding tax in relation to offshore transfer of available-for-sale financial assets	**—**	66,987
Amounts due to non-controlling shareholders of a subsidiaries	**27,105**	21,000
Amounts due to associates	**4,801**	—
	110,783	150,444
Less: Non-current portion	**(13,821)**	(7,000)
	96,962	143,444

The following is an analysis of trade payables by age based on invoice date:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**6,896**	1,508
31–60 days	**1,783**	1,537
61–90 days	**1,045**	1,822
Over 90 days	**3,597**	1,108
	13,321	5,975

Note:

It represented a provision for clawback of fund performance fee income which was received by the Group in 2004. The Group received the income of HK$8,915,000 in prior years, which was calculated based on the net realised gain on disposal of investments by the fund, which is subject to the clawback provision, in which the Group is required to restore the fund for any deficit amount that would have been occurred upon the termination of the fund in 2007. The fund was terminated in 2007 and the directors of the Company considered that no further provision was required as at 31 December 2016 and 2015.

32. RECEIPT IN ADVANCE

The amount of approximately HK$60,808,000 (2015: HK$77,807,000) are in relation to the receipt in advance for membership and others fees received. Payments that are related to membership programs not yet provided are deferred and recognized as receipt in advance in the consolidation statement of financial position. Receipts in advance will be subsequently recognised as revenue of the Group and then be eliminated.

33. BORROWINGS

	2016 *HK$'000*	2015 *HK$'000*
Bank loans (Note (a))	**54,811**	55,155
Loans from financial institutions (Note (b))	**45,000**	65,000
Loan from a independent third party (Note (c))	**13,789**	9,680
Loan from a former intermediate holding company (Note (d))	**10,002**	9,724
Loan from a former fellow subsidiary (Note (e))	**59,617**	57,960
	183,219	197,519
Secured	**54,811**	55,155
Unsecured	**128,408**	142,364
	183,219	197,519
Carrying amount repayable:		
Within one year	**113,600**	129,835
More than one year, but not exceeding two years	**—**	—
More than two years, but not exceeding five years	**—**	—
More than five years	**69,619**	67,684
	183,219	197,519
Less: Amounts shown under current liabilities	**(113,600)**	(129,835)
	69,619	67,684

The ranges of effective interest rates (which equal to contracted interest rates) on the Group's borrowings are as follows:

	2016 *HK$'000*	2015 *HK$'000*
Effective interest rate:		
Fixed-rate borrowings	**8% to 12%**	8% to 8.5%
Variable-rate borrowings	**2.3% to 2.48%**	2.44% to 2.48%

33. BORROWINGS — CONTINUED

(a) The bank borrowing of approximately HK$49,746,000 (2015:HK$55,155,000) was secured by the Group's investment property (see note 19) with carrying amount of HK$101,000,000.

The bank borrowing of approximately HK$5,065,000 was secured by a legal charge on leasehold land and buildings in Hong Kong with the carrying amount of approximately HK$14,914,000.

The bank borrowings bear 2.4% per annum and 2.3% per annum respectively.

(b) Loans from financial institutions of approximately HK$ 45,000,000 (2015: HK$65,000,000) were unsecured and interest bearing from 8% to 8.5% (2015: 8% to 8.5%) per annum.

(c) Loan from an independent third party of approximately HK$13,789,000 (2015: HK$9,680,000) was unsecured and interest bearing from 8.5% to 12% per annum.

(d) The amount represents a loan from a former intermediate holding company of the Company. The loan, denominated in Japanese Yen, is unsecured, interest bearing at the prime rate published by Mizuho Corporate Bank in Japan plus 1% per annum. Pursuant to the deed of amendment and restatement signed between the Company, a former intermediate holding company, a former fellow subsidiary and Fair Winner Limited on 9 July 2014, the repayment date of the loan was extended to 30 June 2026.

(e) The amount represents a loan from a former fellow subsidiary of the Company. The loan, denominated in Japanese Yen, is unsecured, interest bearing at the prime rate published by Mizuho Corporate Bank in Japan plus 1% per annum. Pursuant to the deed of amendment and restatement signed between the Company, a former intermediate holding company, a former fellow subsidiary and Fair Winner Limited on 9 July 2014, the repayment date of the loan was extended to 30 June 2026.

34. CONVERTIBLE BONDS/NOTES

	Convertible notes 1 HK$'000	Convertible bonds 1 HK$'000	Convertible bonds 2 HK$'000	Total HK$'000
Liability component:				
At 1 January 2015	1,937	43,227	—	45,164
Issue of convertible bonds	—	—	41,868	41,868
Derecognition of convertible bonds	—	(43,262)	(42,340)	(85,602)
Interest charged (Note 10)	126	1,384	1,714	3,224
Interest paid/payable	(100)	(1,349)	(1,242)	(2,691)
At 31 December 2015 and 1 January 2016	1,963	—	—	1,963
Interest charged (Note 10)	127	—	—	127
Interest paid/payable	(100)	—	—	(100)
At 31 December 2016	**1,990**	**—**	**—**	**1,990**
Classified as:				
Current liabilities	**1,990**	**—**	**—**	**1,990**

(a) Convertible notes 1 — HK$8,000,000 5% convertible notes due 2017

On 6 May 2014, the Company issued convertible notes with the aggregate principal amount of HK$8,000,000 which bears an interest rate of 5% per annum. The convertible notes entitle the holder to convert to ordinary shares at a conversion price of HK$0.04 per ordinary share, subject to adjustments in accordance with the instrument constituting the convertible note, at any time from 6 May 2014 to the third anniversary of the date of issue of the convertible notes, i.e. 6 May 2017 (the maturity date). Pursuant to the share consolidation effective on 12 June 2014, the conversion price was adjusted to HK$0.8 per ordinary share. Pursuant to the rights issue completed in October 2014, the conversion price was further adjusted to HK$0.66 per ordinary share.

Conversion may occur at any time from the date of issue of convertible notes and up to the date falling 30 business days before the maturity date. If the convertible notes have not been converted, they will be redeemed on the maturity date at HK$8,000,000. Interest of 5% will be paid semi-annually based on the outstanding amount of the convertible notes.

Pursuant to the placing of shares completed on 10 April 2015, the conversion price was adjusted from HK$0.66 to HK$0.6409 per share.

Pursuant to the placing of shares completed on 15 June 2015, the conversion price was adjusted from HK$0.6409 to HK$0.4653 per share.

34. CONVERTIBLE BONDS/NOTES — CONTINUED

(a) Convertible notes 1 — HK$8,000,000 5% convertible notes due 2017 (continued)

Pursuant to the placing of shares completed on 22 December 2015, the conversion price was further adjusted from HK$0.4653 to HK$0.4526 per share.

Pursuant to the placing of shares completed on 25 May 2016, the conversion price was further adjusted from HK$0.4526 to HK$0.39 per share.

Pursuant to the placing of shares completed on 9 September 2016, the conversion price was further adjusted from HK$0.39 to HK$0.37 per share.

Pursuant to the placing of shares completed on 11 November 2016, the conversion price was further adjusted from HK$0.37 to HK$0.35 per share.

The convertible notes contain two components: liability and equity components. The equity element is presented in the heading "equity component of convertible bonds/notes". The effective interest rate of the liability component on initial recognition is 6.49% per annum.

	HK$'000
Proceeds of issue	8,000
Liability component at date of issue	(7,678)
Equity component	322
Liability component at 1 January 2015	1,937
Interest charged calculated at an effective interest rate of 6.49%	126
Interest paid/payable	(100)
Liability component at 31 December 2015 and 1 January 2016	1,963
Interest charged calculated at an effective interest rate of 6.49%	127
Interest paid/payable	(100)
Liability component at 31 December 2016	1,990

During the year ended 31 December 2014, aggregate principal amount of HK$6,000,000 of convertible note had been redeemed.

