MEGA MEDICAL TECHNOLOGY LIMITED
美加醫學科技有限公司

(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 876)

2016

Annual Report 年報

CONTENTS

CORPORATE INFORMATION

As at 18 March 2017

DIRECTORS

Executive Directors

Mr. Luo Jun *(Chairman)* (appointed on 2 December 2016)
Mr. Wu Xiaolin (resigned on 21 February 2017)
Mr. Wu Tianyu *(Chief Executive Officer)*

Non-executive Directors

Mr. Xu Hao (appointed on 2 December 2016)
Mr. Lam Kwok Cheong (resigned on 1 July 2016)
Dr. Jiang Feng (resigned on 21 February 2017)
Mr. Chow Tak Hung (resigned on 18 March 2016)

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam
(resigned on 11 January 2017)
Mr. Wu Jixian (resigned on 23 January 2017)
Mr. Song Qun
Dr. Liu Yanwen (appointed on 11 January 2017)
Mr. Guo Peineng (appointed on 11 January 2017)

AUDIT COMMITTEE

Dr. Liu Yanwen *(Chairman)* (appointed on 11 January 2017)
Dr. Loke Yu alias Loke Hoi Lam *(Chairman)*
(resigned on 11 January 2017)
Mr. Lam Kwok Cheong (resigned on 1 July 2016)
Mr. Wu Jixian (resigned on 23 January 2017)
Mr. Song Qun
Mr. Guo Peineng (appointed on 23 January 2017)

REMUNERATION COMMITTEE

Mr. Guo Peineng *(Chairman)*
(appointed on 23 January 2017)
Mr. Wu Jixian *(Chairman)* (resigned on 23 January 2017)
Mr. Wu Tianyu
Mr. Song Qun

NOMINATION COMMITTEE

Mr. Wu Tianyu *(Chairman)*
Mr. Wu Jixian (resigned on 23 January 2017)
Mr. Song Qun
Mr. Guo Peineng (appointed on 23 January 2017)

COMPANY SECRETARY

Mr. Lam Wai Fung, Dominic (appointed on 14 May 2016)
Ms. Hui Wai Man, Shirley (resigned on 14 May 2016)

AUTHORISED REPRESENTATIVES

Mr. Wu Tianyu
Mr. Lam Wai Fung, Dominic (appointed on 14 May 2016)
Ms. Hui Wai Man, Shirley (ceased to act on 14 May 2016)

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISERS

Hong Kong

Dentons Hong Kong

Bermuda

Conyers Dill & Pearman

PRINCIPAL BANKERS

Hang Seng Bank Limited
Nanyang Commercial Bank, Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1307, 13/F,
C C Wu Building,
302-308 Hennessy Road,
Wanchai, Hong Kong

SHARE REGISTRARS

Bermuda Principal

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong Branch

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

STOCK CODE

876

COMPANY WEBSITE

www.megamedicaltech.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Mega Medical Technology Limited, (the "Company"), I present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. During the year, the Group achieved revenue from its continuing operations of approximately HK$188.1 million (2015: approximately HK$99.9 million), representing an increase of 88.3% as compared with last year. This increment was mainly due to the full year effect on the revenue contributed from the Dental Prosthetic Business (as defined below) after its acquisition on 15 May 2015. Loss attributable to the shareholders of the Company was approximately HK$15.2 million (2015: loss of approximately HK$30.6 million). Loss per share was 0.40 HK cents (2015: loss per share of 0.86 HK cents). The Board did not recommend the payment of dividend for the year.

BUSINESS REVIEW

Electronic Manufacturing Services Business (the "EMS Business")

Since 2014, the Group has been undergoing a restructuring to streamline its manufacturing process through automation, in an effort to reduce reliance on human labour and related costs, as well as to outsource some of its manufacturing processes. However, notwithstanding the Group's efforts, the Group continued to face intense competition and has observed market consolidation in this industry. Moreover, our branded customers either have exited or are gradually exiting the consumer electronic products markets globally, resulting in a dramatic decrease in their orders for our products. Adverse market conditions have made it difficult to turn the EMS Business profitable.

Having reviewed the Group's business operations, the Board has decided to discontinue the EMS Business on 2 December 2016 and it was expected that the discontinuation of the EMS Business would allow the Group to reallocate its resources and effort to the Dental Prosthetics Business, which had proven to be a more profitable segment of the Group's business. The Board believed that this is in the best interests of the Company and its shareholders as a whole.

Dental Prosthetics Business

The dental prosthetics business (the "Dental Prosthetics Business") continued to have good performance since its acquisition in May 2015. Revenue and earnings contributed from the Dental Prosthetics Business continued to grow steadily. Moreover, in order to maintain its leading position and preserve competitiveness in the market, during the year, the Group has obtained an exclusive distribution rights in the People's Republic of China (the "PRC") for the three dimensional oral scanner with competitive pricing. It was expected that upon the launching of the product to the market, it could enhance our market presence and increase cross-selling opportunities.

BUSINESS DEVELOPMENT STRATEGIES AND PROSPECTS

After the discontinuation of the EMS Business, the Group has only one business segment, being the Dental Prosthetics Business. Apart from the investment in the three dimensional oral scanner, the Group will further identify new and appropriate business opportunities in this business sector, so as to provide appropriate returns to the shareholders with appropriate business risks.

It is expected that the Dental Prosthetics Business will have huge growth potential and will increase the income stream of the Group, increase the return on equity and bring a long term benefit to the Group. On the other hand, the Directors expect such income stream from the Dental Prosthetics Business will be used to finance part of the future capital requirements and/or appropriate investment opportunities.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our valuable shareholders, respectable customers, dedicated vendors and professional bankers for their support over the year and look forward to a closer cooperation in coming years.

I would also like to personally thank our management and staff for their hard working and commitment to the Group.

Luo Jun
Chairman
Hong Kong, 18 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the year, the Group's revenue from its continuing operations, reached approximately HK$188.1 million (2015: approximately HK$99.9 million), representing an increase of 88.3% compared with last year. The Group's loss attributable to the shareholders of the Company for the year ended 31 December 2016 was approximately HK$15.2 million, representing a basic loss per share of HK0.40 cents (2015: loss of HK$30.6 million, representing a basic loss per share of HK0.86 cents).

FINAL DIVIDEND

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

BUSINESS REVIEW

Electronic Manufacturing Services Business (the "EMS Business")

As the demand for electronic products remained weak during 2016 due to the slack global economy, the Group continued to operate under challenging conditions. Our Korean, Japanese and European high-end consumer electronic branded customers continued to face intense competition from the PRC brand name manufacturers of consumer electronic products compounded by drastic reduction of market demand for electronic products. As such, some of our customers have been adversely affected and ultimately exited from the consumer electronic products markets globally causing a dramatic reduction in demand for our products. In addition, our customers continued to request for major price reductions for our products. This further adversely affected our Group's sales performances and profitability during the year as we were forced to maintain competitiveness by decreasing our product prices substantially.

Moreover, as a result of the Russian and European currency plummeted and the US dollar remained strong, our Korean and Japanese high-end consumer electronic branded customers had shown a significant decline in demand in the Russia and Europe markets, which created a domino effect with a dramatic reduction in demand for our products and our customers also requested for major price cut, thus affecting our profit margin.

Coupled with the increasing labour costs in the PRC which caused many of our customers moving their production base out of the PRC to other Southeast Asian countries with lower labour costs, the number of our basic customers was substantially decreased as they seek to source electronic components from other suppliers in nearby locations to save costs.

As a result of the aforementioned, revenue contributed from the EMS Business dropped significantly as a whole which decreased by 64.3% to approximately HK$105.5 million for the year ended 31 December 2016 as compared to last year (2015: HK$295.8 million). On 2 December 2016, the Board has decided to discontinue the EMS Business and it was expected that the discontinuation of the EMS Business would allow the Group to reallocate its resources and effort to the Dental Prosthetics Business (as defined below), which has proven to be a more profitable segment of the Group's business.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW – continued

Properties Holdings and Properties Investments

During the year, the Group has successfully disposed of Decent Choice Limited and its subsidiaries, which hold the investment properties comprising (i) the land which is located in Chuan Hu Industrial District, 24 He Ping Road, Qinghu Community, Longhua Street, Longhua New Zone, Shenzhen, the PRC with a site area of approximately 6,841.81 sq.m.; and (ii) various buildings, including factories, offices, living quarters and ancillary facilities erected thereon. The Group has successfully realised a gain of HK$5,734,000. For details, please refer to the Company's announcement dated 24 July 2015, the circular dated 25 April 2016, the poll results announcement dated 12 May 2016 and announcements dated 23 June 2016, 6 July 2016 and 18 July 2016.

Moreover, in June 2016, the Group disposed of its entire equity interest in Morning Star Industrial Company Limited and its subsidiary, which were engaged in property holding business. The Group has successfully realised a gain of HK$6,807,000.

The Group has not engaged in any other property investment and holding business thereafter.

Dental Prosthetics Business

The Group have engaged in the Dental Prosthetics Business, including the sale (both overseas and domestic) and production of dental prosthetics, including crowns and bridges, removable full and partial dentures, implants and full-cast restorations. This business sector has been contributing earnings to the Group already. The Dental Prosthetics Business has a higher gross profit margin as compared to other business sectors of the Group.

Revenue from this Dental Prosthetics Business is approximately HK$188.1 million for the year ended 31 December 2016, compared to a revenue of HK$99.9 million for the corresponding period in 2015. It is the results of the full year effect on the revenue contributed from the Dental Prosthetics Business after its acquisition on 15 May 2015.

As disclosed in the announcement of the Company dated 19 October 2016, (i) United Noble Development Limited ("United Noble"), an indirect wholly-owned subsidiary of the Company, entered into Subscription Agreement with Condor International NV ("Condor International"), pursuant to which Condor International conditionally agreed to issue, and United Noble conditionally agreed to subscribe for, the 5% convertible bonds in the aggregate principal amount of EUR5,000,000; and (ii) Condor S.A.S as manufacturer, Condor International as supplier and United Noble as distributor entered into the Exclusive Distribution Agreement pursuant to which United Noble was appointed as the sole and exclusive distributor of the Condor intraoral scanner (also known as 3D Intra Oral Scanner) and other products supplied by Condor International to United Noble (including any of their enhancements or improved versions) in the PRC.

The Condor intraoral scanner is a digital instrument to make images of the teeth and inner mouth of the patients. It consists of a scanner handpiece and software which generates files consisting of three-dimensional images of the anatomy of the teeth in hyper realistic colors. These files are then sent to the laboratories where they will be used to make the crown and bridges for the patients.

BUSINESS REVIEW – continued

Dental Prosthetics Business – continued

The scanner facilitates CAD/CAM (computer-aided design and computer-aided manufacturing) dentistry. Moreover, it is a versatile tool which enables the dentist to visually communicate with the patients and also enhances the collaboration among peers and other dentists. It enables convenient and quick documentation of dental cases and can be shared to provide vital statistics to the health industry.

In order to maintain its leading position and preserve competitiveness in the dental prosthetic business, the Group considers the introduction of this new hi-tech dental equipment with competitive pricing to the PRC market could enhance market presence and cross-selling opportunities. Moreover, investment in the convertible bond is another way to share directly the economies and benefits of this technology and rapid-growing market in a global scale. The debts with derivative structure investment is a comparatively safe way of investment while the Company is also able to share the upside of such investment.

PROSPECT

The Group has a business strategy to diversify its business and further enhance shareholder value. The Group plans to leverage on the experience and network of the management to capture business and investment opportunities.

EMS Business

Having reviewed the Group's business operations, the Board has decided to discontinue the EMS Business on 2 December 2016 and it was expected that the discontinuation of the EMS Business would allow the Group to reallocate its resources and effort to the Dental Prosthetics Business, which had proven to be a more profitable segment of the Group's business. The Board considered this to be in the best interests of the Company and its shareholders as a whole.

Dental Prosthetics Business

The Group is optimistic about the long-term outlook of the dental prosthetics market in the PRC, particularly in view of the rising living standard causing surge in sugar consumption by the citizens and thereby faster dental decay among the general public and the increasing awareness of cosmetics, which together are expected to induce augmenting demand for dental prosthesis. In addition, the dental prosthetics industry on a global scale has been growing positively over the past few years and such trend is likely to continue.

The Group has formulated a number of growth strategies in the Dental Prosthetics Business, including enlarging its sales network in the PRC and foreign markets like the US, expanding its production capacity in the PRC and developing high-end new denture prosthetics products with beauty attributes. In order to develop the Dental Prosthetics Business, the Group would devote most of the Group's resources and efforts to this segment going forward.

Apart from the organic growth and sales network integration and consolidation for the Dental Prosthetics Business, the Group will also actively seek investment and collaboration opportunities in high tech dental related areas so as to enhance cross selling opportunities and enhance the returns of investment for the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

The sales for the year has been increased which is mainly due to the full year effect on the revenue contributed from the Dental Prosthetics Business while revenue was recognised by the Group on 15 May 2015 from the acquisition (the "On Growth Acquisition") of the Dental Prosthetics Business for the year ended 31 December 2015.

Gross Profit and Gross Profit Margin

Gross profit for the year contributed from the continuing operations amounted to HK$102.3 million (2015: HK$57.2 million). Gross profit margin contributed from the continuing operations for the year has been decreased to 54.4% (2015: 57.3%). This is mainly attributable to more sales discounts were given to stimulate sales. Moreover, some of the material costs have been raised as compared to the year 2015.

Goodwill

Goodwill of HK$330.8 million was generated from the On Growth Acquisition. A review on the carrying value of the goodwill has been conducted and no impairment of the Dental Prosthetics Business containing that goodwill was noted.

Convertible Bonds Receivable

The convertible bonds receivable represented the Group's EUR5 million investment in Condor International, which is specialised in the sales, distribution and development of the three dimensional intraoral scanners.

Cash Position and Cash Flow

The Group has a solid cash position for the year under review, with cash and cash equivalents amounting to approximately HK$64.6 million as at 31 December 2016 (31 December 2015: HK$130.2 million). During the year, the Group have positive cash flow from operating activities.

Assets classified as held for sale and liabilities associated with assets classified as held for sale

Balances represent the assets and liabilities of certain subsidiaries of the Group which engaged in the EMS Business which has been subsequently disposed of after year end date.

Capital Expenditure and Capital Commitments

During the year, the Group invested approximately HK$4.3 million (2015: approximately HK$4.0 million), mainly on production equipment. As at 31 December 2016, there was no capital expenditure commitments.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2016 (31 December 2015: Nil).

OPERATING RESULTS AND FINANCIAL REVIEW – continued

Treasury Policy

The Group's sales were principally denominated in Renminbi, EURO dollars, US dollars and Hong Kong dollars while purchases were transacted mainly in US dollars, Renminbi and Hong Kong dollars.

The fluctuation of Hong Kong dollars and other currencies did not materially affect the costs and operations of the Group for the year and the Directors do not foresee significant risk in exchange rate fluctuation currently. The Group has not entered into any financial instruments for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

Liquidity, Capital Structure and Financial Resources

Equity attributable to owners of the Company as at 31 December 2016 amounted to approximately HK$504.4 million (31 December 2015: approximately HK$507.4 million).

As at 31 December 2016, the net current assets of the Group amounted to approximately HK$104.5 million (31 December 2015: HK$196.9 million). The current and quick ratio was 2.44 and 2.40 respectively (31 December 2015: 1.79 and 1.76 respectively).

At 31 December 2016, the amount of HK$712,000 represents balance due to Ms. Jiang Sisi ("Ms. Jiang", the spouse of Mr. Wu Tianyu). The amount is unsecured, interest-free and repayable on demand.

At 31 December 2015, an amount of HK$2,388,000 represented balance due to Mr. Wen Jialong ("Mr. Wen"), the former executive director and chairman of the Company and a shareholder of the Company. An amount of HK$37,978,000 represented balance due to a company of which Mr. Wen has controlling interest. The amount of HK$1,165,000 represented balance due to Ms. Jiang. The remaining amount of HK$2,182,000 represented balance due to Mr. Wu Yue, the father of Mr. Wu Tianyu. The amounts were unsecured, interest-free and repayable on demand.

As at 31 December 2016, no gearing ratio has been calculated as there is no bank borrowing or other long term debt borrowed by the Group. As at 31 December 2015, the gearing ratio of the Group, calculated by dividing total bank borrowings by equity attributable to owners of the Company of Group, was 0.22%.

As at 31 December 2015, bank borrowing of HK$1.1 million, denominated in RMB, carried fixed interest rates of 7.62% per annum and is repayable within one year. There is no bank borrowing as at 31 December 2016.

During the year, the number of issued shares of the Company remained to be 3,826,207,031 shares as at 31 December 2016.

Taking the above figures into account as well as its strong operational cash flows arising from the Dental Prosthetics Business, the management is confident that the Group is financially strong and have adequate resources to settle its outstanding debts and to finance its daily operational expenditures.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW – continued

Charge on Assets

There was no charge on assets of the Group as at 31 December 2016 and as at 31 December 2015.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

On 29 November 2016, the Group has completed its investment in the convertible bonds of EUR5,000,000 issued by Condor International.

In June 2016, the Group acquired an additional 50% equity interest in 深圳市聯合牙科科技有限公司, a then wholly-owned subsidiary of the Group, from a former director and ex-shareholder of 深圳市聯合牙科科技有限公司 for a cash consideration of RMB3,000,000 (approximately HK$3,600,000).

In June 2016, the Group disposed of its entire equity interest in Morning Star Industrial Company Limited and its subsidiary, which were engaged in property holding business, to an independent third party for a cash consideration of HK$4,368,000.

On 24 July 2015, Common Glory Global Limited ("Common Glory"), an indirect non wholly-owned subsidiary of the Company, entered into an agreement with Hang Sheng International Capital Company Limited, an independent third party, to conditionally acquire for, and Common Glory conditionally agreed to dispose of the entire issue share capital of Decent Choice Limited, a 70% owned indirect subsidiary of the Company, and the shareholder's loan (the "Disposal"). The Disposal mainly involved a disposal of a piece of land held by the Group as investment properties. The consideration for the Disposal is RMB158,000,000. The Disposal has been completed on 23 June 2016. For details, please refer to the Company's announcement dated 24 July 2015, the circular dated 25 April 2016, the poll results announcement dated 12 May 2016 and announcements dated 23 June 2016, 6 July 2016 and 18 July 2016.

Save as disclosed in this report, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2016. Apart from those disclosed in this report, there was no plan authorised by the Board for other material investments or additional of capital assets as at the date of this report.