34. CONVERTIBLE BONDS/NOTES — CONTINUED

(b) Convertible bonds 1 — HK$43,344,360 8% convertible notes due 2015

On 31 October 2014, the Company issued convertible bonds with the aggregate principal amount of HK$43,344,360 which bear an interest rate of 8% per annum. The convertible bonds entitle the holder to convert to ordinary shares at a conversion price of HK$0.32 per ordinary share, subject to adjustments in accordance with the instrument constituting the convertible bonds, at any time from 31 October 2014 to the first anniversary of the issue of the convertible bonds, i.e. 31 October 2015 (the maturity date). Pursuant to an ordinary resolution passed by the shareholders of the Company on 20 May 2015, the conversion price was adjusted to HK$0.183 per ordinary share.

Conversion may occur at any time after the date falling three calendar months after the date of issue of the convertible bonds until the date seven days before the maturity date. If the convertible bonds have not been converted, they will be redeemed on the maturity date at HK$43,344,360. Interest of 8% will be paid quarterly based on the outstanding amount of the convertible bonds.

The convertible bonds contain two components: liability and equity components. The equity element is presented in equity heading "equity component of convertible bonds". The effective interest rate of the liability component on initial recognition was 8.61% per annum.

	HK$'000
Proceeds of issue	43,344
Liability component at date of issue	(43,203)
Equity component	141
Liability component at date of issue	43,203
Interest charged	602
Interest paid	(578)
Liability component at 1 January 2015	43,227
Interest charged	1,384
Interest paid	(1,349)
Extinguishment of convertible notes	(43,262)
Liability component at 31 December 2015	—

During the year ended 31 December 2015, the convertible bonds holder exercised his conversion right to convert the entire convertible bonds.

34. CONVERTIBLE BONDS/NOTES — CONTINUED

(c) Convertible bonds 2 — HK$43,344,360 8% convertible notes due 2016

On 12 January 2015, the Company issued convertible bonds with the aggregate principal amount of HK$43,344,360 which bear an interest rate of 8% per annum. The convertible bonds entitle the holder to convert to ordinary shares at a conversion price of HK$0.32 per ordinary share, subject to adjustments in accordance with the instrument constituting the convertible bonds, at any time from 12 January 2015 to the first anniversary of the issue of the convertible bonds, i.e. 12 January 2016 (the maturity date). Pursuant to an ordinary resolution passed by the shareholders of the Company on 20 May 2015, the conversion price was adjusted to HK$0.183 per ordinary share.

Conversion may occur at any time after the date falling three calendar months after the date of issue of the convertible bonds until the date seven days before the maturity date. If the convertible bonds have not been converted, they will be redeemed on the maturity date at HK$43,344,360. Interest of 8% will be paid quarterly based on the outstanding amount of the convertible bonds.

The convertible bonds contain two components: liability and equity components. The equity element is presented in equity heading "equity component of convertible bonds". The effective interest rate of the liability component on initial recognition was 12.14% per annum.

	HK$'000
Proceeds of issue (net of commission of HK$1,300,000)	42,044
Liability component at date of issue	(41,868)
Equity component	176
Liability component at 1 January 2015	—
Issue of convertible bonds	41,868
Interest charged	1,714
Interest paid	(1,242)
Extinguishment of convertible bonds	(42,340)
Liability component at 31 December 2015	—

During the year ended 31 December 2015, the convertible bonds holder exercised his conversion right to convert the entire convertible bonds.

35. BONDS PAYABLE

	Bond 1 *HK$'000*	Bond 2 *HK$'000*	Bond 3 *HK$'000*	Bond 4 *HK$'000*	Bond 5 *HK$'000*	Bond 6 *HK$'000*	Total *HK$'000*
At 1 January 2015	10,017	10,001	—	—	—	—	20,018
Issue of bonds	—	—	8,100	68,206	—	—	76,306
Interest charged (Note 10)	632	474	504	2,661	—	—	4,271
Interest paid/payable	(600)	(500)	(392)	(2,275)	—	—	(3,767)
At 31 December 2015 and 1 January 2016 (classified as non-current position)	10,049	9,975	8,212	68,592	—	—	96,828
Issue of bonds, net of transaction costs	—	—	—	—	25,810	9,300	35,110
Interest charged (Note 10)	634	513	708	7,843	1,264	197	11,159
Interest paid/payable	(600)	(500)	(540)	(6,825)	(1,038)	(167)	(9,670)
At 31 December 2016	**10,083**	**9,988**	**8,380**	**69,610**	**26,036**	**9,330**	**133,427**
Current portion	**10,083**	**—**	**—**	**69,610**	**—**	**—**	**79,693**
Non-current portion	**—**	**9,988**	**8,380**	**—**	**26,036**	**9,330**	**53,734**
	10,083	**9,988**	**8,380**	**69,610**	**26,036**	**9,330**	**133,427**

(a) Bond 1 — HK$10,000,000 6% bond due 2017

On 6 June 2014, the Company issued HK$10,000,000 6% bond ("6% Bond") with the aggregate principal amount of HK$10,000,000.

The 6% Bond will be matured on 6 June 2017. Interest of 6% will be paid quarterly up until the 6% Bond is matured.

The effective interest rate of the 6% Bond on initial recognition is 6.37% per annum.

	HK$'000
At 1 January 2015	10,017
Interest charged calculated at an effective interest rate of 6.37%	632
Interest paid/payable	(600)
At 31 December 2015 and 1 January 2016	10,049
Interest charged calculated at an effective interest rate of 6.37%	634
Interest paid/payable	(600)
At 31 December 2016	10,083

35. BONDS PAYABLE — CONTINUED

(b) Bond 2 — HK$10,000,000 5% bond due 2021

On 20 November 2014, the Company issued HK$10,000,000 5% bond ("5% Bond") with the aggregate principal amount of HK$10,000,000.

The 5% Bond will be matured on 20 November 2021. Interest of 5% per annum is payable in lump sum within 7 days after the issue date.

The effective interest rate of the 5% Bond on initial recognition is 7.95% per annum.

	HK$'000
At 1 January 2015	10,001
Interest charged calculated at an effective interest rate of 7.95%	474
Interest paid/payable	(500)
At 31 December 2015	9,975
Interest charged calculated at an effective interest rate of 7.95%	513
Interest paid/payable	(500)
At 31 December 2016	9,988

(c) Bond 3 — HK$9,000,000 6% bond due 2020

On 10 April 2015, the Company issued HK$9,000,000 6% bond ("6% bond") with the aggregate principal amount of HK$9,000,000.

The 6% Bond will be matured on 10 April 2020. Interest of 6% will be paid quarterly until the 6% Bond is matured.

The effective interest rate of the 6% Bond on initial recognition is 8.57% per annum.

	HK$'000
At date of issue, net of transaction cost	8,100
Interest charged calculated at an effective interest rate of 8.57%	504
Interest paid/payable	(392)
At 31 December 2015 and 1 January 2016	8,212
Interest charged calculated at an effective interest rate of 8.57%	708
Interest paid/payable	(540)
At 31 December 2016	8,380

35. BONDS PAYABLE — CONTINUED

(d) Bond 4 — HK$70,900,000 9.6% bond due 2017

On 31 August 2015, the Company issued HK$70,900,000 9.6% bond ("9.6% bond") with the aggregate principal amount of HK$70,900,000.

The 9.6% Bond will be matured on 31 August 2017. Interest of 9.6% will be paid quarterly until the 9.6% bond is matured.

The effective interest rate of the 9.6% Bond on initial recognition is 11.58% per annum.

	HK$'000
At date of issue, net of transaction costs	68,206
Interest charged calculated at an effective interest rate of 11.58%	2,661
Interest paid/payable	(2,275)
At 31 December 2015 and 1 January 2016	68,592
Interest charged calculated at an effective interest rate of 11.58%	7,843
Interest paid/payable	(6,825)
At 31 December 2016	69,610

(e) Bond 5 — HK$29,000,000 6.5% bond due 2022

On 13 June 2016, the Company issued HK$29,000,000 6.5% bond ("6.5% bond") with the aggregate principal amount of HK$29,000,000.

The 6.5% Bond will be matured on 13 June 2022. Interest of 6.5% will be paid quarterly until the 6.5% bond is matured.

The effective interest rate of the 6.5% Bond on initial recognition is 8.89% per annum.

	HK$'000
At date of issue, net of transaction costs	25,810
Interest charged calculated at an effective interest rate of 8.89%	1,264
Interest paid/payable	(1,038)
At 31 December 2016	26,036

35. BONDS PAYABLE — CONTINUED

(f) Bond 6 — HK$10,000,000 6.5% bond due 2021

On 28 September 2016, the Company issued HK$10,000,000 6.5% bond ("6.5% bond") with the aggregate principal amount of HK$10,000,000.

The 6.5% Bond will be matured on 28 September 2021. Interest of 6.5% will be paid quarterly until the 6.5% bond is matured.

The effective interest rate of the 6.5% Bond on initial recognition is 8.21% per annum.

	HK$'000
At date of issue, net of transaction costs	9,300
Interest charged calculated at an effective interest rate of 8.21%	197
Interest paid/payable	(167)
At 31 December 2016	9,330

36. PROMISSORY NOTE

On 29 June 2016, the Company issued a promissory note in the aggregate principal amount of HK$65,000,000 which matures on 29 June 2018 and bears interest rate of 5% per annum as part of the consideration for acquiring 9.9% equity interests of New Way Medicine which was classified as available-for-sale financial asset as at year ended 31 December 2016.

	HK$'000
At date of issue, net of transaction costs	60,260
Interest charged calculated at an effective interest rate of 9.02% (Note 10)	2,770
Interest paid/payable	(1,647)
At 31 December 2016	61,383

The fair value of the promissory note issued in 2016 at the issue date was approximately HK$60,260,000. The fair value was arrived at on the basis of a valuation carried out by an independent qualified professional valuer and is calculated using discounted cash flow method at a rate of 8.93%.

36. PROMISSORY NOTE — CONTINUED

On 27 February 2014, the Company issued the promissory note in the aggregate principal amount of HK$60,240,000 which matures in February 2017 and bears interest rate of 5% per annum as part of consideration for acquiring 38% equity interests of Redsun.

	HK$'000
At 1 January 2015	9,922
Interest charged calculated at an effective interest rate of 6.55% (Note 10)	62
Interest payable	(49)
Redemption of promissory note	(9,935)
At 31 December 2015	—

The fair value of the liability component of the promissory note was calculated using an equivalent market interest rate for an equivalent instrument at the issue date. The fair value of the liability component of the promissory note at the issue date amounted to approximately HK$57,716,000. The fair value is calculated using discounted cash flow method at a rate of 6.12%.

During the year ended 31 December 2015, the promissory note with the principal amount of HK$10,240,000 had been repaid by the Company.

37. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the prior and current years:

	Fair value adjustment of other intangible assets	**Convertible notes**	**Accelerated tax depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	—	30	—	30
Fair value adjustment arising from acquisition of subsidiaries	711	—	—	711
Released on conversion of convertible notes	—	(24)	—	(24)
Credited to consolidated statement of profit or loss and other comprehensive income	(75)	—	—	(75)
At 31 December 2015 and 1 January 2016	636	6	—	642
Fair value adjustment arising from acquisition of subsidiaries (Note 41(a))	—	—	1,928	1,928
Credited to consolidated statement of profit or loss and other comprehensive income	(114)	—	(142)	(256)
At 31 December 2016	**522**	**6**	**1,786**	**2,314**

37. DEFERRED TAX LIABILITIES — CONTINUED

At the end of reporting period, the Group had unused tax losses of approximately HK$360,657,000 (2015: HK$245,257,000) available for offset against the future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

There was no other significant unrecognised temporary difference as at 31 December 2016 and 2015.

38. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Issued and fully paid:		
At 1 January 2015	1,117,133	2,464,228
Issue of shares pursuant placing (Note (a), (c) and (d))	1,021,705	206,366
Issue of shares pursuant to conversion of convertible bonds (Note (b))	473,709	86,689
At 31 December 2015 and 1 January 2016	2,612,547	2,757,283
Issue of shares pursuant to voluntary conditional securities exchange offers (note 41(a))	1,330,132	135,877
Issue of shares pursuant to placing (Note (e)) and (Note (f))	2,578,058	137,500
At 31 December 2016	**6,520,737**	**3,030,660**

Notes:

(a) On 10 April 2015, 223,426,687 shares were issued by way of placing at a price of HK$0.19 per share for cash consideration of approximately HK$41,170,000 for the purpose of financing the Group's investment opportunities, general working capital and reduction of debt.

(b) On 20 May 2015, the holders of convertible bonds exercised their conversion right to convert the principal amount in aggregate of HK$86,689,000 into 473,708,851 shares.

(c) On 15 June 2015, 362,853,795 shares were issued by way of placing at a price of HK$0.335 per share for cash consideration of approximately HK$117,896,000 for the purpose of financing of the Group's investment opportunities, general working capital and reduction of debt for the continuous development of the Group's principal businesses.

(d) On 22 December 2015, 435,424,554 shares were issued by way of placing at a price of HK$0.112 per share for cash consideration of approximately HK$47,300,000 for the purpose of general working capital for development of the Group's principal businesses and enhancement of the Group's capital structure.

(e) On 9 September 2016, 778,057,500 shares were issued by way of placing at a price of HK$0.055 per share for net proceed of approximately HK$41,502,000 for the purpose of general working, capital investment opportunity and enhancement of capital structure.

(f) On 11 November 2016, 1,800,000,000 shares were issued by way of placing at a price of HK$0.055 per share for net proceed of approximately HK$95,998,000 for the purpose of debt repayment and general working capital.

39. RESERVES

Notes:

(i) Share premium and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital (Note 38). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(ii) Share option reserve

This reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible persons, including any full-time and part-time employee, director, consultant or advisor of the Company and its subsidiaries or any associate of the Company, recognised in accordance with the accounting policy in Note 3(o).

(iii) Exchange translation reserve of the Group

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 3(i).

(iv) Equity components of convertible bonds/notes

Equity components of convertible bonds/notes have been set up and will be dealt with in accordance with the Group's accounting policies in note 3(n).

(v) Other reserves of the Group

This reserve represents the changes in the Group's ownership interests in its subsidiaries that do not result in loss of control.

(vi) Distributable reserves

As at 31 December 2016, the Company had no reserves available for distribution under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622) (2015: Nil).

(vii) Investment revaluation reserves

As at 31 December 2016, the Company had negative investment revaluation reserve of approximately HK$595,000, which was generated from the loss of fair value change for the listed available-for-sales financial assets.

40. SHARE-BASED PAYMENTS

2001 Share Option Scheme

The Company's share option scheme, which was adopted pursuant to a resolution passed on 30 October 2001 ("2001 Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees, was expired in 2011. Under the 2001 Share Option Scheme, the board of directors of the Company may grant options to eligible persons to subscribe for shares in the Company.

At 31 December 2016, the adjusted number of shares in respect of which options was granted and remained outstanding under the 2001 Share Option Scheme was 16,187,444 (2015: 21,963,527), representing 0.24% (2015: 0.8%) of the shares of the Company in issue as at 31 December 2016. The total number of shares in respect of which options may be granted under the 2001 Share Option Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. An option may be exercised in accordance with terms of the 2001 Share Option Scheme at any time during a period to be notified by the board of directors to each grantee, such period of time not exceeding 10 years from the date of grant of the option.

The exercise price is determined by the directors, and will not be less than the higher of (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date as mentioned in (i) above; and (iii) the nominal value of the Company's shares.

The options outstanding at 31 December 2016 had the adjusted weighted average exercise price of HK$2.89 (2015: weighted average exercise price of HK$2.49) and weighted average remaining contractual life of 0.7 years years (2015: 1.7 years).