EVENT AFTER THE REPORTING PERIOD

On 24 January 2017, Mega Smart Holdings Limited ("Mega Smart"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Dragon Fortune Group Holdings Limited (the "Purchaser"), to conditionally acquire for and Mega Smart conditionally agreed to dispose of the entire issue share capital of Modern Success Holdings Limited (the "Disposal Company"), an indirect wholly-owned subsidiary of the Company, and the shareholder's loan (the "2017 Disposal"). The consideration for the 2017 Disposal was HK$2,800,000. The 2017 Disposal has been completed on 22 February 2017.

The Purchaser owned 30% of the entire issued share capital and was therefore a substantial shareholder of a subsidiary of the Disposal Company. Further, Ms. Shen Jing ("Ms. Shen"), spouse of Mr. Wen, was a director of the Disposal Company and some of its subsidiaries, was the ultimate beneficial owner indirectly owning 100% equity interest of the Purchaser which was therefore an associate of Ms. Shen. Therefore, the Purchaser was a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the 2017 Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The details of the 2017 Disposal are set out in the Company's announcement dated 24 January 2017.

EMPLOYEES AND REMUNERATION POLICY

The Group employed 1,230 employees in total as at 31 December 2016 (31 December 2015: 1,053) in Hong Kong, Macau and the PRC. The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as social insurance and pensions to ensure competitiveness.

In addition, the Group had also adopted a share option scheme as a long term incentive to the Directors and eligible employees. The emolument policy for the Directors and senior management of the Group is set up by the remuneration committee (the "Remuneration Committee") of the Board, having regard to the Group's performance, individual performance and comparable market conditions.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The biographical details of the Directors are set out as follows:

EXECUTIVE DIRECTORS

Mr. Luo Jun

Mr. Luo Jun, aged 36, was appointed as chairman of the Board and executive Director on 2 December 2016. Mr. Luo is currently acting as the vice president of Kaisa Group Holdings Ltd. ("Kaisa", together with its subsidiaries, the "Kaisa Group"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 1638). He also holds various senior positions within the Kaisa Group, mainly engaging in commerce, hotel and tourism, and catering services. Mr. Luo joined Kaisa Group in August 2007. Prior to joining Kaisa Group, he has worked at 深圳世聯行地產顧問股份有限公司 (Shenzhen Worldunion Real Estate Co., Ltd.*) and 深圳市英聯國際不動產公司 (Shenzhen Inland International Real Estate Co., Ltd.*) engaging in operational planning. Mr. Luo obtained his Bachelor Degree in Management from Nanjing University of Finance & Economics in 2003.

As at the date of this report, Mr. Luo did not hold any directorships in any other public companies, securities of which are listed in Hong Kong or overseas in the past three years nor did and does he hold any other positions in the Group in the past and at present. In addition, save as disclosed above, Mr. Luo does not have any relationship with any other Directors, senior management or substantial shareholders or controlling shareholders of the Company.

Mr. Wu Tianyu

Mr. Wu Tianyu, aged 52, was appointed as chief executive officer of the Company (the "Chief Executive Officer") and executive Director on 21 May 2015. He also serves as chairman of the nomination committee (the "Nomination Committee") of the Board and member of the Remuneration Committee. Mr. Wu is currently a director of On Growth Global Development Limited and Royal Dental Laboratory Limited and the general manager of Shenzhen Jinyouran Technology Company Limited, all of which are the subsidiaries of the Company. He has approximately 29 years of experience in denture profession. Mr. Wu obtained a bachelor degree in Department of Stomatology of The Fourth Military Medical University. In his early years, Mr. Wu had developed extensive experience in stomatology and reparative surgery as a clinician in a hospital in Qingdao, the PRC for more than 7 years, during which various research articles had been pronounced by Mr. Wu in various famous professional research magazines. Mr. Wu has been the key operators of the denture business of the companies for approximately 20 years, with Mr. Wu overseeing the production of the denture products and the daily operations. In 1999, Mr. Wu went to the United States for studying dental prosthetics technology and successfully developed a number of patents and trademarks, including the name of MEGA, which has become a well-known brand name in the PRC and overseas markets.

As at the date of this report, Mr. Wu did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

In addition, save as disclosed above, Mr. Wu does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

* *For identification purposes only*

NON-EXECUTIVE DIRECTOR

Mr. Xu Hao

Mr. Xu Hao, aged 32, was appointed as non-executive Director on 2 December 2016. Mr. Xu is currently acting as the assistant president of Kaisa Group (International) Holdings Co. Ltd., a wholly owned subsidiary of Kaisa. Mr. Xu joined Kaisa Group in August 2015, and has been mainly responsible for Kaisa Group's offshore financing, investments and capital market related activities. Prior to joining Kaisa Group, he has worked at The Royal Bank of Scotland Group PLC, 廣州方圓地產有限公司 (Guangzhou Fineland Real Estate Group Holdings Ltd.*) and Verdant Capital Group Limited, all of which are mainly engaged in direct investment, structured finance and capital market related activities. Mr. Xu has over 10 years of experience in that industry. Mr. Xu obtained his Bachelor of Science Degree in Accounting and Finance from the London School of Economics and Political Science and his Master of Philosophy Degree in Real Estate Finance from Cambridge University.

As at the date of this report, Mr. Xu did not hold any directorships in any other public companies, securities of which are listed in Hong Kong or overseas in the past three years nor did and does he hold any other positions in the Group in the past and at present. In addition, save as disclosed above, Mr. Xu does not have any relationship with any other Directors, senior management or substantial shareholders or controlling shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Liu Yanwen

Dr. Liu Yanwen, aged 51, was appointed as independent non-executive Director and chairman of the audit committee (the "Audit Committee") of the Board on 11 January 2017. Dr. Liu obtained his Doctorate degree in Technical Economics and Management from Dalian University of Technology in 2009. He is currently the associate professor in the Faculty of Management and Economics of the Dalian University of Technology. Dr. Liu has acted as the independent non-executive director of each of 沈陽萃華金銀珠寶股份有限公司 (Shenyang Cuihua Gold and Silver Jewelry Co., Ltd.*), a PRC incorporated company listed on the Shenzhen Stock Exchange (Stock Code: 002731) since 21 January 2015, 撫順特殊鋼股份有限公司 (Fushun Special Steel Co., Ltd.*), a PRC incorporated company listed on the Shanghai Stock Exchange (Stock Code: 600399) since 15 May 2015 and 吉林化纖股份有限公司 (Jilin Hua Xian Co., Ltd.*), a PRC incorporated company listed on the Shenzhen Stock Exchange (Stock Code: 000420) since 21 May 2016.

As at the date of this report, save as disclosed above, Dr. Liu did not hold any directorships in any other public companies, securities of which are listed in Hong Kong or overseas in the past three years. Nor did and does he hold any other positions in the Group in the past and at present. In addition, Dr. Liu does not have any relationship with any other Directors, senior management or substantial shareholders or controlling shareholders of the Company.

Mr. Guo Peineng

Mr. Guo Peineng, aged 45, was appointed as independent non-executive Director, chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee on 23 January 2017. Mr. Guo obtained his diploma in Law in the Sichuan University in June 2005. Mr. Guo worked in various PRC government organizations including the Public Security Bureau in Jieyang City of the Guangdong Province and the Traffic Department in Shenzhen from September 1994 to June 2013. From June 2013 to April 2016, Mr. Guo worked in 深圳市泰騰材料貿易有限公司 (Shenzhen Taiteng Material Trading Limited Company*), a PRC incorporated company, as chairman and general manager. He is currently the chairman and general manager of 深圳市錦祥盛投資控股有限公司 (Shenzhen Jin Xiang Sheng Investment Holdings Limited*), a PRC incorporated company.

As at the date of this report, save as disclosed above, Mr. Guo did not hold any directorships in any other public companies, securities of which are listed in Hong Kong or overseas in the past three years. Nor did and does he hold any other positions in the Group in the past and at present. In addition, Mr. Guo does not have any relationship with any other Directors, senior management or substantial shareholders or controlling shareholders of the Company.

** For identification purposes only*

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS – continued

Mr. Song Qun

Mr. Song Qun, aged 51, is serving as independent non-executive Director and member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Song currently also acts as a finance strategy advisor for Tencent Technology (Shenzhen) Company Limited, a leading internet company, and the vice-chairman of Lefu Payment Company Limited, a leading third party payment company in the PRC. Mr. Song obtained a master degree of Business Administration from University of Melbourne and a bachelor degree in Engineering from Huazhong University of Science and Technology of the PRC. Mr. Song was formerly the president and chief executive officer of China Resources Bank and prior to that he was the global head of Trust and Agency Services at HSBC. His working experience also included holding senior management positions in JP Morgan Chase and ANZ Bank.

As at the date of this report, Mr. Song did not hold any position in the Company or its subsidiaries and Mr. Song did not hold any other directorship in any other public companies in Hong Kong or overseas in the last three years. Mr. Song does not have any interest in the shares of the Company and he does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

SENIOR MANAGEMENT

Ms. Jiang Sisi

Ms. Jiang Sisi, is the Chief Operating Officer of the Company. She obtained a master degree in business administration in the University of Wales. Ms. Jiang has been a key management personnel and operator of On Growth Global Development Limited (which the Company acquired in May 2015) for more than 5 years, with Ms. Jiang being responsible for the sales, marketing and administration. During her tenure of services with the On Growth Group, Ms. Jiang has demonstrated her strong marketing and management expertise by successfully building up a nationwide customer network in the PRC and overseas. Ms. Jiang is currently the director of certain subsidiaries of the Company and is the spouse of Mr. Wu Tianyu, an executive Director and the Chief Executive Officer.

Mr. Lam Wai Fung, Dominic

Mr. Lam Wai Fung, Dominic, aged 43, is the Chief Financial Officer and the company secretary (the "Company Secretary") of the Company. Mr. Lam holds a Bachelor of Arts Degree in Accountancy and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a chartered financial analyst of the CFA Institute and a certified financial risk manager of the Global Association of Risk Professionals. He is responsible for the finance and accounting, internal control and investor relationship of the Group. Prior to joining the Group, Mr. Lam worked for an international accounting firm in Hong Kong for over 7 years for assurance and business advisory services and has been worked in various finance roles and secretarial roles in commercial sector including listed companies for over 10 years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the year 2016, the Group continued with initiatives to foster the well-being of the community, its employees and the environment. We have factored the concept of corporate social responsibility into our business practice while conveying the message of sustainability. The Group will continuously identify new opportunities in promoting sustainability through its business operations, as well as to provide a safe and good working condition to our employees.

WORKPLACE QUALITY AND WORKING CONDITIONS

The Group treasures talent as the key for driving the success and maintaining sustainability of the corporation.

The Group is dedicated to provide employees with good working conditions and a safe working environment and promote a healthy living style.

In providing a safe working environment for employees, risk assessments of workstations, equipment and tools for all users are performed on a regular basis. Upgrades and maintenance are performed in line with the pace of technology advancement and the needs and demands of colleagues. To ensure hygienic working conditions, cleaning of air-conditioning systems and disinfection treatment of carpets are carried out at regular intervals.

EMPLOYEES

Competitive remuneration is offered to employees and reviewed individually on an annual basis reflecting each employee's work performance and contributions, and also the market developments. Other fringe benefits include comprehensive medical, life and travel insurance coverage, annual leave, sick leave and maternity leave, as well as educational and training sponsorship. Red pocket money, gift coupons and cash bonus are distributed to staff in festivals.

We understand that our future success depends on our ability to maintain as an attractive employer. In addition to a market competitive salary and other fringe benefits, some eligible staff are also entitled to share options granted according to the Group's share option scheme which was set up to as an incentive to our staff for their loyalty and improved performance.

Moreover, the Group has strictly complied with the relevant labor law and regulations and industry practices, including minimum wages, gender equality, statutory holidays, prohibition of child labor, etc..

Besides, the policy of the Group always to promote equal opportunities in recruitment, internal transfer and promotion. The Group also hosts various lunch at which the colleagues can interact socially and enjoy the fellowship. The Group has also organized various team building and social activities, including outdoor activities and dinners at festivals for the employees to participate.

The Group strives to develop employees by providing them with opportunities to advance their career. Employees of the Group are encouraged to take part in external training courses and examinations. The Group's policy is to support employees who attend job related training courses or professional seminars through sponsoring.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUPPLY MANAGEMENT

The main objective of our supply management is to enable us to reduce the risk of interruption in supply flow. We have over 20 major material suppliers who are located in the PRC and overseas. Suppliers are selected on the basis of their product quality, technical capability, production reliability, after-sale services, financial stability, and prices and payment terms offered. We normally have two or more suppliers on the list of qualified suppliers (one of them as the major supplier and the other as standbys) for each production material, parts and components from which the purchasing department can select. For some critical materials, long-term contracts are signed with the suppliers to secure stock availability at stable prices.

To ensure our products are up to the quality standards, we have established series of quality control procedures that run from materials purchases, through the whole production process and to the post-sales services. Quality standards are prepared by the technical department, with reference to regulatory requirements and internal quality requirements, against which the components and materials (externally acquired or internally manufactured), work-in-progress and finished goods are inspected and tested.

To minimize quality problems from the very beginning, quality check has been implemented to the suppliers. Suppliers are required to sign quality assurance agreement and submit to us their production inspection and quality check reports upon goods delivery. Suppliers are requested to visit our manufacturing plants for demonstration of technical aspect of the material usage, and also to resolve all technical issues arising from the usage of materials.

Production line supervisors are responsible for quality control during the production process. Assembled parts and components are checked on a sampling basis by quality inspectors.

ENVIRONMENTAL PROTECTION

As a responsible corporate citizen, the Group is aims to protect the environment and recognize the importance of weaving environmental sustainability into our daily business operations. We have established several targets to ensure that our efforts are on the right track. We are further committed to reduce of our CO_2 emissions in specific areas include electricity, gasoline and paper consumption from our business activities annually. More specifically, the environmental policy of the Group is as follows:

- Ensure compliance with all applicable environmental and related legislation and encourage staff, business partners and other stakeholders to meet their environmental obligations;
- Identify environmental impacts associated with our operations, and set targets to continually improve our environmental performance;
- Improve energy efficiencies by adopting best practicable designs and technologies without compromising service;
- Minimize waste generation whenever practical in daily operations through source reduction and recycling;
- Embrace green purchase practices and adopt best practicable technologies to conserve natural resources where applicable;
- Provide good indoor environmental quality to ensure that all the working environments are healthy;

In respect of the Dental Prosthetic Business, there are quantitative requirements set to the factory such that polluted water and polluted gas must be treated with a quantitative standard before release or disposal. There is also control on the noise level in day time and night time.

SAFETY

The Group is monitoring continuously the health and safety related issues, including conducting regular safety inspections, monitoring high risk operations, identifying and monitoring occupational harmful factors and providing safety equipment; and continually monitoring law and regulations to ensure compliance. The Group strives to eliminate work related injuries.

OPERATING PRACTICES

The Group is committed to upholding high standards of business integrity, honesty and transparency in its business dealings and to respecting the rights and interests of customers.

In line with the Group's commitment to integrity in business, employees and stakeholders who deal with the Group including customers and suppliers are encouraged to report any suspected impropriety, misconduct or malpractice with the Group.

COMMUNITY INVOLVEMENT

The Group is committed to make a positive contribution to the communities in which it operates. During the year, the Group continued to actively support meaningful activities in the community.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

The Board considers effective corporate governance a key component in the Group's sustained development and believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has considered and applied the principles set out in the "Corporate Governance Code" (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2016, except for code provisions A.2.1, A.5.1, A.6.7 and E.1.2. The details of the foregoing deviations are provided below.

The Company periodically reviews its corporate governance practices to ensure that they comply with the statutory and regulatory standards and align with the latest developments.

A. BOARD OF DIRECTORS

(1) Responsibilities

The overall management of the Group's business is vested in the Board, which assumes the responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising its affairs and overseeing the implementation of plans to enhance shareholder value. Every Director carries out his/her duty in good faith and in compliance with the standards of applicable laws and regulations, and takes decisions objectively in the interests of the Group and the shareholders.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, upon making request to the Board.

(2) Board Composition

The Board comprises the following Directors during the year ended 31 December 2016 and up to the date of this report:

Executive Directors

Mr. Luo Jun (Chairman) (appointed on 2 December 2016)
Mr. Wu Xiaolin (resigned on 21 February 2017)
Mr. Wu Tianyu (Chief Executive Officer)

A. BOARD OF DIRECTORS – continued

(2) Board Composition – continued

Non-executive Directors

Mr. Xu Hao (appointed on 2 December 2016)
Mr. Lam Kwok Cheong (resigned on 1 July 2016)
Dr. Jiang Feng (resigned on 21 February 2017)
Mr. Chow Tak Hung (resigned on 18 March 2016)

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam (resigned on 11 January 2017)
Mr. Wu Jixian (resigned on 23 January 2017)
Mr. Song Qun
Dr. Liu Yanwen (appointed on 11 January 2017)
Mr. Guo Peineng (appointed on 11 January 2017)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time. The biographical details of the Directors as well as the relationships among them, if any, are set out under the section headed "Directors and Senior Management Profile" on pages 12 to 14 of this report.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group.

The Board has at all times met the requirements of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board, with at least one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has received written annual confirmation from all of its independent non-executive Directors in respect of their independence pursuant to the requirements of the Listing Rules. The Company considers that all of them are independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(3) Chairman and Chief Executive Officer

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual so that power is not concentrated in one individual. The chairman is responsible for the corporate strategic planning and formulation of corporate policies for the Group, while the chief executive officer is responsible for overseeing day-to-day management of the Group's business.

Mr. Wu Tianyu is the Chief Executive Officer throughout the year ended 31 December 2016 while the chairman of the Board is vacant until Mr. Luo Jun was appointed as the chairman of the Board on 2 December 2016. The role of the chairman has been performed collectively by all the executive Directors before the appointment of Mr. Luo as the chairman of the Board.