40. SHARE-BASED PAYMENTS — CONTINUED

The following table discloses movements of the Company's share options under the 2001 Share Option Scheme during the years ended 31 December 2016 and 2015:

2016

Grantee	Date of grant	Vesting period	Exercisable period	Adjusted exercise price per share *HK$*	Number of share options At 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2016
Consultants/advisors	10-04-2006	10-04-2006 to 10-04-2008	10-04-2006 to 09-04-2016	1.71	5,776,083	—	—	(5,776,083)	**—**
	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	3.42	2,937,268	—	—	—	**2,937,268**
	06-11-2007	01-01-2008 to 01-07-2009	06-11-2007 to 05-11-2017	3.46	5,839,500	—	—	—	**5,839,500**
	28-12-2007	07-03-2010 to 07-03-2011	07-03-2008 to 06-03-2018	2.23	7,410,676	—	—	—	**7,410,676**
				TOTAL:	21,963,527	—	—	(5,776,083)	**16,187,444**
Exercisable at the end of the year									**16,187,444**
Weighted average exercise price (HK$)					2.58	—	—	—	**2.89**

2015

Grantee	Date of grant	Vesting period	Exercisable period	Adjusted exercise price per share *HK$*	Number of share options At 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2015
Former employees	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	3.42	58,395	—	—	(58,395)	—
	28-12-2007	07-03-2009 to 07-03-2010	07-03-2008 to 06-03-2018	2.23	8,136,292	—	—	(8,136,292)	—
					8,194,687	—	—	(8,194,687)	—
Consultants/advisors	10-04-2006	10-04-2006 to 10-04-2008	10-04-2006 to 09-04-2016	1.71	5,776,083	—	—	—	5,776,083
	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	3.42	2,937,268	—	—	—	2,937,268
	06-11-2007	01-01-2008 to 01-07-2009	06-11-2007 to 05-11-2017	3.46	5,839,500	—	—	—	5,839,500
	28-12-2007	07-03-2010 to 07-03-2011	07-03-2008 to 06-03-2018	2.23	7,410,676	—	—	—	7,410,676
					21,963,527	—	—	—	21,963,527
				TOTAL:	30,158,214	—	—	(8,194,687)	21,963,527
Exercisable at the end of the year									21,963,527
Weighted average exercise price (HK$)					2.49	—	—	—	2.49

40. SHARE-BASED PAYMENTS — CONTINUED

Note:

1. The share options granted were immediately vested at the date of granted or, for a grantee who is a director, at a later date in which the grantee become a director of the Company (as the case may be).

2014 Share Option Scheme

The Company's share option scheme, which was adopted pursuant to a resolution passed on 12 June 2014 ("2014 Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees, will expire in June 2024. Under the 2014 Share Option Scheme, the board of directors of the Company may grant options to eligible persons to subscribe for shares in the Company.

At 31 December 2015, the adjusted number of shares in respect of which options was granted and remained outstanding under the 2014 Share Option Scheme was 170,295,954 (2014: 67,725,562), representing 6.5% (2014: 6.1%) of the shares of the Company in issue as at 31 December 2015. The total number of shares in respect of which options may be granted under the 2014 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved by the Company's shareholders.

The exercise price is determined by the directors of the Company, and will not be less than higher of (i) the closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotation sheets) on the date on which the option is offered, which must be a business day; (ii) the average closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date as mentioned in (i) above.

Details of specific categories of options are as follows:

Date of grant	Exercise period	Exercise price	Fair value at grant date
		HK$	*HK$*
31 October 2014	From 31 October 2014 to 30 October 2016	0.34	0.1492
24 June 2015	From 24 June 2015 to 23 June 2017	0.28	0.1356

In accordance with the terms of the 2014 Share Option Scheme, options granted during the financial year ended 31 December 2015 and 2014 were vested at the date of grant.

The fair value of the share options granted on 24 June 2015 is determined using the Trinomial Options Pricing Model with the expected volatility which is based on the historical share price volatility over the past 2 years.

40. SHARE-BASED PAYMENTS — CONTINUED

2014 Share Option Scheme — continued

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model

	Granted on 31 October 2014	Granted on 24 June 2015
Grant date share price	HK$0.34	HK$0.28
Exercise price	HK$0.34	HK$0.28
Expected volatility	82.01%	91.67%
Option life	2 years	2 years
Dividend yield	0.00%	0.00%
Risk-free interest rate	0.31%	0.39%

2016

				Number of share options				
Grantee	**Date of grant**	**Exercisable period**	**Exercise price per share** *HK$*	**At 1 January 2016**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2016**
Directors	31-10-2014	31-10-2014 to 30-10-2016	0.34	8,127,066	—	—	(8,127,066)	**—**
	24-6-2015	24-6-2015 to 23-6-2017	0.28	19,319,035	—	—	—	**19,319,035**
Employees	31-10-2014	31-10-2014 to 30-10-2016	0.34	18,624,529	—	—	(18.624,529)	**—**
	24-6-2015	24-6-2015 to 23-6-2017	0.28	60,895,637	—	—	—	**60,895,637**
Consultants/advisors	31-10-2014	31-10-2014 to 30-10-2016	0.34	31,831,016	—	—	(31,831,016)	**—**
	24-6-2015	24-6-2015 to 23-6-2017	0.28	31,498,671	—	—	—	**31,498,671**
				170,295,954	—	—	(58,583,611)	**111,713,343**
Exercisable at the end of the year								**111,713,343**
Weighted average exercise price *(HK$)*				0.30	—	—	0.30	**0.28**

40. SHARE-BASED PAYMENTS — CONTINUED

2015

Grantee	Date of grant	Exercisable period	Exercise price per share *HK$*	At 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2015
				Number of share options				
Directors	31-10-2014	31-10-2014 to 30-10-2016	0.34	14,899,622	—	—	(6,772,556)	8,127,066
	24-6-2015	24-6-2015 to 23-6-2017	0.28	—	19,319,035	—	—	19,319,035
Employees	31-10-2014	31-10-2014 to 30-10-2016	0.34	18,624,529	—	—	—	18,624,529
	24-6-2014	24-6-2015 to 23-6-2017	0.28	—	60,895,637	—	—	60,895,637
Consultants/advisors	31-10-2014	31-10-2014 to 30-10-2016	0.34	34,201,411	—	—	(2,370,395)	31,831,016
	24-6-2015	24-6-2015 to 23-6-2017	0.28	—	31,498,671	—	—	31,498,671
				67,725,562	111,713,343	—	(9,142,951)	170,295,954
Exercised at the end of the year								170,295,954
Weighted average exercise price *(HK$)*				0.34	0.28	—	0.34	0.30

There was no share-based payment recognised during the year (2015: HK$15,148,000).

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES

(a) In May 2016, the Company completed the Exchange Share Offer on the basis of 7 news shares of the Company to 2 shares of Rui Kang, and as a result, the Group's equity interest in Rui Kang increased from 19.6% to 77.27% and Rui Kang became a subsidiary of the Group. Before completion of the acquisition, in order to restore the public float of Rui Kang in compliance with the requirement under GEM Listing Rule, the Group has disposed of 14,940,000 Shares on the Stock Exchange representing approximately 2.27% of the total issued share capital of Rui Kang.

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(a) — continued

The carrying amounts and fair value of assets acquired and liabilities recognised of Rui Kang at the date of acquisition are as follows:

	Fair value
	HK$000
Property, plant and equipment	45,782
Land use right — after one year	8,428
Intangible assets	60,053
Interests in associates	42,892
Available-for-sale financial assets	3,600
Inventories	18,110
Trade and bills receivables	19,220
Loan receivable	11,832
Land use right — within one year	237
Deposits, prepayments and other receivables	26,416
Financial assets	116,253
Tax recoverable	316
Bank balances and cash	34,094
Trade payables	(4,752)
Other payables and accruals	(41,325)
Bank and other borrowings	(15,706)
Tax payable	(71)
Deferred tax liabilities	(1,928)
Net assets acquired	323,451
Fair value of 19.6% ordinary shares held originally classified as available-for-sale financial assets	40,605
Issue of shares of the Company on acquisition, net	135,877
Total consideration	176,482
Less: Net assets acquired	(323,451)
Add: Net asset value on non-controlling interests of Rui Kang Group	98,249
Less: Disposal in order to restore public float	(598)
Gain on bargain purchase	(49,318)
Satisfied by:	
Equity instruments (1,330,132,000 ordinary share of the Group)	135,877
Net cash inflow on acquisition of subsidiaries:	
Cash and cash equivalents acquired	34,094

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(a) — continued

The gain on bargain purchase represented the difference between the then fair value of the shares of the Company issued as consideration and the net asset value of Rui Kang acquired based on the terms of the Share Offer as mentioned above.

The fair value of the 1,330,132,000 ordinary share issued as the consideration paid for acquisition of Rui Kang was based on the published share price on four batch acceptance, which is on 16 May, 19 May, 25 May and 26 May 2016 respectively. Issuance costs totaling have been netted against the deemed proceeds.

The group recognised a gain of approximately HK$11,214,000 as a result measuring at fair value of its 19.6% equity interest in Rui Kang held as available-for-sale financial asset before the business combination. The gain is included in other gains and losses for the year ended 31 December 2016.

Since 27 May 2016, the completion date of business combination with Rui kang, of approximately HK$59,032,000 revenue and approximately HK$59,674,000 loss was contributed to the Group. The Rui Kang's revenue mainly consist by manufacture and sale of health related and pharmaceutical products, provision of medical laboratory testing services and health check services, money lending business and provision of research and development services.

Had the Rui Kang been consolidated from 1 January 2016, the consolidated statement of profit or loss would show pro-forma revenue of approximately HK$86,565,000 and loss of approximately HK$32,135,000, net of elimination adjustment.

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(b) On 23 June 2016, the Company acquired 100% issued share capital of Women's Health And Reproductive Medicine Centre Limited, which is principally engaged in the O&G Business, at a cash consideration of HK$8,850,000.

The carrying amounts of assets acquired and liabilities O&G Business recognised at the date of acquisition are as follows:

	Fair value *HK$'000*
Property, plant and equipment	180
Trade receivables	162
Other receivables, prepayment and deposits	726
Cash and bank balances	1,077
Trade and other payable	(1,066)
Tax payable	(2)
Net assets acquired	1,077
Goodwill	7,773
Consideration	8,850
Satisfied by:	
Cash	8,850
Net cash outflow on acquisition of a subsidiary:	
Consideration paid by cash	8,850
Less: Cash and cash equivalents acquired	(1,077)
	7,773

Since 22 June 2016, the completion date of acquisition of Women's Health And Reproductive Medicine Centre Limited, of approximately HK$4,708,000 revenue and approximately HK$631,000 profit was contributed to the Group.

Had the Women's Health And Reproductive Medicine Centre Limited been consolidated from 1 January 2016, the consolidated statement of profit or loss would show pro-forma revenue of approximately HK$8,830,000 and net profit of approximately HK$1,708,000.

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(c) On 3 March 2015, the Company acquired 100% issued share capital of Jade Metro Limited ("Jade Metro") at a consideration of US$1. Jade Metro is principally engaged in investment holding. The consideration of US$1 was paid by cash.

The acquisition of Jade Metro did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value
	HK$'000
Non-current asset	
Available-for-sale financial assets	33,053
Current liability	
Other payables	(33,053)
Total consideration	—
Satisfied by:	
Cash	—
Net cash outflow on acquisition of assets through acquisition of a subsidiary:	
Consideration paid by cash	—
Less: Cash and cash equivalents acquired	—
	—

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(d) On 23 April 2015, the Company acquired 55% issued share capital of Mega Fitness (Shanghai) Investments Limited ("Mega Fitness") at a consideration of HK$24,000,000. Mega Fitness is principally engaged in investment holding. Its subsidiaries are principally engaged in operating a chain of sports and healthcare clubhouses in the PRC.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value
	HK$'000
Non-current assets	
Property, plant and equipment	18,802
Intangible assets	2,847
Current assets	
Inventories	1,240
Trade receivables	1,115
Other receivables, prepayment and deposits	6,623
Amounts due from non-controlling interests	1,792
Amounts due from related companies	2,242
Cash and bank balances	13,822
Current liabilities	
Trade and other payables	(16,675)
Receipts in advance	(87,375)
Amounts due to related companies	(2,257)
Non-current liability	
Deferred taxation	(711)
Net liabilities	(58,535)
55% of net liabilities acquired	(32,194)
Goodwill arising on acquisition	56,194
Total consideration	24,000

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(d) — continued

Consideration transferred

	HK$'000
Cash	24,000
Net cash outflow on acquisition of subsidiaries:	
Consideration paid by cash	(24,000)
Less: Cash and cash equivalents acquired	13,822
	(10,178)

Acquisition-related costs amounting to approximately HK$1,464,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Goodwill arose in the acquisition of Mega Fitness because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies and revenue growth of Mega Fitness. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Included in the loss for the year is approximately HK$1,778,000 attributable to the Group from Mega Fitness. Revenue of approximately HK$86,035,000 was generated from Mega Fitness during the year after the acquisition.

Had the business combinations been effected from 1 January 2015, the revenue of the Group would have been approximately HK$158,600,000, and the loss for the year would have been approximately HK$371,681,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(e) On 20 May 2015, the Company acquired the remaining 50% issued share capital of Golden Times Management Limited ("Golden Times") at a consideration of HK$3,500,000. Golden Times is principally engaged in investment holding. Its subsidiaries are principally engaged in property investment. The consideration of HK$3,500,000 was paid by cash.

The acquisition of Golden Times did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition

	Fair value
	HK$'000
Non-current asset	
Investment properties	148,262
Current assets	
Other receivables, prepayments and deposits	17
Cash and bank balances	28
Current liabilities	
Trade and other payables	(362)
Amounts due to related companies	(67,512)
Other payable	(11,515)
Borrowings	(59,000)
	9,918
Fair value of previous held interest	6,418
Cash consideration paid	3,500
Total consideration	9,918
Net cash outflow on acquisition of a subsidiary:	
Consideration paid by cash	(3,500)
Less: Cash and cash equivalents acquired	28
	(3,472)

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(f) On 31 December 2015, the Company acquired 100% issued share capital of Capital Alliance Group Limited ("Capital Alliance") at a consideration of HK$19,000. Capital Alliance is principally engaged in investment holding. The consideration of HK$19,000 was paid by cash.

The acquisition of Capital Alliance did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition are as follow:

	Fair value
	HK$'000
Non-current asset	
Available-for-sale financial assets	55,898
Current asset	
Cash and bank balances	8
Current liabilities	
Other payables	(1,207)
Borrowings	(54,680)
Total consideration	19
Satisfied by:	
Cash	19
Net cash outflow on acquisition of assets through acquisition of a subsidiary:	
Consideration paid by cash	(19)
Less: Cash and cash equivalents acquired	8
	(11)

42. DISPOSAL OF SUBSIDIARIES

(a) On 22 March 2016, the Group entered into an agreement to dispose of its remaining 45% equity interest in subsidiaries engaged in the tumours diagnosis and treatment business in the PRC at initial consideration of HK$3,112,000.

Wintin International Limited and its subsidiaries

Analysis of assets and liabilities over which control was lost

	HK$'000
Non-current assets	
Property, plant and equipment	5,779
Land use right	3,556
Other intangible assets	753
Long-term prepayments and deposits	88,457
Current assets	
Other receivables	131,739
Cash and bank balances	7,357
Current liabilities	
Other payables	(28,473)
	209,168
Less: Non-controlling interest	(94,539)
Net asset disposal of	114,629
Loss on disposal of subsidiaries:	
Consideration	3,112
Net assets disposed of	(114,629)
Release of cumulative exchange difference on translation of foreign operations	72,191
Loss on disposal of subsidiaries engaged in tumours diagnosis and treatment business	(39,326)
Net cash outflow on disposal of a subsidiary	
Consideration receivable in cash and cash equivalents	3,112
Less: Cash and cash equivalents balances disposed of	(7,357)
	(4,245)

42. DISPOSAL OF SUBSIDIARIES — CONTINUED

(b) On 25 May 2016, the Group entered into an agreement with an independent third party to dispose of its 45% equity interest in an investment company holding interest in a number of healthcare related projects at a consideration of HK$89,500,000.