(4) Appointment and Re-Election of Directors

According to code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the bye-laws 86(2) of the bye-laws of the Company, the Board shall have power from time to time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board or, subject to authorisation by the members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

During the year and up to the date of this report, Mr. Luo Jun and Mr. Xu Hao was appointed as the executive Director and non-executive Director respectively on 2 December 2016; Dr. Liu Yanwen and Mr. Guo Peineng were appointed as independent non-executive Directors on 11 January 2017. Each of Mr. Luo Jun, Mr. Xu Hao, Dr. Liu Yanwen and Mr. Guo Peineng is subject to election by shareholders at the first annual general meeting after their appointments.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference to consider for the appointment of new Director(s) of the Company and other related matters. During the year ended 31 December 2016, the Nomination Committee comprised one executive Director, Mr. Wu Tianyu (Chairman) and two independent non-executive Directors, namely Mr. Wu Jixian and Mr. Song Qun. On 23 January 2017, Mr. Wu Jixian resigned as a member of the Nomination Committee and Mr. Guo Peineng, an independent non-executive Director, was appointed as a member of the Nomination Committee.

A. BOARD OF DIRECTORS – continued

(4) Appointment and Re-Election of Directors – continued

Nomination Committee – continued

Code Provision A.5.1

There is a deviation from provision A.5.1 of the CG Code: Nomination Committee should be chaired by the chairman of the Board or an independent non-executive the director. Mr. Wu Tianyu, Chief Executive Officer and executive Director, was appointed as the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessment of the independence of the independent non-executive Directors.

As set out in the Nomination Committee's Terms of Reference, the Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, character, personal ethics and integrity and time commitments of such individuals as well as the Company's needs and market conditions. An external recruitment agency may be engaged to carry out the selection process when necessary.

The Nomination Committee held 5 meetings during the year ended 31 December 2016 and the attendance record is set out under the section headed "Directors' Attendance Records" of this report. The Nomination Committee performed the following work during the year:

(a) reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company;

(b) determined the policy for the nomination of directors; and

(c) assessed the independence of the independent non-executive Directors.

During the year, the Company continued to monitor the board composition having regard to an objective criteria, including the needs of the Group's business and diversity.

The current Board composition was also evaluated by reference to, among other things, the age, gender, cultural and educational background and professional experience of each director, against the Company's business model and specific needs. The Company will continue to monitor and develop new objectives for implementing and achieving improved diversity of the Board as and when it considers appropriate with regard to the specific needs of the Company and the market from time to time.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(5) Induction and Continuing Development for Directors

Each newly appointed Director shall receive an induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continuously updated with legal and regulatory developments, and the business and market changes to ensure that they have a proper understanding of the Company's business and operations and are fully aware of their duties and responsibilities under statute and common law, the Listing Rules and the Company's business and governance policies, to facilitate the discharge of their responsibilities. Professional briefings and development to directors will be arranged whenever necessary.

(6) Directors' Training

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors have been given relevant guideline materials to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director.

A summary of training received by the Directors for the year ended 31 December 2016 according to the records provided by the Directors is as follows:-

Name of the Directors	Participated in Continuous Professional Development*
Executive Directors	
Mr. Luo Jun (appointed on 2 December 2016)	✓
Mr. Wu Xiaolin (resigned on 21 February 2017)	N/A
Mr. Wu Tianyu	✓
Non-executive Directors	
Mr. Xu Hao (appointed on 2 December 2016)	✓
Mr. Lam Kwok Cheong (resigned on 1 July 2016)	N/A
Dr. Jiang Feng (resigned on 21 February 2017)	N/A
Mr. Chow Tak Hung (resigned on 18 March 2016)	N/A
Independent non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam (resigned on 11 January 2017)	N/A
Mr. Wu Jixian (resigned on 23 January 2017)	N/A
Mr. Song Qun	✓
Dr. Liu Yanwen (appointed on 11 January 2017)	N/A
Mr. Guo Peineng (appointed on 11 January 2017)	N/A

* by attending training/seminar/conference arranged by the Company or other external parties or reading relevant materials.

A. BOARD OF DIRECTORS – continued

(6) Directors' Training – continued

For the year ended 31 December 2016 and up to the date of this report, each of the newly appointed Directors, viz, Mr. Luo Jun, Mr. Xu Hao, Dr. Liu Yanwen and Mr. Guo Peineng, participated in the director's induction training conducted by the Company's Hong Kong legal adviser.

(7) Board Meetings

Board Practices and Conduct of Meetings

Board meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Chairman, the Chief Executive Officer and the Company Secretary normally attend regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests between any member of the Group and a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Pursuant to the Company's bye-laws, Directors are required to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Directors' Attendance Records

During the year ended 31 December 2016, 16 Board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each Director/Committee member at the meetings of the Board, the Nomination Committee, the Remuneration Committee and the Audit Committee during the year ended 31 December 2016 are set out below:

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(7) Board Meetings – continued

Directors' Attendance Records – continued

	Number of meetings attended/ Number of meetings held during the Directors' tenure of office			
	Board meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Audit Committee Meetings
Executive Directors:				
Mr. Luo Jun (note (a))	1/1	N/A	N/A	N/A
Mr. Wu Xiaolin (note (c))	4/16	N/A	N/A	N/A
Mr. Wu Tianyu	15/16	4/4	5/5	N/A
Non-Executive Directors:				
Mr. Xu Hao (note (a))	1/1	N/A	N/A	N/A
Mr. Lam Kwok Cheong (note (b))	3/6	N/A	N/A	1/1
Dr. Jiang Feng (note (c))	2/16	N/A	N/A	N/A
Mr. Chow Tak Hung (note (b))	0/1	N/A	N/A	N/A
Independent Non-Executive Directors:				
Dr. Loke Yu alias Loke Hoi Lam (note (c))	13/16	N/A	N/A	2/2
Mr. Wu Jixian (note (c))	15/16	4/4	5/5	2/2
Mr. Song Qun	6/16	4/4	4/5	2/2
Dr. Liu Yanwen (note (d))	N/A	N/A	N/A	N/A
Mr. Guo Peineng (note (d))	N/A	N/A	N/A	N/A

Notes:

(a): These Directors were appointed during the financial year.

(b): These Directors resigned during the financial year.

(c): These Directors resigned after the financial year.

(d): These Directors were appointed after the financial year.

A. BOARD OF DIRECTORS – continued

(8) Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' dealings in the Company's securities. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of inside information of the Company or its securities. No incidence of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2016.

COMPANY SECRETARY

The Company Secretary advised and served to all of the Directors during the year. The Company Secretary reported to the Chairman on corporate governance matters, and is responsible for ensuring that procedures of the Board were followed, and for facilitating communications among directors as well as with shareholders and management.

The Company Secretary's biography is set out in the section headed "Directors and Senior Management Profile" of this report. In compliance with Rule 3.29 of the Listing Rules, the Company Secretary has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2016.

B. DELEGATION BY THE BOARD

The Board reserves for its decisions all major matters of the Group, including but not limited to the approval and monitoring of all policy matters, overall strategies and development, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, budgets, appointment of Directors and other significant financial and operational matters.

The day-to-day management, administration and operations of the Group are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. The Board will give directions to the senior management as to their powers of management, and circumstances where they should report back. Approval has to be obtained from the Board prior to any decision making on significant transactions or entering into any significant commitments on behalf of the Company.

The senior management has an obligation to supply the Board and its Committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The Board and each Director have separate and independent access to the senior management.

In addition, the Board has established three Committees, namely the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Group's affairs. All these Committees are established with defined written terms of reference which are published on the Company's website at www.megamedicaltech.com and on the Stock Exchange's website at www.hkexnews.hk.

CORPORATE GOVERNANCE REPORT

C. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of the directors and senior management of the Group. Details of the remuneration of each Director for the year ended 31 December 2016 are set out in note 8 to the consolidated financial statements.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference to consider for the remuneration for Directors and senior management of the Company and other related matters. During the year ended 31 December 2016, the Remuneration Committee comprised one executive Director, Mr. Wu Tianyu and two independent non-executive Directors, namely Mr. Wu Jixian (chairman) and Mr. Song Qun. On 23 January 2017, Mr. Wu Jixian resigned as chairman of the Remuneration Committee and Mr. Guo Peineng was appointed as chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure and determining the remuneration packages of Directors and senior management. It is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Human Resources Department is responsible for collection and administration of human resources data and making recommendations to the Remuneration Committee for consideration.

The Remuneration Committee held 4 meetings during the year ended 31 December 2016 and the attendance record is set out under the section headed "Directors' Attendance Records" of this report. The Remuneration Committee performed the following work during the year:

(a) reviewed generally the remuneration policy (including for executive Directors) and structure of the Group;

(b) assessed the performance of the executive Directors and the senior management; and

(c) determined the remuneration packages as well as the annual bonuses of the executive Directors and the senior management.

D. ACCOUNTABILITY AND AUDIT

(1) Directors' Responsibilities for Financial Reporting

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements on inside information and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Group put to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

(2) Internal Controls

The Board has overall responsibility for the internal control system of the Company. The Board is also responsible for maintaining an adequate internal control system, including determining the policies on corporate governance to safeguard the interests of the shareholders and the assets of the Company and, with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The Board has conducted an annual review of the effectiveness of the internal control system of the Group for the year ended 31 December 2016. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

(3) Audit Committee

The Audit Committee was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. During the year ended 31 December 2016, the Audit Committee comprised one non-executive Director, Mr. Lam Kwok Cheong (resigned on 1 July 2016) and three independent non-executive Directors, namely Dr. Loke Yu alias Loke Hoi Lam (chairman), Mr. Wu Jixian and Mr. Song Qun.

On 11 January 2017, Dr. Loke Yu alias Loke Hoi Lam resigned as the chairman of the Audit Committee and Dr. Liu Yanwen, an independent non-executive Director, was appointed as chairman of the Audit Committee accordingly.

On 23 January 2017, Mr. Wu Jixian resigned as member of the Audit Committee and Mr. Guo Peineng was appointed as member of the Audit Committee.

The main duties of the Audit Committee include review of the financial information of the Group, review of the relationship with and the terms of appointment of the independent auditor, and review of the Group's financial reporting system, internal control system, risk management system and associated procedures.

CORPORATE GOVERNANCE REPORT

D. ACCOUNTABILITY AND AUDIT – continued

(3) Audit Committee – continued

The Audit Committee held 2 meetings during the year ended 31 December 2016. The attendance records are set out under the section headed "Directors' Attendance Records" of this report. The Audit Committee performed the following work during the year:

(a) reviewed the Group's annual audited financial statements with the independent auditor for the year ended 31 December 2015, and reviewed the unaudited interim financial statements for the six months ended 30 June 2016, including the accounting principles and accounting standards adopted with recommendations made to the Board for approval;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;

(c) reviewed the Group's internal control system and related matters; and

(d) considered and made recommendations on the reappointment of Deloitte Touche Tohmatsu as the independent auditor of the Group, and the terms of engagement.

(4) Independent Auditor and Auditor's Remuneration

The report from independent auditor of the Group about their responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 47 to 52.

The remuneration paid to the Company's independent auditor, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2016 is set out below:

Services rendered	**Remuneration paid/Payable**
Audit services	HK$2,100,000
Non-audit services	HK$320,000

E. RISK MANAGEMENT AND INTERNAL CONTROL

Code provisions C.2.1 to C.2.4 of the CG Code stated (a) the requirements of the Board to conduct a review of the effectiveness of issuer's and its subsidiaries' risk management and internal control systems; (b) the issuer should disclose a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period.

During the year, the Group engaged Moore Stephens Advisory Services Limited as independent international audit firm to conduct a risk assessment and review of internal control systems for risk management purpose. The independent international audit firm has identified critical risk presenting threats to the Group, including strategic risk, operation risk, information risk and financial risk. The independent international audit firm also assessed the significance and likelihood of the risk qualitatively and quantitatively and prioritized the risks. Based on the result of risk assessment, the independent international audit firm has recommended an internal audit plan to the Group and the Board. The risk assessment report with the suggested internal audit plan was adopted by the Group and the Board. The Group would update the risk assessment and internal audit plan annually to reflect the current risk. The Board acknowledged that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The Board confirmed that such systems are designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives, and risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss.

With respect to code provision C.2.5 of CG Code, the issuer should have an internal audit function. The Group engaged an independent international audit firm to conduct internal control review based on the internal audit plan to provide independent assurance to the Board and senior management on the adequacy and effectiveness of internal controls for the Group. The annual work plan of internal audit covered major activities and processes of the Group's material business and service units. The internal audit exercise adopted a risk-and-control-based audit approach. If necessary, the internal audit exercise would cover other review and investigative work as may be required. The internal audit results were submitted to the Board and senior management. Audit issues are tracked and followed up for proper implementation, with progress reported to the Board, executive and senior management periodically.

Based on the results of risk assessment and internal audit exercises, the Group is satisfied that (a) the significant risks faced by the Group that threaten the achievement of its business objectives is identified and evaluated; (b) the risk management and internal control system are considered effective and adequate during the year; and (c) there is no unresolved significant areas of concerns noted by the Board.

Moreover, with respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has the following procedures and policies:

CORPORATE GOVERNANCE REPORT

E. RISK MANAGEMENT AND INTERNAL CONTROL – continued

Policies on dissemination of inside information

1. The Board is responsible for approving the policy on disclosure of inside information which aims at providing guiding principles, practices and procedures to assist employees and officers of the Group in (a) relaying inside information to the Board to enable it to make timely decisions on disclosure, if necessary; and (b) communicating with the Group's stakeholders, in ways which are in compliance with the SFO and the Listing Rules, and any revision thereof. The Board decides whether or not a transaction, development or event constitutes inside information and disclosure of which shall be made immediately, and when a trading halt is required. Chairman of the Board shall be the authorised spokesperson for the Board and the Company unless resolved otherwise by the Board.

2. Regular reports are prepared by employees for a variety of functional reasons, which help identify material information. The regular reports include:

   a. regular management reports provided by the Company's divisions/departments and operating subsidiaries to the Board, which include updates and analyses of the ongoing development and performance of the projects and initiatives being undertaken; and

   b. monthly management accounts provided to the Board upon request, which include variance analyses of the Group's financial and operational performance.

3. An employee who becomes aware of a matter, development or event that he/she considers to be material or inside information shall report it promptly in writing to his/her division/department head who will assess the sensitivity of the relevant information and, if considered appropriate, escalate and report it to the Board and/or the Company Secretary.

4. Upon being notified, the Board and/or the Company Secretary shall assess the materiality of the relevant information, determine the appropriate course of actions and, if considered appropriate, consult the Chairman who may convene a Board meeting to consider and decide whether or not the information constitutes inside information and disclosure of which shall be made immediately.

5. When considering a disclosure, the Board shall decide on the scope of information to be released and the timing of the release.

6. A record of the meeting and discussions of Board concerning the assessment of the information shall be kept.

7. Inside information and other information which is required to be disclosed pursuant to the Company's statutory disclosure obligations will be announced via the electronic publication system operated by the Stock Exchange before any press releases regarding the matter is published on the Group's website.

8 Inside information to be disclosed must be accurate and complete in all material aspects and not be misleading or deceptive. The Board must take reasonable steps to verify the accuracy and completeness of the relevant information before it is publicly disclosed.

E. RISK MANAGEMENT AND INTERNAL CONTROL – continued

Policies on dissemination of inside information – continued

9. Heads of the relevant divisions/departments that identified and handled the inside information shall provide the Board with the precise details to enable them to prepare the related announcement or press release, if necessary, and confirm the accuracy and completeness of the information before it is publicly disclosed.

Internal control and policies on handling inside information

1. All officers of the Group must take reasonable care to safeguard the confidentiality of all inside information in their possession or control. Access to inside information shall be restricted, as far as practicable, to the highest level of management and on a need-to-know basis. The responsible senior executive shall (a) maintain a list of personnel who have access to the withheld inside information; and (b) closely monitor and regularly report to the Board and/or the Company Secretary on the development or progress of the relevant matter. The Board and/or the Company Secretary shall, before the inside information is disclosed, closely monitor the activity of the Company's securities, and prepare a "holding" announcement to be released when there is growing rumour of the undisclosed information.

2. All officers of the Group who possesses unpublished inside information must:

   – refrain from discussing that information with, or divulging that information to, any persons who are not authorised by the Board to receive that information; and

   – ensure that any documents or other written material in his/her possession in relation to that information are properly and securely stored and are not disclosed to any unauthorised persons.

3. Officers of the Group must not deal in the Company's securities when they are in possession of unpublished inside information. Details of dealing restrictions imposed on Directors and relevant employees are set out in the Model Code and the Employees Written Guidelines.

4. Any external parties who may become privy to unpublished inside information shall be informed that they must not divulge such information to any unauthorised persons, other than in the normal course of business, without the Company's prior written consent. Unless an obligation of confidentiality is implicit in the relationship with an external party, such parties who have access to unpublished inside information shall (a) confirm their commitment to non-disclosure of the received information in the form of a written confidentiality agreement or in a standard clause within the contract signed with any entities within the Group; and (b) undertake not to deal in the Company's securities whilst they are in possession of the unpublished inside information until such information has been publicly disclosed.

CORPORATE GOVERNANCE REPORT

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information, which enable shareholders and investors to make the best investment decision.

Shareholders' meetings provide an opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as the Chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective Committees normally attend shareholders' meetings of the Company to answer shareholders' questions. During the year ended 31 December 2016, the Company held one special general meeting on 12 May 2016 and the annual general meeting on 31 May 2016.

Code Provision A.6.7

There was a deviation from code provision A.6.7 of the CG Code:

Pursuant to code provision A.6.7 of the CG Code, independent non-executive Directors and non-executive Directors should attend general meetings in order to develop a balanced view of the shareholders. Due to the various business commitments, not all the independent non-executive Directors and non-executive Directors attended the special general meeting of the Company held on 12 May 2016 and the annual general meeting of the Company held on 31 May 2016. The Company will finalise and inform the dates of the general meetings as earliest as possible to make sure that all the independent non-executive Directors and non-executive Directors can attend the general meetings in future.

Code Provision E.1.2

There was a deviation from code provision E.1.2 of the CG Code:

Pursuant to code provision E.1.2 of the CG Code, the chairman of the Board, and the chairmen (or one of the members in case of the absence of chairmen) of the Audit Committee, the Remuneration Committee and the Nomination Committee should attend the annual general meeting to answer the questions (if any) raised by shareholders. The role of the Chairman of the Board has been vacant until the appointment of Mr. Luo Jun on 2 December 2016, and therefore, for the annual general meeting of the Company hold on 12 May 2016, the Chief Executive Officer together with the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee have attended the meeting accordingly.

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, business developments and operations, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong with any inquiries.

G. SHAREHOLDERS' RIGHTS

(1) Voting by Shareholders

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The poll voting results will be published on the websites of the Stock Exchange and the Company after the meeting.