Treasure Link Ventures Limited

Analysis of assets and liabilities over which control was lost

	HK$'000
Non-current assets	
Available-for-sale financial assets	161,213
Deposit paid for acquisition of available-for-sale financial assets	17,913
Current asset	
Other receivable	88,800
Current liability	
Other payable	(66,987)
	200,939
Less: Non-controlling interest	(110,507)
Net asset disposal of	90,432
Loss on disposal of a subsidiary:	
Consideration	89,500
Net assets disposed of	(90,432)
Loss on disposal of a subsidiary	(932)
Net cash inflow on disposal of a subsidiary	
Consideration receivable in cash and cash equivalents	700
Less: Cash and cash equivalents balances disposed of	—
	700

42. DISPOSAL OF SUBSIDIARIES — CONTINUED

(c) On 30 December 2016, the Board passed a written resolution to (i) transfer the entire issued share capital in Splendid Rich Holdings Limited ("Splendid Rich"); and (ii) enter into a deed of assignment to assign the entire sum then owing by Splendid Rich to the Company of approximately HK$2,341,000 to Mr. Cheung Hung ("Mr. Cheung"), at a cash consideration of HK$2,400,000. The completion of the share transfer and loan assignment took place on the same date. An analysis of the net assets of Splendid Rich at the date on which the Group lost control (i.e. 30 December 2016), were as follows:

Splendid Rich

Analysis of assets and liabilities over which control was lost

	HK$'000
Current assets	
Held for trading securities	9,295
Deposits, prepayments and other receivables	781
Cash and cash equivalents	8
Current liability	
Other payables and accruals	(9,808)
Net asset disposal of	276
Loss on disposal of a subsidiary:	
Cash consideration	2,400
Assignment of debts	(2,341)
Net assets disposal of	(276)
	(217)
Net cash inflow on disposal of a subsidiary	
Consideration receivable	2,400
Less: Cash and cash equivalents balances disposed of	(8)
	2,392

43. COMMITMENT

(a) Operating Lease Commitment

At the end of reporting period, the Group had outstanding commitments payable under non-cancellable operating leases which fall due as follows:

	2016 *HK$'000*	2015 *HK$'000*
Within one year	**35,833**	33,497
In the second to fifth years inclusive	**60,914**	83,085
More than five years	**7,528**	10,796
	104,275	127,378

Operating lease payment represents rentals and servicing fee payable by the Group for its office premises and medical equipment respectively. Lease terms ranged from one to five years with fixed rental.

(b) Capital commitment

	2016 *HK$'000*	2015 *HK$'000*
Authorised but not contracted for	**25,438**	—

As at the year ended 31 December 2016, Rui Kang, a non-wholly owned subsidiary of the Group, has an capital commitment of approximately RMB20,000,000 (equivalent to approximately HK$25,438,000) in relation to the cooperation for the investment and construction of a pharmaceutical factory in Hong Hua Gang Economic Development District, Guizhou Province, the PRC.

44. PENSION/RETIREMENT BENEFITS SCHEME

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to contribute 5% of the employee's basic monthly salary which is capped HK$1,500 per month with effect from 1 June 2014. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

The Group also participates in the employee pension schemes of the respective municipal government in various places in the PRC where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly payroll costs to these schemes and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The Group's contributions to these PRC contribution schemes are expensed as incurred.

The total cost recognised in profit or loss of approximately HK$4,880,000 (2015: HK$1,770,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. At the end of reporting period, no contribution due in respect of the reporting period had not been paid over to the schemes.

45. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the years ended 31 December 2016 and 2015 the Group had entered into the following material related party transactions:

(a) Key management personnel remuneration

	2016	2015
	HK$'000	*HK$'000*
Salaries, bonuses and other benefits	**26,142**	24,620
Retirement benefits scheme contributions	**107**	24
Share-based payment expenses	**—**	2,010
	26,249	26,654
Comprise amounts paid to:		
Directors	**25,118**	26,654
Other key management personnel	**1,131**	—
	26,249	26,654

(b) On 20 May 2015, Commerce Sea Global Investment Limited ("Commerce Sea"), a wholly-owned subsidiary of the Company, as the purchaser entered into the acquisition agreement with Mr. Chan as the vendor for the acquisition by Commerce Sea of the 50% equity interests of Golden Times Management Limited at the consideration of HK$3,500,000 payable by Commerce Sea to Mr. Chan in cash.

(c) On 24 June 2015, the Company offered to grant share options under its share option scheme adopted on 12 June 2014 to certain directors, employees and consultants of the Company to subscribe for a total of 111,713,374 new shares of the Company.

(d) Members of key management personnel during the year comprised only of the Directors whose remuneration is set out in Note 13.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of Subsidiaries	Place of incorporation	Issued and fully paid share capital/ registered capital	Group's effective interest		Proportion of ownership interest and voting power held by the Company				Principal activities
					Directly		Indirectly		
			2016	2015	**2016**	2015	**2016**	2015	
China Renji Medical (BVI) Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	**100%**	100%	**—**	—	Investment holding
Treasure Link Ventures Limited	British Virgin Islands	100 ordinary shares of US$1 each	**—**	45%	**—**	—	**—**	45%	Investment holding
Anping Medical Treatment Technology (Wuhu) Co., Limited	PRC	Registered capital of RMB246,200,000	**—**	45%	**—**	—	**—**	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Wuhu Anping Medical Management Co., Limited	PRC	Registered capital of RMB15,000,000	**—**	45%	**—**	—	**—**	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Tianjin Anping Medical Management Co., Limited	PRC	Registered capital of RMB4,000,000	**—**	45%	**—**	—	**—**	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Hong Kong Optical Co., Limited	Hong Kong	HK$5,000,000	**62%**	52%	**—**	—	**62%**	52%	Trading of optical products
上海創逸健身發展有限公司	PRC	Registered capital of US$300,000	**30.7%**	36.4%	**—**	—	**100%**	100%	Provision of leisure fitness clubhouse services and fitness training courses
北京美格菲健身有限公司	PRC	Registered capital of RMB1,000,000	**20%**	23.7%	**—**	—	**65%**	65%	Provision of leisure fitness clubhouse services and fitness training courses
上海美格菲健身中心有限公司	PRC	Registered capital of RMB1,000,000	**30.7%**	36.4%	**—**	—	**100%**	100%	Provision of leisure fitness clubhouse services and fitness training courses
Natural Well Limited	Hong Kong	HK$1	**—**	100%	**—**	—	**—**	100%	Property investment
Bright Choice Investments Limited	Hong Kong	HK$100	**49%**	100%	**—**	—	**100%**	100%	Property investment
Landmass Investments Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	**100%**	100%	**—**	—	Investment holding
Jade Metro Limited	Samoa	1 ordinary share of US$1 each	**100%**	100%	**100%**	100%	**—**	—	Investment holding
Capital Alliance Group Limited	Anguilla	100 ordinary shares of US$1 each	**100%**	100%	**100%**	100%	**—**	—	Investment holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(a) General information of subsidiaries — continued

Name of Subsidiaries	Place of incorporation	Issued and fully paid share capital/ registered capital	Group's effective interest		Proportion of ownership interest and voting power held by the Company — Directly		Indirectly		Principal activities
			2016	2015	**2016**	2015	**2016**	2015	
Jianrun Ventures Limited	BVI	1 Ordinary share of US$ 1 each	**100%**	100%	**—**	—	**100%**	100%	Investment holding
Sun Green Holdings Limited	Samoa	1 Ordinary share of US$ 1 each	**100%**	—	**—**	—	**100%**	—	Property Investment
East Shine International Corporation	Anguilla	100 Ordinary share of US$ 0.49 each	**49%**	—	**—**	—	**49%**	—	Property Investment
Golden Times Management Limited	BVI	100 Ordinary shares of US$1 each	**49%**	—	**—**	—	**100%**	—	Property Investment
Interway Ventures Limited	Samoa	1 Ordinary share of US$ 1 each	**100%**	—	**—**	—	**100%**	—	Investment holding
Women's Health And Reproductive Medicine Centre Limited	Hong Kong	HK$1	**100%**	—	**—**	—	**100%**	—	Obstetric and gynaecological services
Classic Estate Investments Limited	BVI	100 Ordinary shares of US$1 each	**100%**	—	**—**	—	**100%**	—	Investment holding
Astro Elite Limited	BVI	100 Ordinary shares of US$1 each	**100%**	—	**—**	—	**100%**	—	Investment holding
New Health Elite International Limited	BVI	100 Ordinary shares of US$1 each	**91.4%**	77%	**—**	—	**100%**	100%	Investment holding
Golden Oasis Health Limited	BVI	100 Ordinary shares of US$1 each	**55.8%**	66.2%	**—**	—	**61%**	61%	Investment holding
Sky Clear Bright Group Limited	BVI	1 Ordinary share of US$1 each	**100%**	—	**100%**	—	**—**	—	Investment holding
Rui Kang Pharmaceutical Group Investment Limited ("Rui Kang")	Bermuda	788,367,000 Ordinary shares of HK$0.1 each	**62.5%**	—	**62.5%**	—	**—**	—	Investment holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(a) General information of subsidiaries — continued

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of Subsidiaries	Place of incorporation/	Proportion of ownership interests and voting power held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Rui Kang Pharmaceutical Group Investment Limited	Bermuda	**37.5%**	—	**(28,094)**	—	**108,512**	—
Wintin International Limited	British Virgin Islands	**N/A**	55%	**—**	(33,767)	**—**	95,878
Treasure Link Ventures Limited	British Virgin Islands	**N/A**	55%	**—**	110,524	**—**	110,524
New Health Elite International Limited	British Virgin Islands	**—**	23%	**—**	(1,636)	**—**	(27,333)
				(28,094)	75,121	**108,512**	179,069

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Rui Kang Pharmaceutical Group Investments Limited

	2016 *HK$'000*
Current assets	145,977
Non-current assets	176,979
Current liabilities	(42,833)
Non-current liabilities	(4,906)
Net assets	275,217
Revenue	59,032
Expenses	(118,706)
Loss for the year	(59,674)
Loss for the year attributable to:	
Owners of the Company	(31,580)
Non-controlling interests	(28,094)
Loss for the year	(59,674)
Other comprehensive income attributable to:	
Owners of the Company	2,522
Non-controlling interests	1,293
Other comprehensive income for the year	3,815
Loss and total comprehensive loss attributable to:	
Owners of the Company	(29,058)
Non-controlling interests	(26,801)
Loss and total comprehensive loss for the year	(55,859)
Net cash outflow from operating activities	(7,226)
Net cash outflow from investing activities	(16,616)
Net cash inflow from financial activities	26,809
Net cash inflow	2,967

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Wintin International Limited

	2015
	HK$'000
Current assets	139,348
Non-current assets	99,272
Current liabilities	(161,579)
Net assets	77,041
Revenue	9,744
Expenses	(65,230)
Loss for the year	(55,486)
Loss for the year attributable to:	
Owners of the Company	(21,719)
Non-controlling interests	(33,767)
Loss for the year	(55,486)
Other comprehensive loss attributable to:	
Owners of the Company	(10,164)
Non-controlling interests	(12,422)
Other comprehensive loss for the year	(22,586)
Loss and total comprehensive loss attributable to:	
Owners of the Company	(31,883)
Non-controlling interests	(46,189)
Loss and total comprehensive loss for the year	(78,072)
Net cash outflow from operating activities	(11,945)
Net cash outflow from investing activities	(66)
Net cash outflow	(12,011)

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Treasure Link Ventures Limited

	2015 *HK$'000*
Current assets	—
Non-current assets	267,948
Non-current liabilities	(66,995)
Net assets	200,953
Revenue	268,525
Expenses	(67,572)
Profit and total comprehensive income for the year	200,953
Profit and total comprehensive income attributable to:	
Owners of the Company	90,429
Non-controlling interests	110,524
Profit and total comprehensive income for the year	200,953
Net cash inflow from operating activities	—
Net cash outflow from investing activities	—
Net cash inflow	—

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

New Health Elite International Limited

	2015
	HK$'000
Current assets	39,768
Non-current assets	75,317
Current liabilities	(129,871)
Non-current liabilities	(7,636)
Net liabilities	(22,422)
Revenue	86,035
Expenses	(89,836)
Loss for the year	(3,801)
Loss attributable to:	
Owners of the Company	(2,165)
Non-controlling interests	(1,636)
Loss for the year	(3,801)
Other comprehensive loss attributable to:	
Owners of the Company	(773)
Non-controlling interests	(632)
Other comprehensive loss for the year	(1,405)
Loss and total comprehensive loss attributable to:	
Owners of the Company	(2,938)
Non-controlling interests	(2,268)
Loss and total comprehensive loss for the year	(5,206)
Net cash outflow from operating activities	(2,419)
Net cash inflow from investing activities	7,116
Net cash inflow	4,697

47. CHANGE IN OWNERSHIP IN SUBSIDIARIES

(a) On 16 February 2016, the Group has disposed of 19% equity interest with the sales loan of Golden Oasis Health Limited, which is a holding Company of a Group engaging in the management and operation of a chain of sports and healthcare clubhouses under the brand name of "Megafit" in the PRC , for a consideration of HK$6,650,000. Upon the disposal, approximately of HK$661,000 has been debited to non-controlling interest and approximately of HK$5,099,000 has been debited to other reserve.

(b) Pursuant to the announcement of Rui Kang dated 15 August 2016, Rui Kang entered into a placing agreement for the placing of new share under general mandate. An aggregate of 131,380,000 Placing Shares, representing approximately 16.66% of the issued share capital of the Company as at the date of the announcement immediately after completion of the Placing, have been placed to not less than six Placees at the Placing Price of HK$0.169 per Placing Share. After the placing, the shareholding of Rui Kang by the Group was diluted from 75% to 62.5%. And approximately of HK$40,634,000 has been credited to non-controlling interest and approximately HK$18,886,000 has been debited to other reserve.

(c) On 31 October 2016, an agreement was concluded among Hong Kong Optical, Sky Clear Bright and other participant shareholder for contributing an aggregate of approximately HK$13,140,000 to Hong Kong Optical. Of which, Sky Clear Bright contribute HK$9,460,000 (HK$1,900,000 as equity capital and HK$7,560,000 as shareholders' loan) and the participating shareholder will contribute the remaining HK$3,680,000 (HK$740,000 as equity capital and HK$2,940,000 as shareholder's loan). After the contribution, the equity interest of the Group in Hong Kong Optical has increased from 52% to 62%. Upon the addition of equity interest in HKD, approximately of HK$1,373,000 has been credited to non-controlling interest and approximately of HK$633,000 has been debited to other reserve.

(d) On 22 April 2015, New Health Elite International Limited ("New Health"), a subsidiary of the Company, allotted 23 shares to Silver Wisdom Development Limited for a total consideration of HK$4,830,000 (the "Allotment of Shares"). Upon completion of the Allotment of Shares, the Group's shareholdings in New Health was diluted and decreased from 100% to 77% without loss of control and based on the consideration of HK$4,830,000, the Group recognised non-controlling interests of approximately HK$806,000 and approximately HK$4,024,000 was charged to equity directly.

48. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged by the Group to secure financing facilities of the Group.