(2) Convening of Special General Meetings and Requisition by Shareholders

Shareholders shall have the right to request the Board to convene a special general meeting. Shareholders holding in aggregate of not less than one-tenth (10%) of the paid up capital of the Company may send a written request to the Board or the Company Secretary to requisition a special general meeting for the transaction of any business specified in such requisition. The written requisition, duly signed by the shareholders concerned, must state the purpose of the meeting and must be deposited at the registered office of the Company.

The Company will take appropriate actions and make necessary arrangements and the shareholders concerned will be responsible for any expenses incurred in giving effect thereto in accordance with the requirements under Section 74 of the Companies Act 1981 of Bermuda (the "Companies Act") once a valid requisition is received.

(3) Procedures for Making Proposals at General Meetings by Shareholders

The following shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

(a) any members representing not less than one-twentieth (5%) of the total voting rights of the Company on the date of the requisition; or

(b) not less than 100 members holding shares in the Company.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office of the Company. The Company will take appropriate action and make necessary arrangements and the shareholders concerned will be responsible for any expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act once valid documents are received.

As regards to proposing a person other than the retiring Director for election as a Director in a general meeting, please refer to the procedures available on the website of the Company.

Shareholders may write directly to the Company at its principal place of business in Hong Kong with any inquiries.

DIRECTORS' REPORT

The Directors are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by principal activities for the year ended 31 December 2016 is set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 53 to 54.

BUSINESS REVIEW

The business review of the Group for the year is set out in the section headed "Management Discussion and Analysis" on pages 5 to 11 of this report.

A discussion of environmental, social and governance matters, covering the Group's environmental policies, is set out in the Environmental, Social and Governance Report on pages 15 to 17.

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 18 to 33.

The Group recognises the importance of compliance with rules and regulations and the impact of non-compliance with such rules and regulations on the business. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the year ended 31 December 2016, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

The Company strives to achieve corporate sustainability through providing quality services for our customers and collaborating with our suppliers. To enhance customer satisfaction and promote a customer oriented culture within the Company, we take 'Customer First' as one of our core values. We value the feedback from customers and proactively collaborate with our suppliers and contractors to deliver quality sustainable products and services. We have developed certain requirements in our standard tender documents. These requirements include regulatory compliance, labour practices, anti-corruption and other business ethics.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 123 and 124 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers was approximately 39.87% of the Group's total sales while the sales attributable to the Group's largest customer was approximately 14.32% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers was approximately 53.96% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 17.32% of the Group's total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the share capital of the five largest customers or suppliers of the Group.

SHARE CAPITAL AND SHARE OPTION

Details of the movements in the issued share capital of the Company during the year ended 31 December 2016 are set out in note 29 to the consolidated financial statements.

Details of movements in the Company's share options during the year ended 31 December 2016 are set out in note 30 to the consolidated financial statements.

PURCHASE, REDEMPTION OF SALE OF LISTED SECURITIES

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

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme in operation for the year ended 31 December 2016 are set out in note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2016, there is no reserves available for distribution for the Company. The reserves of the Company only comprises contributed surplus of HK$24,930,000 which is insufficient to cover the accumulated losses of the Company of HK$129,908,000.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 14 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Luo Jun *(Chairman)* (appointed on 2 December 2016)
Mr. Wu Xiaolin (resigned on 21 February 2017)
Mr. Wu Tianyu *(Chief Executive Officer)*

Non-executive Directors

Mr. Lam Kwok Cheong (resigned on 1 July 2016)
Dr. Jiang Feng (resigned on 21 February 2017)
Mr. Chow Tak Hung (resigned on 18 March 2016)
Mr. Xu Hao (appointed on 2 December 2016)

Independent non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam (resigned on 11 January 2017)
Mr. Wu Jixian (resigned on 23 January 2017)
Mr. Song Qun
Dr. Liu Yanwen (appointed on 11 January 2017)
Mr. Guo Peineng (appointed on 11 January 2017)

In accordance with the bye-law 87 of the bye-laws of the Company and in compliance with code provision A.4.2 of the CG Code, Mr. Wu Tianyu shall retire from office by rotation and being eligible, Mr. Wu Tianyu will offer himself for re-election at the forthcoming annual general meeting ("AGM"). In accordance with the bye-law 86(2) of the bye-laws of the Company, Mr. Luo Jun, Mr. Xu Hao, Dr. Liu Yanwen and Mr. Guo Peineng, being the newly appointed Directors, shall retire from office and, being eligible, will offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

Mr. Wu Tianyu, being an executive Director, entered into service contract with the Company for an initial term of three years commencing on 21 May 2015.

Mr. Song Qun, being an independent non-executive Director, entered into service contract with the Company for an initial term of two years commencing on 27 June 2015.

Each of Mr. Luo Jun and Mr. Xu Hao, being executive Director and non-executive Director, entered into service contract and letter of appointment with the Company respectively for a term of three years commencing from 2 December 2016, which can be terminated by either party giving not less than three months notice in writing.

Each of Dr. Liu Yanwen and Mr. Guo Peineng, being independent non-executive Directors, entered into a letter of appointment with the Company for a term of two years commencing from 11 January 2017, which can be terminated by either party giving not less than one month advance notice in writing.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming AGM has entered into a service contract and/or letter of appointment with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share options disclosures in note 30 to the consolidated financial statements, at no time during the year was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the Securities Futures Ordinance ("SFO")) a party to any arrangement to enable the Directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES OR SHORT POSITION IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2016, the interests of the Directors and the chief executives in the shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as 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 which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and the SFO, were as follows:

(a) Long position in the shares of the Company

Name	Capacity/ nature of interest	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Wu Tianyu	Beneficial owner	61,910,000	1.62%
Ms. Jiang Sisi	Interest of spouse	61,910,000 (Note 1)	1.62%

Note 1: Mr. Wu Tianyu, executive Director has personal interests in 61,910,000 shares and Mr. Jiang Sisi is the spouse of Mr. Wu Tianyu and therefore was deemed to be interested in these shares.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES OR SHORT POSITION IN SHARES AND UNDERLYING SHARES AND DEBENTURES – continued

(b) Long position in the share options of the Company

Name	Number of options held	Number of underlying shares	Approximate percentage of the issued share capital of the Company
Mr. Wu Tianyu (Note 1)	112,070,000	112,070,000	2.93%
Ms. Jiang Sisi (Note 1)	112,070,000	112,070,000	2.93%

Note 1: Ms. Jiang Sisi is the chief operation officer of the Group and also the director of certain subsidiaries of the Company. She is also the spouse of Mr. Wu Tianyu. As such, Ms. Jiang Sisi and Mr. Wu Tianyu were deemed or taken to be interested in the share options of each other for the purposes of the SFO. The aggregate family interest in share options is 224,140,000 as at 31 December 2016.

The details of share options held by the Directors and chief executives of the Company are disclosed under the section headed "Share Option Scheme" of this report.

Save as disclosed above, as at 31 December 2016, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors are of the view that none of the Directors has competed, or is likely to compete, either directly or indirectly, with our businesses, nor have they caused any harm to any interests owned by the Company during the year ended 31 December 2016.

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued shares of the Company.

Name	Capacity/ Nature of interest	Total number of Shares (Note 1)	Approximate percentage of the Company's issued share capital
Kaisa Group Holdings Limited (Note 2)	Beneficial owner	830,949,743 (L)	21.72%
Ying Hua Holdings Limited (Note 3)	Beneficial owner	308,000,000 (L)	8.05%
Kwok Ying Shing (Note 3)	Interest of controlled corporation	308,000,000 (L)	8.05%
Xianjian Advanced Technology Limited (Note 4)	Beneficial owner	504,000,000 (L)	13.17%
Mr. Xie Yuehui (Note 4)	Interest of controlled corporation	504,000,000 (L)	13.17%
Genius Earn Limited (Note 5)	Interest of controlled corporation	256,410,256 (L)	6.70%
Mr. Liu Xiaolin (Note 5)	Interest of controlled corporation	256,410,256 (L)	6.70%
Silver Empire Holding Limited (Note 5)	Beneficial owner	256,410,256 (L)	6.70%
ABG II-RYD Limited (Note 6)	Beneficial owner	270,300,000 (L)	7.06%
Ally Bridge Group Capital Partners II, L.P. (Note 6)	Interest of controlled corporation	270,300,000 (L)	7.06%
ABG Capital Partners II GP, L.P. (Note 6)	Interest of controlled corporation	270,300,000 (L)	7.06%
ABG Capital Partners II GP Limited (Note 6)	Interest of controlled corporation	270,300,000 (L)	7.06%
Yu Fan (Note 6)	Interest of controlled corporation	270,300,000 (L)	7.06%
View Bright Global Investment Limited (Note 7)	Beneficial owner	240,000,000 (L)	6.27%
Mr. Yan XT Timothy (Note 7)	Interest of controlled corporation	240,000,000 (L)	6.27%

DIRECTORS' REPORT

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY – continued

Note:

1. The letters "L" denote long position in the shares of the Company.

2. According to the information available to the Company, Kaisa Group Holdings Limited is a company incorporated in Cayman Islands and is listed on the Main Board of the Stock Exchange (Stock Code: 1638).

3. According to the information available to the Company, Ying Hua Holdings Limited is a company incorporated in the BVI and is wholly owned by Mr. Kwok Ying Shing who is also an executive director and a substantial shareholder of Kaisa Group Holdings Limited (note 2).

4. According to the information available to the Company, Xianjian Advanced Technology Limited is a company incorporated in the BVI and is wholly owned by Mr. Xie Yuehui.

5. According to the information available to the Company, Silver Empire Holding Limited is wholly owned by Genius Earn Limited. Genius Earn Limited is wholly owned by Mr. Liu Xiaolin.

6. According to the information available to the Company, ABG II-RYD Limited is wholly owned by Ally Bridge Group Capital Partners II, L.P.. Ally Bridge Group Capital Partners II, L.P.'s general partner is ABG Capital Partners II GP, L.P. and Ally Bridge Group Capital Partners II, L.P is also 0.91% owned by ABG Capital Partners II GP, L.P.. ABG Capital Partners II GP, L.P. is 50% owned by Mr. Yu Fan and 50% owned by ABG Capital Partners II GP Limited which is wholly owned by Mr. Yu Fan.

7. According to the information available to the Company, View Bright Global Investment Limited is wholly owned by Mr. Yan XT Timothy.

   These shares represent the consideration shares in relation to the acquisition of On Growth Global Development Limited and its subsidiaries on 15 May 2015. On 26 July 2016, the 2015 adjustment threshold has been satisfied and the net profit after tax of On Growth Global Development Limited and its subsidiaries for the fiscal year ended 31 December 2015 was more than HK$34,500,000. Hence, on 26 July 2016 and pursuant to the terms and conditions of the acquisition agreement dated 16 March 2015, 300,000,000 consideration shares in relation to On Growth Acquisition have been released to View Bright Global Investment Limited. As at 31 December 2016, View Bright Global Investment Limited held 40,000,000 consideration shares.

   Moreover, as pursuant to the acquisition agreement dated 16 March 2015 and without taking into account any adjustments that may be made to the number of the consideration shares, the remaining balance of 200,000,000 consideration shares in relation to the On Growth Acquisition (currently is kept in escrow by the Company since 15 May 2015) will be released to View Bright Global Investment Limited if the aggregated net profit after tax of On Growth Global Development Limited and its subsidiaries for the fiscal years ended 31 December 2015 and 2016 are not less than HK$80,000,000.

Save as disclosed above, as at 31 December 2016, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The share option scheme adopted by the Company in 2003 (the "2003 Scheme") had already expired on 31 January 2013. There was no share options outstanding under the 2003 Scheme.

A new share option scheme (the "Scheme") was approved by an ordinary resolution passed by shareholders of the Company on 8 June 2015. The purpose of the Scheme is to recognise the contribution of the Directors, employees and consultants of the Group by granting share options to them as incentives or rewards. The major terms of the Scheme are summarised as follows:

1. Eligible participants of the Scheme include any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or has contributed to the Company and/or any of its subsidiaries;

2. the maximum number of Shares in respect of which options under this Scheme or options under the other schemes may be granted must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Scheme i.e. 382,620,703 shares, representing 10% of the total issued share capital of the Company as at the date of this report, and such limit may be refreshed by the shareholders of the Company in general meeting.

   The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

3. The total number of Shares to be issued upon exercise of the options granted and to be granted to each eligible person (including both exercised and outstanding options) in any 12-month period up to and including the date of grant is limited to 1% of the Shares in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in a general meeting of the Company.

4. Any grant of share options to any connected person, such grant shall be subject to the approval by all the independent non-executive directors of the Company (and in the event that the Board offers to grant Options to an independent non-executive director of the Company, the vote of such independent non-executive director shall not be counted for the purposes of approving such grant);

5. Any grant of share options to a substantial shareholder or an independent non-executive Director of the Company, or any of their associates, which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person within the 12-month period up to the date of grant of options representing in aggregate in excess of 0.1% of the Shares in issue and having an aggregate value (based on closing price of the Company's Shares at the date of the grant) in excess of HK$5 million, is subject to prior approval by shareholders in a general meeting.

6. The offer for the grant of options (the "Offer") must be taken up within 14 days from the date of Offer, with a payment of HK$1.00 as consideration by the grantee.

7. The exercise price of the share option will be determined at the highest of (i) the average closing prices of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the Offer; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the Offer; and (iii) the nominal value of the Shares.

DIRECTORS' REPORT

SHARE OPTION SCHEME – continued

8. The period within which the Shares must be taken up under the option, which must not be more than 10 years from the date of grant of the option;

9. The Scheme will, unless otherwise cancelled or amended, remain in force for 10 years commencing on the date of approval of the Scheme and ending on 7 June 2025 (both dates inclusive);

Movement of share options during the year ended 31 December 2016 is as follows:—

Name	Balance as at 1 January 2016	Granted during the year	Exercised during the year	Balance as at 31 December 2016	Exercisable period	Exercisable price	Approximate percentage of issued share capital of the Company
Mr. Wu Tianyu (note 1)	74,070,000 (note 2)	–	–	74,070,000	16 June 2016- 15 June 2020	HK$0.784	1.94%
	–	38,000,000 (note 3)	–	38,000,000	12 September 2017- 11 September 2022	HK$0.40	0.99%
	74,070,000	38,000,000	–	112,070,000			
Ms. Jiang Sisi (note 1)	74,070,000 (note 2)	–	–	74,070,000	16 June 2016- 15 June 2020	HK$0.784	1.94%
	–	38,000,000 (note 3)	–	38,000,000	12 September 2017- 11 September 2022	HK$0.40	0.99%
	74,070,000	38,000,000	–	112,070,000			
Employees and consultants	16,900,000 (note 2)	–	–	16,900,000	16 June 2016- 15 June 2020	HK$0.784	0.44%
	–	38,000,000 (note 3 & 4)	–	38,000,000	12 September 2017- 11 September 2022	HK$0.40	0.99%
	16,900,000	38,000,000	–	54,900,000			
Total	165,040,000	114,000,000	–	279,040,000			

Note 1: Ms. Jiang Sisi is the Chief Operating Officer of the Group and also the director of certain subsidiaries of the Company. She is also the spouse of Mr. Wu Tianyu. As such, Ms. Jiang Sisi and Mr. Wu Tianyu were deemed or taken to be interested in the share options of each other for the purposes of the SFO. The aggregate family interest in share options is 224,140,000 as at 31 December 2016.

Note 2: These share options were granted on 24 July 2015. 25% of the granted share options would vest on 16 June 2016 and be exercisable from 16 June 2016 to 15 June 2020. Another 25% of the granted share options would vest on 16 June 2017 and be exercisable from 16 June 2017 to 15 June 2020. A further 25% of the granted share options would vest on 16 June 2018 and be exercisable from 16 June 2018 to 15 June 2020. The remaining 25% of the granted share options would vest on 16 June 2019 and be exercisable from 16 June 2019 to 15 June 2020.

SHARE OPTION SCHEME – continued

Note 3: These share options were granted on 12 September 2016. 30% of the granted share options would vest on 11 September 2017 and be exercisable from 12 September 2017 to 11 September 2022. Another 25% of the granted share options would vest on 12 September 2018 and be exercisable from 12 September 2018 to 11 September 2022. A further 20% of the granted share options would vest on 12 September 2019 and be exercisable from 12 September 2019 to 11 September 2022. A further 15% of the granted share options would vest on 12 September 2020 and be exercisable from 12 September 2020 to 11 September 2022. The remaining 10% of the granted share options would vest on 12 September 2021 and be exercisable from 12 September 2021 to 11 September 2022.

Note 4: Included in the balance represents 8,000,000 share options granted to Ms. Wu Ansheng who is the General Manager and Sales Director of a subsidiary of the Group and a sister of Mr. Wu Tianyu.

CONNECTED TRANSACTIONS

The Group had entered into the following transactions with connected parties, as defined under the Listing Rules, during the year ended 31 December 2016 and up to the date of this report:

During the year ended 31 December 2016, the Group had rented certain properties from Ming Ah Holdings Limited, amounting to HK$960,000. Ming Ah Holdings Limited is an associate of a Director and the lease constitutes an exempted connected transaction of the Company under Chapter 14A of the Listing Rules.

On 24 January 2017, Mega Smart Holdings Limited ("Mega Smart"), an indirect wholly-owned subsidiary of the Company, has entered into an agreement with Dragon Fortune Group Holdings Limited ("Dragon Fortune") (the "Disposal"), and pursuant to which Mega Smart has agreed to dispose of and Dragon Fortune has agreed to acquire the entire issued share capital of Modern Success Holdings Limited, an indirect wholly-owned subsidiary of the Company, and its subsidiaries (the "Disposal Group"). The consideration of the Disposal is HK$2,800,000 and the transaction has been completed on 22 February 2017.

Dragon Fortune is a company wholly-owned by Glory Gate International Limited which is wholly-owned by Ms. Shen Jing, spouse of Mr. Wen Jialong who was the former chairman and executive director of the Company. Dragon Fortune also owns 30% equity interest and is therefore a substantial shareholder of certain direct and indirect subsidiaries in the Disposal Group. Moreover, Ms. Shen, a director of certain companies in the Disposal Group, is the ultimate beneficial owner indirectly owning 100% equity interest of Dragon Fortune which is therefore an associate of Ms. Shen.

Therefore, Dragon Fortune is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios (other than profit ratio) with respect to the Disposal are less than 25% and the consideration is less than HK$10,000,000, the Disposal is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules. This discloseable and connected transaction has been announced on 24 January 2017.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS – continued

The independent non-executive Directors have reviewed the above connected transactions and have confirmed that the connected transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or terms no less favourable to the Group than terms available to or from independent third parties; and

3. in accordance with the relevant agreement governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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 in existence during the year.

DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for disclosed in this annual report, no Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company or subsidiaries was a party at any time during the year ended 31 December 2016.

CONTRACTS OF SIGNIFICANCE

Save for the transactions disclosed in the section headed "Connected Transactions" in this annual report, no other contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year.

PERMITTED INDEMNITY PROVISIONS

The bye-laws of the Company provides that the Directors and officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred or omitted in the execution of their duty in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty. The bye-laws of the Company also stipulates that each shareholder agrees to waive any claim or right of action he might have against any Director on account of any action taken by such Director or the failure of such Director to take any action in the performance of his duties for the Company, provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty. Directors Liability Insurance is in place to protect the Directors and officers of the Company and its subsidiaries against potential costs and liabilities arising from claims brought against the Directors and officers.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received, from each Independent non-executive Director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are considered by the Remuneration Committee and recommended to the Board's approval, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2016 and as at the date of this report.

AUDIT COMMITTEE

The Company has established the Audit Committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation.

The Audit Committee of the Board was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. As at the date of this report, the Audit Committee comprised three independent non-executive Directors, namely Dr. Liu Yanwen (chairman), Mr. Guo Peineng and Mr. Song Qun. Mr. Lam Kwok Cheong ceased to be a member of the Audit Committee upon his resignation on 1 July 2016; Dr. Loke Yu alias Loke Hoi Lam ceased to be the Chairman and member of the Audit Committee upon his resignation on 11 January 2017 and Mr. Wu Jixian ceased to be a member of the Audit Committee upon his resignation on 23 January 2017.

The Audit Committee met with the management on 18 March 2017 to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group's annual results for the year ended 31 December 2016, before proposing them to the Board for approval. The Audit Committee has reviewed the unaudited final results announcement and the accompanying financial statement for the year ended 31 December 2016.

DIRECTORS' REPORT

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Luo Jun
Chairman
18 March 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF MEGA MEDICAL TECHNOLOGY LIMITED
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Mega Medical Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 122, 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, consolidated statement of changes in equity and 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 disclosure requirements of 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 Auditor's 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.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill We identified the impairment assessment of goodwill relating to the dental prosthetics business as a key audit matter due to significant judgements and assumptions involved. As disclosed in note 17 to the consolidated financial statements, the carrying amount of goodwill as at 31 December 2016 is HK$330,805,000. For the purpose of impairment assessment, the entire amount of goodwill has been allocated to a cash-generating unit ("CGU") of dental prosthetics business. The impairment assessment is based the higher of fair value less costs to sell and value in use of the CGU. The value in use of the related CGU requires the Group to estimate the expected future cash flows from the CGU. If the actual future cash flows are less than expected, impairment may be required. For the year ended 31 December 2016, the management of the Group, with the support of an independent qualified professional valuer, determined that there is no impairment in respect of the goodwill. The estimation of recoverable amount of goodwill is dependent on certain key inputs, including the discount rate and the underlying cash flows, in particular future revenue growth and expected profit margin. Details of the key inputs used in the value in use calculation are disclosed in note 17 to the consolidated financial statements.	Our procedures in relation to evaluating the management's impairment assessment of goodwill included: • Understanding and evaluating the key controls for the Group's impairment assessment on goodwill; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Engaging our internal valuation expert to evaluate the appropriateness of the value in use valuation model and checking its mathematical accuracy; • Evaluating the appropriateness and reasonableness of value in use calculation and key assumptions adopted by the management of the Group based on our knowledge of CGU's strategic plans and industry; • Checking on sample basis, the relevance of the input data in the value in use calculation by reconciling input data to the approved budget and comparing against historical performance; and • Engaging our internal valuation expert to assess appropriateness to growth rates and discount rates adopted by management, and performing the sensitivity analysis on the growth rates and discount rates to assess the extent of impact on the value in use.

Key audit matter

Valuation of trade receivables

We identified the valuation of trade receivables as a key audit matter due to the use of judgment and estimation by management in assessing the recoverability of trade receivables.

In determining the allowance for doubtful debts, the management considers the credit history of the trade receivables including default or delay in payments, settlement records, subsequent settlements and aging analysis of trade receivables.

At 31 December 2016, the carrying amount of trade receivables is HK$38,203,000 as set out in note 20 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of trade receivables included:

- Obtaining an understanding of how allowance for doubtful debts is estimated by the management and testing the key controls of the Group relating to the preparation of the aging analysis of trade receivables and the credit risk assessment;
- Testing the aging analysis of trade receivables, on a sample basis, to the source documents including goods delivery notes and sales invoices;
- Reviewing the aging analysis of trade receivables throughout the year to understand the settlement patterns by the customers; and
- Assessing the reasonableness of allowance for doubtful debts made by the management with reference to the credit history of the trade receivables including default or delay in payments, settlement records, subsequent settlements and aging analysis of trade receivables.

INDEPENDENT AUDITOR'S REPORT

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 auditor's report thereon.

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 Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company 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 disclosure requirements of 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person 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 auditor's 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 auditor's 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 those charged with governance 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 those charged with governance 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.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, 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 auditor's 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 partner on the audit resulting in the independent auditor's report is Lau King Pak.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 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 (restated)
Continuing operation			
Turnover	5	**188,140**	99,873
Cost of sales		**(85,800)**	(42,634)
Gross profit		**102,340**	57,239
Other income, gains and losses	6	**7,422**	4,086
Selling and distribution costs		**(29,747)**	(18,758)
Administrative expenses		**(60,995)**	(44,071)
Other expenses		**(9,768)**	(5,062)
Profit (loss) before taxation	7	**9,252**	(6,566)
Taxation	10	**(10,547)**	(3,810)
Loss for the year from continuing operation		**(1,295)**	(10,376)
Discontinued operation			
Loss for the year from discontinued operation	11	**(18,998)**	(29,004)
Loss for the year		**(20,293)**	(39,380)
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**(13,504)**	(9,966)
Reclassification of exchange differences upon disposal of subsidiaries		**2,849**	—
Other comprehensive expense for the year		**(10,655)**	(9,966)
Total comprehensive expense for the year		**(30,948)**	(49,346)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (restated)
Loss for the year attributable to owners of the Company:			
– from continuing operation		**(1,645)**	(10,008)
– from discontinued operation		**(13,543)**	(20,605)
		(15,188)	(30,613)
Profit (loss) for the year attributable to non-controlling interests:			
– from continuing operation		**350**	(367)
– from discontinued operation		**(5,455)**	(8,400)
		(5,105)	(8,767)
Loss for the year		**(20,293)**	(39,380)
Total comprehensive expense attributable to:			
Owners of the Company		**(26,329)**	(37,980)
Non-controlling interests		**(4,619)**	(11,366)
		(30,948)	(49,346)
Loss per share	12		
From continuing and discontinued operation			
– Basic		**(0.40) HK cents**	(0.86) HK cents
– Diluted		**(0.40) HK cents**	(0.86) HK cents
From continuing operation			
– Basic		**(0.04) HK cents**	(0.28) HK cents
– Diluted		**(0.04) HK cents**	(0.28) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	13	**—**	—
Property, plant and equipment	14	**8,380**	9,113
Prepaid lease payments	15	**—**	7,968
Intangible assets	16	**29,146**	29,839
Goodwill	17	**330,805**	330,805
Convertible bonds receivable	18	**40,984**	—
		409,315	377,725
Current assets			
Inventories	19	**2,429**	7,796
Trade and other receivables	20	**55,845**	89,467
Amount due from a director	21	**35,534**	40,772
Taxation recoverable		**—**	122
Bank balances and cash	22	**64,597**	130,150
		158,405	268,307
Assets classified as held for sale	23	**18,700**	177,652
		177,105	445,959
Current liabilities			
Trade and other payables	24	**48,909**	186,902
Amounts due to related parties	25	**712**	43,713
Amount due to a non-controlling shareholder of a subsidiary	26	**1,232**	1,943
Taxation payable		**6,266**	11,868
Bank loans	27	**—**	1,134
		57,119	245,560
Liabilities associated with assets classified as held for sale	23	**15,512**	3,508
		72,631	249,068
Net current assets		**104,474**	196,891
Total assets less current liabilities		**513,789**	574,616
Non-current liabilities			
Deferred taxation	28	**7,287**	7,460
		506,502	567,156

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	**2016 HK$'000**	2015 HK$'000
Capital and reserves			
Share capital	29	**4,783**	4,783
Reserves		**499,619**	502,577
Equity attributable to owners of the Company		**504,402**	507,360
Non-controlling interests		**2,100**	59,796
		506,502	567,156

The consolidated financial statements on pages 53 to 122 were approved and authorised for issue by the Board of Directors on 18 March 2017 and are signed on behalf of the Board by:

Mr. Luo Jun	**Mr. Wu Tianyu**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Accumulated (losses) profits HK$'000	Amounts recognised in other comprehensive income and accumulated in equity relating to disposed group classified as asset held for sale HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015	3,845	106,315	1,545	18,015	–	11,107	–	140,827	70,682	211,509
Loss for the year	–	–	–	–	–	(30,613)	–	(30,613)	(8,767)	(39,380)
Other comprehensive expense for the year	–	–	–	(7,367)	–	–	–	(7,367)	(2,599)	(9,966)
Total comprehensive expense for the year	–	–	–	(7,367)	–	(30,613)	–	(37,980)	(11,366)	(49,346)
Issue of shares (note 29(a))	313	99,687	–	–	–	–	–	100,000	–	100,000
Issue of Consideration Shares for acquisition of subsidiaries (notes 29(b) & 31)	625	289,067	–	–	–	–	–	289,692	–	289,692
Acquisition of subsidiaries (note 31)	–	–	–	–	–	–	–	–	480	480
Recognition of equity-settled share-based payment (note 30)	–	–	–	–	14,821	–	–	14,821	–	14,821
At 31 December 2015	4,783	495,069	1,545	10,648	14,821	(19,506)	–	507,360	59,796	567,156
Loss for the year	–	–	–	–	–	(15,188)	–	(15,188)	(5,105)	(20,293)
Other comprehensive (expense) income for the year	–	–	–	(11,141)	–	–	–	(11,141)	486	(10,655)
Total comprehensive expense for the year	–	–	–	(11,141)	–	(15,188)	–	(26,329)	(4,619)	(30,948)
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(51,300)	(51,300)
Acquisition of additional interest of a subsidiary	–	–	–	–	–	(3,137)	–	(3,137)	(463)	(3,600)
Recognition of equity-settled share-based payment (note 30)	–	–	–	–	26,508	–	–	26,508	–	26,508
Disposal of subsidiaries (note 32(b))	–	–	–	–	–	–	–	–	(1,314)	(1,314)
Transfer to amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held for sale	–	–	–	(2,903)	–	–	2,903	–	–	–
At 31 December 2016	4,783	495,069	1,545	(3,396)	41,329	(37,831)	2,903	504,402	2,100	506,502

The special reserve arose pursuant to a group reorganisation in 1997 being the difference between the nominal amount of the share capital issued by the Company in exchange for the shares of the subsidiaries and the nominal amount of the share capital of the subsidiaries acquired, capital reduction and bonus issue by way of capitalisation of the reserve in 2005 and 2006.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation			
– from continuing operation		**9,252**	(6,566)
– from discontinued operation	11	**(19,005)**	(28,702)
		(9,753)	(35,268)
Adjustments for:			
Amortisation of prepaid lease payments		**109**	210
Amortisation of intangible assets		**693**	2,310
Depreciation of property, plant and equipment		**3,200**	2,361
Loss on disposal of property, plant and equipment		**10**	365
Interest expenses		**105**	296
Interest income on bank deposit		**(86)**	(392)
Interest income on convertible bonds receivable		**(186)**	–
Gain on disposal of subsidiaries	32	**(12,541)**	–
Share-based payment expenses		**26,508**	14,821
Operating cash flows before movements in working capital		**8,059**	(15,297)
Decrease in inventories		**1,772**	771
Decrease in trade and other receivables		**18,879**	81,715
Decrease in trade and other payables		**(2,000)**	(7,397)
Net cash generated from operations		**26,710**	59,792
Hong Kong Profits Tax paid		**(15,769)**	(716)
Hong Kong Profits Tax refunded		**465**	829
PRC Enterprise Income Tax paid		**(731)**	(3,289)
NET CASH FROM OPERATING ACTIVITIES		**10,675**	56,616
INVESTING ACTIVITIES			
Subscription of convertible bonds receivable		**(41,200)**	–
Purchase of property, plant and equipment		**(4,288)**	(3,979)
Net cash inflow (outflow) from disposal of subsidiaries	32	**71,690**	(276)
Repayment from a director		**4,800**	5,600
Interest received		**86**	392
Proceeds from disposal of property, plant and equipment		**36**	858
Settlement of consideration paid for acquisition of subsidiaries in prior year		**–**	(109,130)
Acquisition of subsidiaries	31	**–**	(95,957)
Deposit received in respect of assets held for sale		**–**	122,808
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**31,124**	(79,684)

	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES		
Advance from a non-controlling shareholder of a subsidiary	**1,232**	–
Dividend paid to a non-controlling shareholder of a subsidiary	**(51,300)**	–
Repayment to related parties	**(43,030)**	(27,922)
Acquisition of additional interest of a subsidiary	**(3,600)**	–
Repayment to a non-controlling shareholder of a subsidiary	**(1,449)**	(545)
Repayment of bank loans	**(1,100)**	(432)
Interest paid	**(105)**	(296)
Issues of shares	**–**	100,000
Advances from related parties	**2,400**	58,387
Repayment to a director	**–**	(1,800)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(96,952)**	127,392
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(55,153)**	104,324
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**130,150**	28,009
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(2,866)**	(2,183)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTING BANK BALANCES AND CASH	**72,131**	130,150
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**64,597**	130,150
Bank balances and cash included in a disposal group classified as held for sale	**7,534**	–
	72,131	130,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 38.

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

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

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to 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 HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

The application of the above amendments in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]

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

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

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

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

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

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. 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 attributable to a financial liability's 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 is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit 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 recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of the HKFRS 9 in the future may have an impact on the measurement of the Group's investment in an unlisted convertible bonds and it will be measured at fair value through profit or loss. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, the directors of the Company (the "Directors") do not anticipate that the impact is material to the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

HKFRS 15 "Revenue from Contracts with Customers"

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.

In 2016, the HKICPA issued clarification to HKFRS 15 in relation to the identification of performance obligations principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$7,204,000 as disclosed in note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The Directors do not anticipate the application of the other new and revised HKFRSs will have material effect on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 the investment properties and certain financial instruments that are measured at fair values at the end of the 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 "Share-based payment" ("HKFRS 2"), leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

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. SIGNIFICANT ACCOUNTING POLICIES – continued

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 relevant components of equity including reserves 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 after re-attribution of the relevant equity component, 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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 joint venture.

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, except that:

- deferred tax assets or liabilities, and assets or liabilities 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 acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations – continued

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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount 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 relevant subsidiary'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 fair value.

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 included 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 made 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 at the acquisition date.

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 is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. 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 on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for 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 disposal. 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 in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 an item 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An 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.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the 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 they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal 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 a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) – continued

Where 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30 to the Group's consolidation financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to accumulated profits.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries 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 interest 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.

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 in which the liability is settled or the asset 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 from 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

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 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.

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.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the 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 on 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the 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 the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed 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, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

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 asset at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables and financial asset at FVTPL. 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 debt instrument 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 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Convertible bonds receivable

The convertible bonds are initially measured at transaction price, which is also the fair value resulted from arm's length market transaction. At initial recognition, the entire hybrid instrument is treated as financial instrument held for trading as the fair value of the conversion option which will be settled by unquoted instrument cannot be reliably measured. The convertible bonds are subsequently measured at cost, accrued interest less impairment as the conversion option of the hybrid instrument is sufficiently significant to preclude from obtaining a reliable estimate of the entire instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, amount due from a director and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment.

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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 affected.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

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 and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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 of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are 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 the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to 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 losses 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 not been recognised.

In respect of convertible bonds receivable, impairment losses previously recognised in profit or loss are not reversed through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 entities after deducting all of its liabilities. Equity instruments issued by a group entities are recognised at the proceeds received, net of direct issue costs.

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.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to related parties, amount due to a non-controlling shareholder of a subsidiary and bank loans are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, 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.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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.

Estimated impairment of goodwill

For the purpose of impairment testing, the goodwill have been allocated to the one cash generating unit ("CGU") (see note 17). The impairment assessment is based on the higher of fair value less costs to sell and value in use of the CGU. The value in use of the related CGU requires the Group to estimate the expected future cash flows from the CGU. If the actual future cash flows are less than expected, impairment may be required. As at 31 December 2016 and 2015, the carrying amount of goodwill is HK$330,805,000. In the opinion of the Directors, no impairment of goodwill is required for the year ended 31 December 2016 and 2015.

Estimated allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables. Allowance is applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. In determining whether an allowance for doubtful debts is required, the Group takes into consideration of the credit history of the trade receivables including default or delay in payments, settlement records, subsequent settlements and aging analysis of trade receivables. Where the expectation of the recoverability of trade receivables is different from the original estimate, such difference will impact the carrying value of trade receivables and allowance for doubtful debts in the period in which such estimate has changed. As at 31 December 2016, the carrying amounts of trade receivables are HK$38,203,000 (2015: HK$73,022,000). In the opinion of the Directors, no allowance for doubtful debts is required for the year ended 31 December 2016 and 2015.

Income tax

At 31 December 2016, no deferred tax asset has been recognised in relation to unused tax losses of approximately HK$88,681,000 (2015: HK$116,831,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, recognition of a deferred tax asset may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. TURNOVER AND SEGMENT INFORMATION

The Group's operating activities are currently attributable to two operating segments focusing on the manufacture of and trading in dental prosthetics and electronic components. These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conformed to HKFRSs, that are regularly reviewed by the executive directors of the Company (the "Executive Directors") (being the chief operating decision maker of the Company). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. The details of operating and reportable segments of the Group are as follows:

- Manufacture of and trading in dental prosthetics (continuing operation)
- Electronic manufacturing services business (the "EMS Business") (discontinued operation)

Pursuant to the board resolution dated 2 December 2016, having reviewed the Group's business operation, the Directors have decided to discontinue the EMS Business during the year ended 31 December 2016 and it is classified and accounted for as a discontinued operation for the year ended 31 December 2016.

The operation of manufacture of and trading in dental prosthetics was introduced to the Group during the year ended 31 December 2015.

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

Segment revenues and results from continuing operation

	Manufacture of and trading in dental prosthetics	
	2016	2015
	HK$'000	HK$'000
		(restated)
TURNOVER		
External sales	**188,140**	99,873
RESULTS		
Segment results	**56,425**	29,709
Unallocated income	**186**	194
Unallocated expenses	**(47,359)**	(36,469)
Profit (loss) before taxation	**9,252**	(6,566)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit/loss earned/incurred by each segment without allocation of central administration costs and certain other income, gains and losses. This is the information reported to the Executive Directors for the purposes of resource allocation and performance assessment.

5. TURNOVER AND SEGMENT INFORMATION – continued

Segment assets and liabilities

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

	2016	2015
	HK$'000	HK$'000
Segment assets		
Manufacture of and trading in dental prosthetics (continuing operation)	**509,258**	482,680
EMS Business (discontinued operation) (note)	**29,947**	64,601
Unallocated assets	**47,215**	276,403
Consolidated assets	**586,420**	823,684
Segment liabilities		
Manufacture of and trading in dental prosthetics (continuing operation)	**38,360**	51,934
EMS Business (discontinued operation) (note)	**19,602**	67,054
Unallocated liabilities	**21,956**	137,540
Consolidated liabilities	**79,918**	256,528

Note: The amounts included assets (liabilities) classified as held for sale and those subsidiaries that have abandoned and ceased the business operation.

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

- all assets are allocated to operating segments other than certain prepayments and bank balances and cash held by the respective head offices, taxation recoverable and investment properties; and
- all liabilities are allocated to operating segments other than liabilities of the respective head offices, deferred taxation, bank loans and taxation payable from both segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. TURNOVER AND SEGMENT INFORMATION – continued

Other segment information from continuing operation

	Manufacture of and trading in dental prosthetics	
	2016	2015
	HK$'000	HK$'000 (restated)
Amounts included in the measure of segment profit (loss):		
Depreciation of property, plant and equipment	**2,847**	1,972
Amortisation of intangible assets	**693**	2,310
Loss on disposal of property, plant and equipment	**10**	365
Net exchange gain	**(1,277)**	(712)

Geographical information

The Group's operations are mainly situated in Hong Kong and the People's Republic of China (the "PRC") (excluding Hong Kong). The following table provides an analysis of the Group's turnover from continuing operation by the location of business operation and the Group's non-current assets by geographical location of assets.

	Turnover from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000
Hong Kong	**103,789**	62,752	**—**	—
PRC	**80,436**	36,678	**8,380**	17,081
Others	**3,915**	443	**—**	—
	188,140	99,873	**8,380**	17,081

Note: Non-current assets exclude financial instruments, intangible assets and goodwill.

5. TURNOVER AND SEGMENT INFORMATION – continued

Information about major customers

Revenue from certain customers from the segment of dental prosthetics of the corresponding years was over 10% of the total revenue of the Group:

	2016	2015
	HK$'000	HK$'000 (restated)
Customer A	**26,945**	17,958
Customer B	**25,632**	15,683

6. OTHER INCOME, GAINS AND LOSSES

	2016	2015
	HK$'000	HK$'000 (restated)
Continuing operation		
Interest income on bank deposits	**86**	392
Interest income on convertible bonds receivable	**186**	—
Loss on disposal of property, plant and equipment	**(10)**	(365)
Consultancy income	**5,200**	3,118
Net exchange gain	**1,277**	712
Others	**683**	229
	7,422	4,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. PROFIT (LOSS) BEFORE TAXATION FROM CONTINUING OPERATION

	2016	2015
	HK$'000	HK$'000
		(restated)
Profit (loss) before taxation has been arrived at after charging (crediting):		
Directors' remuneration		
– fees	**932**	996
– other emoluments	**5,587**	3,303
– equity-settled share option expenses	**11,382**	6,057
– contributions to defined contribution retirement schemes	**9**	27
	17,910	10,383
Other staff costs		
– staff salaries and allowances	**56,880**	36,263
– equity-settled share option expenses	**13,236**	6,537
– contributions to defined contribution retirement schemes	**1,957**	1,325
	72,073	44,125
Total staff costs	**89,983**	54,508
Auditor's remuneration		
– Current year	**2,100**	1,600
– Underprovision in prior year	**195**	—
	2,295	1,600
Amortisation of intangible assets (included in cost of sales)	**693**	2,310
Cost of inventories recognised as expense	**85,107**	40,324
Depreciation of property, plant and equipment	**2,847**	1,972
Net exchange gain (included in other gains and losses)	**(1,277)**	(712)
Operating lease rentals in respect of rented premises	**3,038**	1,725
Research and development expenses (included in other expenses)	**9,768**	5,062

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

	Fees HK$'000	Basic salaries and allowances HK$'000	Performance related incentive bonus HK$'000	Equity settled share option expenses HK$'000	Retirement benefits scheme contributions HK$'000	Total directors' emoluments HK$'000
2016						
Executive directors						
Mr. Wu Xiaolin (note a)	**–**	**432**	**–**	**–**	**–**	**432**
Mr. Wu Tianyu	**–**	**5,107**	**–**	**11,382**	**–**	**16,489**
Mr. Luo Jun (note b)	**–**	**48**	**–**	**–**	**–**	**48**
Non-executive directors						
Mr. Lam Kwok Cheong (note c)	**180**	**–**	**–**	**–**	**9**	**189**
Dr. Jiang Feng (note a)	**180**	**–**	**–**	**–**	**–**	**180**
Mr. Xu Hao (note d)	**32**	**–**	**–**	**–**	**–**	**32**
Independent non-executive directors						
Dr. Loke Yu alias Loke Hoi Lam (note e)	**180**	**–**	**–**	**–**	**–**	**180**
Mr. Wu Jixian (note f)	**180**	**–**	**–**	**–**	**–**	**180**
Mr. Song Qun	**180**	**–**	**–**	**–**	**–**	**180**
	932	**5,587**	**–**	**11,382**	**9**	**17,910**

	Fees HK$'000 (restated)	Basic salaries and allowances HK$'000 (restated)	Performance related incentive bonus HK$'000 (restated)	Equity settled share option expenses HK$'000 (restated)	Retirement benefits scheme contributions HK$'000 (restated)	Total directors' emoluments HK$'000 (restated)
2015						
Executive directors						
Mr. Wu Xiaolin	–	468	–	–	–	468
Mr. Wu Tianyu (note g)	–	735	–	6,057	–	6,792
Mr. Wen Jialong (note h)	–	2,100	–	–	9	2,109
Non-executive directors						
Mr. Lam Kwok Cheong	360	–	–	–	18	378
Dr. Jiang Feng (note i)	92	–	–	–	–	92
Independent non-executive directors						
Dr. Loke Yu alias Loke Hoi Lam	180	–	–	–	–	180
Mr. Wu Jixian (note j)	92	–	–	–	–	92
Mr. Song Qun (note j)	92	–	–	–	–	92
Mr. Zeng Zhaolin (note k)	90	–	–	–	–	90
Mr. Lung Chee Ming George (note k)	90	–	–	–	–	90
	996	3,303	–	6,057	27	10,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – continued

Notes:

(a) Resigned on 21 February 2017.

(b) Appointed as executive director and chairman of the board with effect from 2 December 2016.

(c) Resigned on 1 July 2016.

(d) Appointed as non-executive director with effect from 2 December 2016.

(e) Resigned on 11 January 2017.

(f) Resigned on 23 January 2017.

(g) Appointed as executive director and chief executive officer with effect from 21 May 2015.

(h) Resigned on 29 June 2015.

(i) Appointed as non-executive director with effect from 27 June 2015.

(j) Appointed as independent non-executive director with effect from 27 June 2015.

(k) Retired on 26 June 2015.

The performance related incentive bonus payment is determined with reference to the operating results and individual performance for each year by the board of directors of the Company.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year. In addition, there is no inducement paid for directors to join the Group and no compensation for the loss of office as a director in connection with the management of the affairs of any member of the Group.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 30 to the Group's consolidated financial statements.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group during the year included three (2015: three) directors, details of whose remunerations are set out above. The details of the remaining two (2015: two) highest paid employees who are not a director or chief executive of the Company are as follows:

	2016	2015
	HK$'000	HK$'000 (restated)
Continuing operation		
Basic salary and allowances	**1,913**	2,322
Retirement benefits scheme contributions	**29**	30
	1,942	2,352

9. FIVE HIGHEST PAID EMPLOYEES – continued

The emoluments were within the following bands:

	Number of employees 2016	2015 (restated)
Continuing operation		
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	2
	2	2

There was no arrangement under which non-director or non-chief executive highest paid employees waived or agreed to waive any remuneration during the year. In addition, there is no inducement paid for non-director or non-chief executive highest paid employees to join the Group and no compensation for the loss of office in connection with the management of the affairs of any member of the Group.

10. TAXATION

	2016 HK$'000	2015 HK$'000 (restated)
Continuing operation		
Current tax:		
Hong Kong Profits Tax	**6,761**	3,608
PRC Enterprise Income Tax	**3,971**	779
	10,732	4,387
Overprovision in prior years:		
Hong Kong Profits Tax	**(12)**	–
Deferred tax credit	**(173)**	(577)
	10,547	3,810

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

The provision for PRC Enterprise Income Tax ("EIT") is based on the estimated taxable income for PRC taxation purpose at the rate of taxation applicable for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. TAXATION – continued

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. A subsidiary of the Group was accredited as a "High and New Technology Enterprise" in the PRC with effect from 2 November 2015, and was registered with the local tax authority to be eligible to a concessionary tax rate of 15% for three years.

According to a policy promulgated by the State Tax Bureau of the PRC, effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses incurred in a year as tax deductible expenses in determining taxable profits for that year ("Super Deduction"). The subsidiary have claimed such Super Deduction in ascertaining its tax assessable profit for the year ended 31 December 2016.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2016 **HK$'000**	2015 HK$'000 (restated)
Profit (loss) before taxation (from continuing operation)	**9,252**	(6,566)
Tax charge (credit) at applicable tax rate at 25%	**2,313**	(1,642)
Tax effect of income not taxable for tax purpose	**(163)**	(39)
Tax effect of expenses not deductible for tax purpose	**10,120**	6,116
Tax effect of Super Deduction on research and development expenses	**(1,221)**	(633)
Tax effect on concessionary tax rate	**(2,093)**	–
Tax effect of tax losses not recognised	**5,155**	2,174
Tax effect of utilisation of tax loss not previous recognised	**–**	(323)
Effect of different tax rates of subsidiaries operating in Hong Kong	**(3,483)**	(1,843)
Overprovision in prior years	**(12)**	–
Others	**(69)**	–
Tax charge for the year (relating to continuing operation)	**10,547**	3,810

11. DISCONTINUED OPERATION

Pursuant to the board resolution dated 2 December 2016, having reviewed the Group's business operation, the Directors decided to discontinue the EMS Business (defined in note 5) and it is expected that the discontinuation of the EMS Business will allow the Group to reallocate its resources and effort to the manufacturing and trading in dental prosthetics business, which the Directors considered to be a more profitable segment of the Group.

The loss for the year from the discontinued operation is analysed as follows:

	2016	2015
	HK$'000	HK$'000
Turnover	**105,508**	295,805
Cost of sales	**(103,275)**	(291,579)
Gross profit	**2,233**	4,226
Other income	**581**	323
Selling and distribution costs	**(8,785)**	(8,664)
Administrative expenses	**(25,470)**	(24,291)
Finance costs	**(105)**	(296)
Gain on disposal of subsidiaries	**12,541**	—
Loss before taxation	**(19,005)**	(28,702)
Taxation	**7**	(302)
Loss for the year	**(18,998)**	(29,004)

During the year, the discontinued operation paid cash flows of HK$78,988,000 (2015: contributed cash flows of HK$41,408,000) in respect of the Group's operating activities, contributed HK$77,831,000 (2015: HK$6,159,000) in respect of investing activities and paid cash flow of HK$51,579,000 (2015: contributed cash flows of HK$186,000) in respect of financing activities.

Loss for the year from discontinued operation has been arrived at after charging:

	2016	2015
	HK$'000	HK$'000
Auditors' remuneration	**540**	700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. DISCONTINUED OPERATION – continued

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

	Fees HK$'000	Basic salaries and allowances HK$'000	Performance related incentive bonus HK$'000	Equity settled share option expenses HK$'000	Retirement benefits scheme contributions HK$'000	Total directors' emoluments HK$'000
2016						
Non-executive director						
Mr. Chow Tak Hung (note)	**–**	**536**	**–**	**–**	**–**	**536**

	Fees HK$'000 (restated)	Basic salaries and allowances HK$'000 (restated)	Performance related incentive bonus HK$'000 (restated)	Equity settled share option expenses HK$'000 (restated)	Retirement benefits scheme contributions HK$'000 (restated)	Total directors' emoluments HK$'000 (restated)
2015						
Non-executive director						
Mr. Chow Tak Hung (note)	–	1,715	–	–	–	1,715

Note: Resigned on 18 March 2016.

12. LOSS PER SHARE

From continuing operation

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

	2016 HK$'000	2015 HK$'000 (restated)
Loss figures are calculated as follows:		
Loss for the year attributable to owners of the Company	**(15,188)**	(30,613)
Less: loss for the year from discontinued operation attributable to owners of the Company	**13,543**	20,605
Loss for the purpose of basic loss per share from continuing operation	**(1,645)**	(10,008)

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,826,207,031**	3,550,864,565

From continuing and discontinued operation

The calculation of the basic loss per share from continuing and discontinued operation attributable to the owners of the Company is based on the following data:

	2016 HK$'000	2015 HK$'000 (restated)
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(15,188)**	(30,613)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. LOSS PER SHARE – continued

From continuing and discontinued operation – continued

The diluted loss per share for both years has not included the effect from the Company's share options because the exercise of the share options are anti-dilutive.

The denominators used to calculate loss per share of continuing and discontinued operation and loss per share of continuing operation are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

Basic loss per share for the discontinued operation is 0.35 HK cents per share (2015: 0.58 HK cents per share), based on the loss for the year from the discontinued operations attributable to owners of the Company of HK$13,543,000 (2015: HK$20,605,000) and the denominators detailed above for basic loss per share.

13. INVESTMENT PROPERTIES

	2016	2015
	HK$'000	HK$'000
FAIR VALUE		
At 1 January	**–**	183,554
Currency realignment	**–**	(5,954)
Transfer to assets classified as held for sale (note 23(b))	**–**	(177,600)
At 31 December	**–**	–

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Moulds, plant and machinery	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2015	32,537	2,026	2,011	9,326	147	46,047
Currency realignment	(1,292)	(288)	(48)	(237)	(7)	(1,872)
Additions	–	3,005	629	–	345	3,979
Acquisition of subsidiaries	–	5,223	1,157	452	–	6,832
Disposals/write-off	–	(1,500)	(153)	–	–	(1,653)
At 31 December 2015	31,245	8,466	3,596	9,541	485	53,333
Currency realignment	–	(618)	(116)	(4)	(10)	(748)
Additions	–	3,662	626	–	–	4,288
Disposal of subsidiaries	(31,245)	–	(1,999)	–	–	(33,244)
Disposals/write-off	–	(175)	(72)	(9,106)	–	(9,353)
Transfer to assets classified as held for sales	–	(1,807)	(61)	–	(131)	(1,999)
At 31 December 2016	–	9,528	1,974	431	344	12,277
DEPRECIATION/IMPAIRMENT						
At 1 January 2015	32,537	–	1,951	9,326	–	43,814
Currency realignment	(1,292)	(12)	(2)	(219)	–	(1,525)
Provided for the year	–	1,630	603	116	12	2,361
Elimination on disposals	–	(342)	(88)	–	–	(430)
At 31 December 2015	31,245	1,276	2,464	9,223	12	44,220
Currency realignment	–	(90)	(34)	(9)	(1)	(134)
Provided for the year	–	2,303	624	144	129	3,200
Elimination on disposals	–	(157)	(44)	(9,106)	–	(9,307)
Disposal of subsidiaries	(31,245)	–	(1,999)	–	–	(33,244)
Transfer to assets classified as held for sale	–	(754)	(58)	–	(26)	(838)
At 31 December 2016	–	2,578	953	252	114	3,897
CARRYING VALUES						
At 31 December 2016	–	6,950	1,021	179	230	8,380
At 31 December 2015	–	7,190	1,132	318	473	9,113

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For the year ended 31 December 2016

14. PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Buildings	20 years
Moulds, plant and machinery	20%
Furniture, fixtures and equipment	20%
Leasehold improvements	Over the remaining unexpired terms of the leases or 5 years, whichever is shorter
Motor vehicles	20%

15. PREPAID LEASE PAYMENTS

	2016	2015
	HK$'000	HK$'000
The Group's prepaid lease payments comprise leasehold land in the PRC	**–**	8,178
Analysed for reporting purposes as:		
Non-current asset	**–**	7,968
Current asset (included in other receivables)	**–**	210
	–	8,178

16. INTANGIBLE ASSETS

	Trademarks and patent HK$'000
COST	
At 1 January 2015	–
Arising on acquisition of subsidiaries (note 31)	32,149
At 31 December 2015 and 31 December 2016	32,149
AMORTISATION	
At 1 January 2015	–
Provided for the year	2,310
At 31 December 2015	2,310
Provided for the year	693
At 31 December 2016	3,003
CARRYING VALUE	
At 31 December 2016	29,146
At 31 December 2015	29,839

On 15 May 2015, the Group completed the acquisition of 100% equity interest in On Growth Group (as defined in note 31) which included the acquisition of trademarks and patent. The trademarks and patent were measured at their fair values at the date of acquisition and the valuation of the intangible assets is performed by Assets Appraisals Limited, an independent professional valuer not related to the Group. The fair value of the trademarks and patent at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the trademarks and patent for the remaining term of the trademarks and patent. The expected useful lives of the patent are 8.7 years. In the opinion of the Directors, the trademarks are renewable for every 10 years at minimal costs. As a result, the trademarks are considered as having an indefinite useful life because it is expected to contribute to net cash flows indefinitely.

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For the year ended 31 December 2016

17. GOODWILL

	HK$'000
COST	
At 1 January 2015	–
Arising on acquisition of subsidiaries (note 31)	330,805
At 31 December 2015 and 31 December 2016	330,805

For the purpose of impairment assessment, the entire goodwill has been allocated to the CGU of dental prosthetics business which was acquired during the year ended 31 December 2015. At 31 December 2016 and 2015, the Directors conducted a review of the carrying value of the CGU containing the goodwill and determined that there is no impairment of the CGU containing the goodwill.