	2016	2015
	HK$'000	*HK$'000*
Property, plant and equipment (Note (a))	**14,914**	—
Investment properties (Note (b))	**101,000**	150,600
	115,914	150,600

Notes:

(a) As at 31 December 2016, the Group had a secured bank borrowing of approximately HK$5,065,000 (2015: Nil) relating to continuing operations, which was secured by a legal charge on leasehold land and buildings in Hong Kong with the carrying amounts of approximately HK$14,914,000 and a corporate guarantee executed by a subsidiary in favor of the bank for the banking facilities of HK$5,500,000.

(b) As at 31 December 2016, the Group had a secured bank borrowing of approximately HK$54,811,000 (2015: HK$55,155,000), which was secured by the Group's investment properties in Hong Kong with the carrying amount of approximately HK$101,000,000 (2015: HK$150,600,000).

49. NON-CASH TRANSACTIONS

The Group entered into the following non-cash activities which are not reflected in the consolidated statement of cash flows:

- As mentioned in note 41(a), the Group entered into an agreement with Rui Kang in respect of the business combination by way of Exchange Share Offer on the basis of 7 news shares of the Company to 2 shares of Rui Kang, and as a result, the Group's equity interest in Rui Kang increased from 19.6% to 75.0% and Rui Kang became a subsidiary of the Group.

- As mentioned in note 42(b), the Group entered into an agreement with an independent third party ("the purchaser") to dispose of its owned 45% equity interest in an investment company holding interest in a number of healthcare related projects at a consideration of HK$89,500,000. According to third parties agreement, the consideration receivable of HK$89,500,000 from the purchaser in respect of the disposal of Treasure Link had been off-set with the amount payable of HK$88,800,000 to Treasure Link as the consideration of the transfer of 18% equity interest in Project Hospital Company. The balance of HK$700,000 had not been received at the end of the reporting period.

- As mentioned in note 36, the Group issued a promissory note with the principal amount of HK$65,000,000 as part of consideration for acquiring 9.9% equity interest of New Way Medicine which was classified as available-for-sale financial asset as at year ended 31 December 2016.

50. COMPARATIVE FINANCIAL INFORMATION

Certain comparative figures have been reclassified to conform with current year's presentation.

Net loss on disposal of property, plant and equipment and intangible assets of HK$119,000 previously disclosed on the face of consolidated statement of profit or loss and other comprehensive income, but re-classified and grouped under "other gains and losses" (Note 9) in the current year.

Loss arising from change in fair value of financial assets at fair value through profit or loss of HK$2,011,000 previously grouped under "Other gains and losses" (Note 9), but re-classified on the face of consolidated statement of profit or loss and other comprehensive income in the current year.

51. EVENTS AFTER THE REPORTING PERIOD

(a) In February 2017, the Group participated in the rights issue of New Ray Medicine in full and subscribed for 103,070,880 new shares of New Ray Medicine under the rights issue for an amount of HK$28.3 million. Please refer to the announcement of the Company dated 22 February 2017 for details.

(b) In the extraordinary general meeting of the Company held in February 2017, the then shareholders of the Company voted down the resolution relating to the disposal of 141,920,000 shares of Rui Kang Pharmaceutical to New Ray Medicine. Please refer to the announcement of the Company dated 15 February 2017 for details.

(c) In March 2017, the Group revised the exchange ratios under the Xinhua Share Offer from (i) 1 issued share of Xinhua News Media for 4 new shares of the Company to 1 issued share of Xinhua News Media for 9 new shares of the Company; and (ii) the cancellation of 100 options of Xinhua News Media for 1 new share of the Company to the cancellation of 1 option of Xinhua News for 4 new shares of the Company. As at the date of this annual report, the revised offer had not been completed. Please refer to the announcement of the Company dated 16 March 2017 for details.

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016	2015
	HK$'000	*HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	**1,236**	998
Investment in subsidiaries	**178,307**	2,419
Investment in associates	**11,173**	—
Amounts due from subsidiaries	**347,559**	381,127
Available-for-sale financial assets	**1,744**	29,391
Long-term prepayments and deposits	**1,944**	2,444
	541,963	416,379
Current assets		
Available-for-sale financial assets	**—**	820
Other receivables, prepayments and deposits	**2,361**	3,017
Financial assets at fair value through profit or loss	**70,870**	75,584
Cash and bank balances	**20,394**	49,449
	93,625	128,870
Current liabilities		
Other payables and accruals	**19,207**	18,472
Amounts due to subsidiaries	**18,278**	18,048
Borrowings	**89,746**	55,155
Bonds payable	**79,693**	—
Convertible bonds	**1,990**	—
	208,914	91,675
Net current (liabilities)/assets	**(115,289)**	37,195
Total assets less current liabilities	**426,674**	453,574

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY — CONTINUED

	2016	2015
	HK$'000	*HK$'000*
Non-current liabilities		
Borrowings	**69,619**	67,684
Convertible notes	**—**	1,963
Bonds payable	**53,734**	96,828
Promissory note	**61,383**	—
Deferred tax liabilities	**6**	6
	184,742	166,481
Net assets	**241,932**	287,093
CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		
Share capital	**3,030,660**	2,757,283
Reserves	**(2,788,728)**	(2,470,190)
Total equity	**241,932**	287,093

The Company's statement of financial position was approved and authorised for issue by the board of directors on 20 March 2017 and are signed on its behalf by:

CHAN KA CHUNG	**WANG JIANGUO**
Director	*Director*

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY — CONTINUED

Movements in the Company's reserves

	Share option reserve	Equity component of convertible bonds/notes	Warrant reserves	Investment revaluation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	45,524	185	179	—	(2,276,315)	(2,230,427)
Loss and total comprehensive loss for the year	—	—	—	—	(323,410)	(323,410)
Issue of convertible bonds	—	176	—	—	—	176
Extinguishment of convertible bonds	—	(294)	—	—	294	—
Recognition of convertible bonds upon modification	—	155,012	—	—	—	155,012
Issue of shares pursuant to conversion of convertible bonds	—	(155,012)	—	—	68,323	(86,689)
Recognition of equity-settled share-based payments	15,148	—	—	—	—	15,148
Lapse of share options	(1,364)	—	—	—	1,364	—
At 31 December 2015 and 1 January 2016	**59,308**	**67**	**179**	**—**	**(2,529,744)**	**(2,470,190)**
Loss for the year	**—**	**—**	**—**	**—**	**(310,454)**	**(310,454)**
Other comprehensive loss for the year						
Change in fair value of available-for-sale financial assets	**—**	**—**	**—**	**11,875**	**—**	**11,875**
Reclassification adjustment relating to derecognition of available-for-sale financial assets	**—**	**—**	**—**	**(11,214)**	**—**	**(11,214)**
Lapse of share options	**(8,745)**	**—**	**—**	**—**	**—**	**(8,745)**
At 31 December 2016	**50,563**	**67**	**179**	**661**	**(2,840,198)**	**(2,788,728)**

53. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 March 2017.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2016

RESULTS

	For the year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	134,438	110,957	85,386	127,236	**194,211**
Profit/(loss) before taxation	56,970	(109,043)	(39,500)	(358,826)	**(337,929)**
Income tax	4,291	(7,452)	(2,320)	(5,847)	**(702)**
Profit/(loss) for the year	61,261	(116,495)	(41,820)	(364,673)	**(338,631)**
Profit/(loss) attributable to:					
— Owners of the Company	61,261	(122,665)	(61,138)	(436,503)	**(311,388)**
— Non-controlling interests	—	6,170	19,318	71,830	**(27,243)**
	61,261	(116,495)	(41,820)	(364,673)	**(338,631)**

ASSETS AND LIABILITIES

	As at 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	668,116	695,242	903,489	1,094,006	**874,078**
Total liabilities	(141,316)	(196,928)	(316,272)	(542,392)	**(554,199)**
Net assets	526,800	498,314	587,217	551,614	**319,879**
Equity attributable to owners of the Company	526,800	408,573	452,453	378,190	**245,877**
Non-controlling interest	—	89,741	134,764	173,424	**74,002**
	526,800	498,314	587,217	551,614	**319,879**