The recoverable amount of the CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management for the year ending 31 December 2017 and the following four years based on average growth rate of 10.1% (2015: 13.4%) per annum. Cash flows beyond the five-year (2015: five-year) period are extrapolated using 3% (2015: 3%) growth rate. A discount rate of 19.0% (2015: 17.5%) is used for this CGU and derived using risk-free rate, the market return and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU.

18. CONVERTIBLE BONDS RECEIVABLE

On 19 October 2016, the Group's indirect wholly-owned subsidiary, United Noble Development Limited ("United Noble"), entered into a conditional agreement with Condor International NV ("Condor International"), a private company incorporated in Belgium, to subscribe 257,663 unlisted 5% coupon convertible bonds (the "Convertible Bonds") issued by Condor International, at an aggregate principal amount of EUR5,000,000 maturing on the third anniversary of the date of issue (the "Maturity Date"). The subscription of the Convertible Bonds was subsequently completed on 29 November 2016.

The Convertible Bonds entitle the holder to convert the whole or part of the principal amount at any time between 30th days after the date of issue of the Convertible Bonds and 7th business days immediately preceding the Maturity Date of the Convertible Bonds into 257,663 ordinary shares of the issuer at a conversion price of EUR19.41 per share together with all interest accrued thereon up to and including the date of redemption and may be adjusted upon occurrence of adjustment events, which includes consolidation, sub-division or re-classification of shares, capitalisation of profits or reserves, capital distributions, and offer of new shares of the issuer. The Convertible Bonds carries interest of 5% per annum and would be payable at the Maturity Date. The Convertible Bonds are denominated in Euro.

18. CONVERTIBLE BONDS RECEIVABLE – continued

Condor International shall be entitled to serve a written notice on the holders of the Convertible Bonds requiring them to convert all (but not part only) of the Convertible Bonds ("Conversion Shares") if (i) an initial public offering of Condor International takes place, or (ii) the issue of shares by Condor International for cash consideration at a price per Share corresponding to a pre-money valuation of Condor International of not less than EUR75,000,000 and with gross proceeds to Condor International equals or exceeds EUR7,500,000 (the "Qualified Issue") and the investors under the Qualified Issue agree to grant an irrevocable and unconditional right to United Noble to purchase up to 50% of the Conversion Shares from United Noble at a cash consideration per Conversion Share equivalent to the subscription price under the Qualified Issue. Details of the Convertible Bonds are set out in the Company's announcements dated 19 October 2016 and 29 November 2016.

The Convertible Bonds are initially measured at transaction price, which is also the fair value resulted from arm's length market transaction. At initial recognition, the entire hybrid instrument is treated as financial instrument held for trading as the management of the Company considers the fair value of the conversion option which will be settled by unquoted instrument cannot be reliably measured. The Convertible Bonds are subsequently measured at cost, accrued interest less impairment as the conversion option of the hybrid instrument is sufficiently significant to preclude the Group from obtaining a reliable estimate of the entire instrument.

Details of movement is set out below:

	HK$'000
At date of subscription	41,200
Exchange realignment	(402)
Interest income	186
At 31 December 2016	40,984

19. INVENTORIES

	2016	2015
	HK$'000	HK$'000
Raw materials	**2,400**	5,341
Finished goods	**29**	2,455
	2,429	7,796

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20. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	HK$'000
Trade receivables	**38,203**	73,022
Other receivables, prepayments and deposits	**17,642**	16,445
	55,845	89,467

Trade receivables

Payment terms with customers are mainly on credit. Invoices are normally due for payment within 30 to 90 days after issuance, except for certain well-established customers, where the terms are extended to 120 days. The following is an aged analysis of trade receivables presented based on the invoice date (also approximates to revenue recognition date) at the end of the reporting period:

	2016	2015
	HK$'000	HK$'000
Age		
0 – 90 days	**32,940**	70,095
91 – 180 days	**5,263**	2,927
	38,203	73,022

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality based on the good payment history of the related debtors from historical experience. Based on the settlement patterns of the customers of the Group, trade receivables which are past due but not impaired are generally collectible. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$7,299,000 (2015: HK$13,661,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Directors assessed that the balances will be recovered based on their past settlement patterns. The Group does not hold any collateral over these balances at the end of the reporting period. The average age of these receivables is 74 days (2015: 87 days).

20. TRADE AND OTHER RECEIVABLES – continued

Aging of trade receivables which are past due but not impaired

	2016	2015
	HK$'000	HK$'000
Overdue by:		
1 – 30 days	**4,262**	10,124
31 – 90 days	**3,037**	3,537
Total	**7,299**	13,661

No interest is charged on overdue trade receivables. It is the Group's policy to provide fully for all receivables over eight months because historical experience is such that receivables past due beyond eight months are generally not recoverable. No allowances were made during both years as no trade receivables were aged over eight months.

At 31 December 2016, trade and other receivables denominated in currencies other than the functional currencies of the relevant group entities amounted to approximately HK$8,642,000 (2015: HK$37,479,000) which are denominated in United States dollar.

21. AMOUNT DUE FROM A DIRECTOR

The amounts are unsecured, interest-free and repayable on demand.

The amount is due from a director, Mr. Wu Tianyu ("Mr. Wu", the executive director and chief executive officer of the Company), and the maximum amount outstanding during the year ended 31 December 2016 is HK$40,772,000 (2015: HK$40,836,000).

22. BANK BALANCES AND CASH

Bank balances carry interest at market rates which ranges from 0.001% to 0.4% (2015: 0.001% to 0.4%) per annum.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currencies of the relevant group entities:

	2016	2015
	HK$'000	HK$'000
United States dollar	**20,678**	22,906
Renminbi	**113**	708
Euro	**2,151**	2,864

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23. ASSETS (LIABILITIES) CLASSIFIED AS HELD FOR SALE

(a) Modern Success Holdings Limited ("Modern Success") and its subsidiaries (collectively referred to as the "Modern Success Group")

As disclosed in notes 5 and 11, during the year ended 31 December 2016, the Group has decided to discontinue the EMS Business. Hence, the management is then actively seeking for a potential buyer and would expect to complete the sale within one year from 31 December 2016. Accordingly, the assets and liabilities attributable to the EMS Business (i.e. Modern Success Group), which is expected to be sold within twelve months, have been classified as held for sale and are presented separately in the consolidated statement of financial position.

As disclosed in note 40, the disposal of Modern Success Group was completed subsequent to the end of the reporting period.

The major classes of assets and liabilities of the Modern Success Group at the end of the reporting period are as follows:

	2016 HK$'000
Property, plant and equipment	1,161
Inventories	3,067
Trade and other receivables	6,938
Bank balances and cash	7,534
Assets classified as held for sale	18,700
Trade and other payables	(11,766)
Amount due to a related party	(3,252)
Amount due to a non-controlling shareholder of a subsidiary	(494)
Liabilities associated with assets classified as held for sale	(15,512)

	2016 HK$'000
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held for sale	2,903

23. ASSETS (LIABILITIES) CLASSIFIED AS HELD FOR SALE – continued

(b) Decent Choice Limited ("Decent Choice") and its subsidiaries (collectively referred to as the "Decent Choice Group")

On 24 July 2015, Common Glory Global Limited ("Common Glory"), a non wholly-owned subsidiary of the Company, entered into an agreement with Hang Sheng International Capital Company Limited ("Hang Sheng"), an independent third party, to conditionally acquire and Common Glory had conditionally agreed to dispose of the entire issue share capital of Decent Choice, a 70% owned subsidiary of the Company, and the shareholder's loan due by Decent Choice. The disposal mainly involved a disposal of a piece of land held by the Group as investment properties. The consideration for the disposal was RMB158,000,000 (approximately HK$197,500,000). The details of the disposal of Decent Choice Group were set out in the Company's announcement dated 24 July 2015. During the year ended 31 December 2016, the Group completed the disposal of the entire interest in Decent Choice Group and the details are disclosed in note 32(a).

The major classes of assets and liabilities of the Decent Choice Group at 31 December 2015 were as follows:

	2015 HK$'000
Investment properties (note 13)	177,600
Other receivables	1
Bank balances and cash	51
Assets classified as held for sale	177,652
Trade and other payables	(2,627)
Amount due to a related party	(881)
Liabilities associated with assets classified as held for sale	(3,508)

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For the year ended 31 December 2016

24. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	HK$'000
Trade payables	**4,968**	24,306
Other payables (note)	**15,292**	139,168
Accrued charges	**28,649**	23,428
	48,909	186,902

Note: At 31 December 2015, other payables mainly represented deposit received in respect of the disposal of Decent Choice Group (defined in note 23(b)) which was settled during the year ended 31 December 2016.

The following is an aged analysis of the Group's trade payables presented based on the invoice date as at the end of the reporting period:

	2016	2015
	HK$'000	HK$'000
Age		
0-90 days	**4,770**	24,103
91-180 days	**198**	22
Over 180 days	**—**	181
	4,968	24,306

The average credit period on purchases of goods is 90 days.

25. AMOUNTS DUE TO RELATED PARTIES

At 31 December 2016, the amount of HK$712,000 represents balance due to Ms. Jiang Sisi ("Ms. Jiang", the spouse of Mr. Wu (defined in note 21)). The amount is unsecured, interest-free and repayable on demand.

At 31 December 2015, an amount of HK$2,388,000 represented balance due to Mr. Wen Jialong ("Mr. Wen"), the former executive director and chairman of the Company and a shareholder of the Company. An amount of HK$37,978,000 represented balance due to a company of which Mr. Wen has controlling interest. The amount of HK$1,165,000 represented balance due to Ms. Jiang. The remaining amount of HK$2,182,000 represented balance due to Mr. Wu Yue, the father of Mr. Wu. The amounts were unsecured, interest-free and repayable on demand.

26. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, non-interest bearing and repayable on demand.

27. BANK LOANS

At 31 December 2015, bank loans carried interest at a fixed rate of 7.62% (2016: nil) per annum. The bank loan at 31 December 2015 was unsecured, guaranteed by Mr. Wen and contractually repayable within one year.

28. DEFERRED TAXATION

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

	Fair value adjustments on intangible assets acquired in business combinations HK$'000
At 1 January 2015	–
Acquisition of subsidiaries (note 31)	8,037
Credit to profit or loss for the year	(577)
At 31 December 2015	7,460
Credit to profit or loss for the year	(173)
At 31 December 2016	7,287

At 31 December 2016, the Group had unused tax losses of HK$88,681,000 (2015: HK$116,831,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$284,000 and HK$752,000 that will expire in 2020 and 2021 respectively (2015: HK$8,974,000 that will be expired in 2020). Other losses may be carried forward indefinitely.

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For the year ended 31 December 2016

29. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016 (HK$0.00125 each)	160,000,000,000	200,000
Issued and fully paid:		
At 1 January 2015 (HK$0.00125 each)	3,076,207,031	3,845
Issue of shares (note a)	250,000,000	313
Issue of Consideration Shares (note b)	500,000,000	625
At 31 December 2015 and 31 December 2016 (HK$0.00125 each)	3,826,207,031	4,783

Notes:

(a) On 15 May 2015, pursuant to a subscription agreement and a supplemental subscription agreement entered between the Company and an institutional investor on 10 January 2015 and 16 March 2015, respectively, and an ordinary resolution passed in a special general meeting of the Company on 5 May 2015, the Company issued a total of 250,000,000 shares to an institutional investor at a subscription price of HK$0.40 per share. The proceeds from the placing of shares amounted to approximately HK$100,000,000 and the amount has been used by the Group to settle the cash portion of the consideration in respect of an acquisition, details of which is disclosed in note 31.

(b) On 15 May 2015, pursuant to an agreement entered between the Company and several independent parties on 16 March 2015 in respect of an acquisition of subsidiaries and an ordinary resolution passed in a special general meeting of the Company on 5 May 2015, the Company issued a total of 500,000,000 shares to settle the Consideration Shares (defined in note 31) portion in respect of the acquisition, details of which is disclosed in note 31.

30. SHARE OPTIONS

Pursuant to an ordinary resolution passed in the Company's special general meeting on 8 June 2015, the Company approved and adopted a share option scheme (the "Scheme") for a period of 10 years commencing from 8 June 2015 as incentive or reward for the grantees for their contribution or potential contribution to the Group.

Under the Scheme, the Company may grant options to eligible participant which includes any full-time or part-time employees, consultants, potential employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the board of directors, will contribute or has contributed to the Company and/or any of its subsidiaries.

30. SHARE OPTIONS – continued

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in any one year up to and including the date of such grant (i) representing in aggregate value over 0.1% of the shares of the Company in issue on that date; and (ii) having an aggregate value, based on the closing price of the shares on the date of each grant, in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

The exercisable period of the options granted are determined by the board of directors of the Company at its absolute discretion. The share options will expire no later than ten years from the date of grant. At the time of grant of the share options, the Company may specify a minimum period for which an option must be held before it can be exercised. The acceptance date should not be later than 14 days after the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed, in aggregate, nominal amount of 10% of the issued share capital of the Company at the date of approval of the Scheme. The Scheme limit may be increased from time to time to 10% of the shares in issue as at the date of such shareholders' approval. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. The number of shares in respect of which options may be granted to each eligible participants in any one year is not permitted to exceed 1% of the shares of the Company in issue from time to time.

At 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 279,040,000 (2015: 165,040,000), representing 7.3% (2015: 4.3%) of the shares of the Company in issue at that date.

During the year ended 31 December 2016, options were granted on 12 September 2016 and the estimated fair values of the options granted on that date were HK$23,109,000.

During the year ended 31 December 2015, options were granted on 16 June 2015 and 24 July 2015 and the estimated fair values of the options granted on those dates were HK$5,824,000 and HK$49,282,000, respectively.

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30. SHARE OPTIONS – continued

The fair values of share options were calculated using binomial option pricing model based on following data:

Grant date	16 June 2015	24 July 2015	12 September 2016
Share price at grant date	HK$0.780	HK$0.690	HK$0.350
Exercise price	HK$0.784	HK$0.784	HK$0.400
Expected volatility	73.49%	80.31%	76.75%
Expected life	5 years	5 years	6 years
Risk-free rate	1.296%	1.230%	0.713%
Expected dividend yield	5.17%	4.62%	0.00%
Early exercise multiples			
– Director and its associate	N/A	2.8x	2.8x
– Employees or consultants	2.2x	N/A	2.2x

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

Details of specific categories of options are as follows:

Option type	**Date of grant**	**Vesting period**	**Exercisable period**	**Exercise price**
2015A	16.6.2015	16.6.2015 – 15.6.2019	16.6.2016 – 15.6.2020	HK$0.784
2015B	24.7.2015 (note)	16.6.2015 – 15.6.2019	16.6.2016 – 15.6.2020	HK$0.784
2016	12.9.2016	12.9.2016 – 11.9.2021	12.9.2017 – 11.9.2022	HK$0.400

Note: Option subject to approval of independent shareholders was proposed and granted by Board of Directors on 16 June 2015. The approval was subsequently obtained on 24 July 2015 which was the date of grant as defined in accordance with HKFRS 2.

A summary of the movements of the number of share options under the Scheme during the years is as follows:

Type of participant	**Option type**	**Outstanding at 1.1.2015**	**Grant during the year**	**Outstanding at 31.12.2015 and 1.1.2016**	**Grant during the year**	**Outstanding at 31.12.2016**
Director and his associate	2015B	–	148,140,000	148,140,000	–	148,140,000
Director and his associate	2016	–	–	–	84,000,000	84,000,000
Employees	2015A	–	4,900,000	4,900,000	–	4,900,000
Employees	2016	–	–	–	30,000,000	30,000,000
Consultants	2015A	–	12,000,000	12,000,000	–	12,000,000
		–	165,040,000	165,040,000	114,000,000	279,040,000
Exercisable at the end of the year				–		50,260,000
Weighted average exercise price		0.784	0.784	0.784	0.400	0.627

30. SHARE OPTIONS – continued

In the opinion of the Directors, the fair value of the services received from consultants cannot be estimated reliably, the equity-settled share-based payment transactions with consultants are measured at the fair value of the equity instruments granted.

During the year ended 31 December 2016, the Group recognised a share-based payment expense of HK$11,382,000 and HK$13,104,000 (2015: HK$6,057,000 and HK$6,488,000) for a director and employees respectively in administrative expenses, and recognised a share-based payment expense of HK$132,000 and HK$1,890,000 (2015: HK$49,000 and HK$2,227,000) for employees and consultants respectively in selling and distribution costs.

31. ACQUISITION OF SUBSIDIARIES

On 16 March 2015, the Company, View Bright Global Investments Limited (the “Vendor”, a company which was wholly-owned by Mr. Yan XT Timothy, an independent third party (“Mr. Yan”)), Mr. Yan, Mr. Wu (defined in note 21), Ms. Jiang (defined in note 25) and Royal Dental Laboratory Limited (“Royal Dental”), independent third parties, entered into an acquisition agreement (“Acquisition Agreement”). Pursuant to the Acquisition Agreement (i) the Vendor conditionally agreed to sell and Mr. Yan conditionally agreed to procure the sale of, and the Company conditionally agreed to purchase, the entire 100% issued share capital of On Growth Global Development Limited (“On Growth”), a wholly-owned subsidiary of Vendor together with its subsidiaries, namely Royal Dental, 深圳市金悠然科技有限公司 and 深圳市聯合牙科科技有限公司 (“聯合牙科”) (collectively referred to as the “On Growth Group”) (the “Acquisition”); and (ii) Mr. Yan (being the ultimate beneficial owner of the Vendor and the lender of the below-mentioned shareholder’s loan) conditionally agreed to sell and assign, and the Company conditionally agreed to accept the sale and assignment of, a shareholder’s loan due by On Growth Group to Mr. Yan of RMB2,200,000 (equivalent to HK$2,757,000) at the acquisition completion date of 15 May 2015 for a nominal cash consideration of HK$1.

The consideration in respect of the Acquisition, pursuant to the Acquisition Agreement includes (i) HK$100,000,000 cash consideration payable on the acquisition completion date; and (ii) 500,000,000 ordinary shares of the Company (the “Consideration Shares”).

On Growth Group were principally engaged in the production and sale of dental prosthetics. The Acquisition allowed the Group to further diversify its business portfolio into the denture business in the PRC and overseas markets and explore an additional income stream for the Group. The Acquisition had been accounted for using the purchase method of accounting. The assets and liabilities recognised at the date of acquisition were previously reported as provisional amounts as at 31 December 2015 and no change upon finalisation of the valuation during the year ended 31 December 2016.

Pursuant to the Acquisition Agreement, the Consideration Shares were to be issued in the name of the Vendor or its nominee at the acquisition date and kept in escrow by the Company until the agreed respective profit guarantees of On Growth Group for the years ending 31 December 2015 and 2016 are satisfied. The Vendor also undertakes that if the actual net profit after tax of On Growth Group for the year ending 31 December 2017 is less than HK$50,000,000, the Vendor shall pay to the Company an amount in cash equivalent to the shortfall but not exceeding HK$50,000,000.

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31. ACQUISITION OF SUBSIDIARIES – continued

On 26 July 2016, the Company announced that the 2015 profit guarantee has been satisfied. According to the terms of the Acquisition Agreement, 300,000,000 Consideration Shares were released to the Vendor on 26 July 2016. Taking into account the financial performance and financial budgets of On Growth Group, the Directors are of a view that the profit guarantee requirements for the year ending 31 December 2017 could be satisfied and therefore the fair value of contingent consideration is insignificant.

Details of the Acquisition and completion of Acquisition are set out in announcements issued by the Company dated 17 March 2015 and 15 May 2015, respectively.

Acquisition-related costs amounting to approximately HK$2 million were excluded from the consideration transferred and were recognised as expenses for the year ended 31 December 2015, within the administrative expenses. The recognised amounts of identifiable assets and liabilities of On Growth Group at the acquisition date were as follows:

	HK$'000
Property, plant and equipment	6,832
Intangible assets	32,149
Inventories	4,054
Trade and other receivables	30,817
Bank balances and cash	4,043
Amount due from Mr. Wu	40,836
Amount due to Ms. Jiang	(863)
Amount due to Mr. Wu Yue	(13,266)
Shareholder's loan	(2,757)
Trade and other payables	(30,413)
Taxation payable	(7,745)
Deferred taxation	(8,037)
	55,650
Assignment of shareholder's loan to the Group	2,757
Non-controlling interest	480
Goodwill on acquisition	330,805
	389,692
Satisfied by:	
Cash consideration	100,000
Consideration Shares	289,692
	389,692
Net cash outflow arising on acquisition:	
Cash consideration	(100,000)
Less: Bank balances and cash acquired	4,043
	(95,957)

31. ACQUISITION OF SUBSIDIARIES – continued

The fair value of trade and other receivables at the date of acquisition amounted to HK$30,817,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$30,817,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows expected to be collected amounted to HK$30,817,000.

The non-controlling interest (50%) in 聯合牙科recognised at the acquisition date was measured by reference to the share of the fair value of the identifiable assets acquired and the liabilities assumed which amounted to HK$480,000.

Goodwill arose in the acquisition of On Growth Group is attributable to the anticipated profitability in the dental prosthetics in the established sales network in both domestic and overseas markets. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development of On Growth Group. 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 these acquisitions is expected to be deductible for tax purposes.

Included in the profit for the year ended 31 December 2015 was HK$25,892,000 attributable to the additional business generated by On Growth Group. Revenue for the year ended 31 December 2015 included HK$99,873,000 generated from On Growth Group.

Had the acquisition been completed on 1 January 2015, total group revenue for the year ended 31 December 2015 would have been HK$452,998,000, and loss for the year ended 31 December 2015 would have been HK$27,542,000. The pro forma information was for illustrative purposes only and was 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 it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had On Growth Group been acquired at the beginning of the year ended 31 December 2015 in which the acquisition took place, the Directors have calculated amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

32. DISPOSAL OF SUBSIDIARIES

(a) Disposals of Decent Choice Group

As detailed in note 23(b), during the year ended 31 December 2016, the Group completed the disposal of its entire equity interest in Decent Choice Group, which principally engaged in property holding within the EMS Business segment, to Hang Sheng (defined in note 23(b)) for a cash consideration of RMB158,000,000 (approximately HK$190,638,000). The net assets of the Decent Choice Group at the date of disposal were as follows:

	HK$'000
Analysis of consolidated assets and liabilities of Decent Choice Group at the date of disposal were as follows:	
Investment properties	172,725
Bank balances and cash	27
Other payables	(2,129)
Amount due to immediate holding company	(7,432)
Net assets disposed of	163,191
Gain on disposal of subsidiaries:	
Consideration received	190,638
Expenses incurred on disposal of subsidiaries	(3,934)
Net assets disposed of	(163,191)
Assignment of amount due to immediate holding company	(7,432)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss upon disposal	(10,347)
Gain on disposal	5,734
Net cash inflow arising on disposal:	
Cash consideration	190,638
Less: deposit received included in other payables as at 31 December 2015	(122,808)
Bank balances and cash disposed of	(27)
	67,803

32. DISPOSAL OF SUBSIDIARIES – continued

(b) Disposals of Morning Star Industrial Company Limited and its subsidiaries (collectively referred to as the "MSIC Group")

In June 2016, the Group disposed of its entire equity interest in MSIC Group, which principally engaged in property holding within the EMS Business segment, to an independent third party for a cash consideration of HK$4,368,000.

	HK$'000
Analysis of consolidated assets and liabilities of MSIC Group at the date of disposal were as follows:	
Prepaid lease payments	7,685
Other receivables and prepayments	1,220
Bank balances and cash	481
Other payables	(2,998)
Taxation payable	(15)
Net assets disposed of	6,373
Gain on disposal of subsidiaries:	
Consideration received	4,368
Net assets disposed of	(6,373)
Non-controlling interests	1,314
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss upon disposal	7,498
Gain on disposal	6,807
Net cash inflow arising on disposal:	
Cash consideration received	4,368
Cash and cash equivalents disposed of	(481)
	3,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

32. DISPOSAL OF SUBSIDIARIES – continued

(c) Disposals of Boundless Success Holdings Limited and its subsidiaries (collectively referred to as the "Boundless Success Group")

In August 2015, the Group disposed of its entire equity interest in Boundless Success Group, which principally engaged in financing business for a cash consideration of HK$1,272,000.

Analysis of assets and liabilities of Boundless Success Group at the date of disposal were as follows:

	HK$'000
Bank balances and cash	1,548
Trade and other payables	(276)
Net assets disposed of	1,272
Gain/loss on disposal of subsidiaries:	
Consideration received	1,272
Net assets disposed of	(1,272)
Gain/loss on disposal	–
Net cash outflow arising on disposal:	
Cash consideration received	1,272
Bank balances and cash disposed of	(1,548)
	(276)

33. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of office premises rented under non-cancellable operating leases which fall due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**3,048**	1,225
In second to fifth year inclusive	**4,156**	–
	7,204	1,225

Leases are negotiated and rentals are fixed for an average term of 3 years (2015: 2 years).

34. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The employees of the Company's PRC subsidiaries are members of state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank loans as disclosed in note 27, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The management of the Group reviews the capital structure regularly. 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 and share buy-back as well as debt raising.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**146,760**	242,654
Convertible bonds receivable	**40,984**	–
Financial liabilities		
At amortised cost	**8,812**	75,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, convertible bonds receivable, amount due from a director, bank balances and cash, trade and other payables, amounts due to related parties, amount due to a non-controlling shareholder of a subsidiary and bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

At 31 December 2016, the Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and fixed-rate convertible bonds receivable (2015: fixed-rate bank deposits and fixed-rate bank loans (see note 27 for details of these borrowings)). It is the Group's policy to keep its loans at fixed rates of interest so as to minimise its exposures on interest rate movements.

The Group is also exposed to cash flow interest rate risk relating to the Group's variable-rate bank deposits. In management's opinion, the sensitivity analysis is unrepresentative as the cash flow interest rate risk is not significant to the consolidated financial statements.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Foreign currency risk

Several subsidiaries of the Company have foreign currency bank balances and trade receivables that are denominated in currencies other than the functional currencies of the relevant group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedge policy. In order to mitigate the foreign currency risk, management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are disclosed in respective notes. At 31 December 2016 and 2015, the Group is mainly exposed to exchange rate fluctuations of United States dollar, Renminbi and Euro. No sensitivity analysis of foreign currency risk is presented as Hong Kong dollar is pegged to United States dollar, hence, the Group's foreign currency exposure against United States dollar is not significant. In addition, the amount of Renminbi and Euro denominated foreign currency financial assets in the respective group entities are not significant.

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk

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 counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade receivables. At 31 December 2016, the Group has concentration of credit risk on certain trade receivables as 14% (2015: 64%) and 34% (2015: 69%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively. 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 consider that the Group's credit risk is significantly reduced.

The credit risk of the Group's convertible bonds receivable arises from default of the counterparty with a maximum exposure equal to the carrying amounts of this financial instrument.

The Group has concentration of credit risk in respect of amount due from a director. However, the management considers the risk associated with amount due from a director is minimal.

The credit risk on bank balances is limited as such amounts are deposited in banks with good reputation and with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

As at 31 December 2016 and 2015, the Group does not have any unutilised bank loan facilities.

The following table details the Group's remaining 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate at the end of the reporting period.

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2016						
Non-derivative financial liabilities						
Trade and other payables	–	6,868	–	–	6,868	6,868
Amounts due to related parties	–	712	–	–	712	712
Amount due to a non-controlling shareholder of a subsidiary	–	1,232	–	–	1,232	1,232
		8,812	–	–	8,812	8,812
As at 31 December 2015						
Non-derivative financial liabilities						
Trade and other payables	–	28,381	–	–	28,381	28,381
Amounts due to related parties	–	43,713	–	–	43,713	43,713
Amount due to a non-controlling shareholder of a subsidiary	–	1,943	–	–	1,943	1,943
Fixed-rate bank loans	7.62	1,134	–	–	1,134	1,134
		75,171	–	–	75,171	75,171

Fair value

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the respective end of the reporting periods approximate their corresponding fair values.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016	2015
	HK$'000	HK$'000
Non-current assets		
Investments in subsidiaries	**389,818**	587,451
Amounts due from subsidiaries	**37,991**	–
	427,809	587,451
Current assets		
Prepayments	**568**	934
Amounts due from subsidiaries	**10,682**	39,667
Bank balances and cash	**5,663**	3,616
	16,913	44,217
Current liabilities		
Other payable and accrued charges	**8,403**	139
Amounts due to subsidiaries	**116**	73,959
Amount due to a related party (note 25)	**–**	37,978
	8,519	112,076
Net current assets (liabilities)	**8,394**	(67,859)
Total assets less current liabilities	**436,203**	519,592
Capital and reserves		
Share capital	**4,783**	4,783
Reserves	**431,420**	514,809
	436,203	519,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued

Movement in Company's reserves

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus (note) HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1 January 2015	106,315	–	24,930	31,504	162,749
Loss for the year	–	–	–	(51,515)	(51,515)
Issue of shares	99,687	–	–	–	99,687
Issue of Consideration Shares for acquisition	289,067	–	–	–	289,067
Recognition of equity-settled share-based payment	–	14,821	–	–	14,821
At 31 December 2015	495,069	14,821	24,930	(20,011)	514,809
Loss for the year	–	–	–	(109,897)	(109,897)
Recognition of equity-settled share-based payment	–	26,508	–	–	26,508
At 31 December 2016	495,069	41,329	24,930	(129,908)	431,420

Note: The amount arose pursuant to a group reorganisation in 1997, being the difference between the nominal amount of the share capital issued by the Company in exchange for the shares of the subsidiaries and the nominal amount of the share capital of the subsidiaries acquired, capital reduction and bonus issue by way of capitalisation of the reserve in 2005 and 2006.

38. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly owned by the Company at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid share/ registered capital	Attributable equity interest of the Group 2016	2015	Principal activities
深圳市川湖實業有限公司 (note a)	PRC	RMB3,680,000	–	70%	Property holding and investment
智偉龍電線(深圳)有限公司	PRC	RMB5,500,000 (2015: RMB3,000,000)	**70%**	70%	Manufacture of and trading in electronic components

38. PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid share/ registered capital	Attributable equity interest of the Group		Principal activities
			2016	2015	
深圳市金悠然科技有限公司	PRC	RMB15,000,000 (2015: RMB8,407,265)	**100%**	100%	Manufacture of and trading in dental prosthetics
深圳市聯合牙科科技有限公司 (note c)	PRC	RMB1,000,000	**100%**	50%	Manufacture of and trading in dental prosthetics
Morning Star Digital Connector Company Limited	Macau	MOP 25,000	**78%**	78%	Trading in electronic components
Morning Star Trading Limited (formerly known as Morning Star Industrial Company Limited)	Macau	MOP 25,000	**78%**	78%	Trading in electronic components
On Growth Global Development Limited	BVI	USD100	**100%**	100%	Investment holding
Common Glory Global Limited	BVI	USD1,000	**70%**	70%	Investment holding
Royal Dental Laboratory Limited	Hong Kong	HK$1	**100%**	100%	Trading in dental prosthetics
United Noble Development Limited (note b)	Hong Kong	HK$100	**100%**	N/A	Investment holding of convertible bonds

Notes:

(a) 深圳市川湖實業有限公司 was disposed of during the year ended 31 December 2016.

(b) United Noble was incorporated during the year ended 31 December 2016.

(c) The Directors are of the view that the Group has control in 聯合牙科 as the Group has power to cast the majority of votes at meetings of the board of directors of 聯合牙科, which governs the financial and operating policies of this subsidiary during the year ended 31 December 2015. During the year ended 31 December 2016, the Group further acquired 50% equity interests in 聯合牙科.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

38. PRINCIPAL SUBSIDIARIES – continued

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 31 December 2016 or at any time during the year.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group in which the principal activities of those major subsidiaries are investment holding and inactive.

In current year, the Directors considered there is no material non-controlling interests held by the Group. The table below shows details of non-wholly owned subsidiaries of the Group that had material non-controlling interests in prior year:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion or ownership interests and voting rights 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
Common Glory Global Limited and its subsidiaries ("Common Glory Group")	BVI/PRC	**N/A**	30%	**N/A**	(304)	**N/A**	52,554

Summarised financial information in respect of each of the Group's subsidiaries that had material non-controlling interests in prior year is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Common Glory Group

	Year ended 2015 HK$'000
Current assets	**259,385**
Non-current assets	**1,626**
Current liabilities	**(85,832)**
Non-current liabilities	**–**
Equity attributable to owners of the Company	**122,625**
Non-controlling interests	**52,554**

38. PRINCIPAL SUBSIDIARIES – continued

Common Glory Group - continued

	Year ended 2015 HK$'000
Revenue	31,298
Expenses	32,310
Loss for the year	(1,012)
Loss attributable to owners of the Company	(708)
Loss attributable to non-controlling interests	(304)
Loss for the year	(1,012)
Other comprehensive expense attributable to owners of the Company	(846)
Other comprehensive expense attributable to non-controlling interests	(362)
Other comprehensive expense for the year	(1,208)
Total comprehensive expense attributable to owners of the Company	(1,554)
Total comprehensive expense attributable to non-controlling interests	(666)
Total comprehensive expense for the year	(2,220)
Dividends paid to non-controlling interests	–
Net cash used in operating activities	(52,229)
Net cash used in investing activities	(64)
Net cash from financing activities	113,501
Net cash inflow	61,208

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For the year ended 31 December 2016

39. RELATED PARTY TRANSACTIONS

Other than the balances and transactions with related parties as disclosed in respective notes, at 31 December 2015, Mr. Wen provided guarantees to the Group's bank borrowings at the carrying amount of HK$1,134,000 (2016: nil).

Key management personnel compensation represents the amounts paid to the Directors and the five highest paid individuals as set out in notes 8 and 9, respectively.

40. EVENT AFTER THE REPORTING PERIOD

On 24 January 2017, Mega Smart Holdings Limited ("Mega Smart"), an indirect wholly owned subsidiary of the Company, entered into an agreement with Dragon Fortune Group Holdings Limited (formerly known as Jialong Investment Co., Limited) ("Dragon Fortune"), pursuant to which Dragon Fortune has agreed to acquire and Mega Smart has agreed to dispose of the entire issued share capital of Modern Success Group (defined in note 23(a)) at a consideration of HK$2,800,000. The disposal involves a disposal of EMS Business (defined in note 5). The details of the disposal of Modern Success Group are set out in the Company's announcement dated 24 January 2017. The disposal has been completed on 22 February 2017.

FINANCIAL SUMMARY

	Year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
				(Restated)	
	(Note 1)	(Note 1)		(Note 2)	**(Note 2)**
RESULTS					
Continuing operation					
Turnover	368,772	315,985	363,455	99,873	**188,140**
Profit (loss) before taxation	39,346	(32,214)	(124,647)	(6,566)	**9,252**
Taxation	(15,482)	(11,789)	(983)	(3,810)	**(10,547)**
Profit (loss) for the year from continuing operation	23,864	(44,003)	(125,630)	(10,376)	**(1,295)**
Profit (loss) for the year from discontinued operation	288,270	8,136	–	(29,004)	**(18,998)**
Profit (loss) for the year	312,134	(35,867)	(125,630)	(39,380)	**(20,293)**
Profit (loss) for the year attributable to owners of the Company					
– from continuing operation	24,538	(43,672)	(90,005)	(10,008)	**(1,645)**
– from discontinued operation	288,270	8,136	–	(20,605)	**(13,543)**
	312,808	(35,536)	(90,005)	(30,613)	**(15,188)**
Profit (loss) for the year attributable to non-controlling interests					
– from continuing operation	(674)	(331)	(35,625)	(367)	**350**
– from discontinued operation	–	–	–	(8,400)	**(5,455)**
	(674)	(331)	(35,625)	(8,767)	**(5,105)**
	312,134	(35,867)	(125,630)	(39,380)	**(20,293)**

Note:

1. Included results of the Wing Lee Property whereby its operation was classified as discontinued operation in 2012 and 2013.

2. Included results of the EMS Business whereby its operation was classified as discontinued operation in 2016. The results of 2015 has been re-stated to conform to the presentation of 2016.

FINANCIAL SUMMARY

	As at 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	1,380,260	452,497	384,546	823,684	**586,420**
Total liabilities	(256,583)	(117,083)	(173,037)	(256,528)	**(79,918)**
Net assets	1,123,677	335,414	211,509	567,156	**506,502**
Attributable to:					
Owners of the Company	1,124,865	335,414	140,827	507,360	**504,402**
Non-controlling interests	(1,188)	–	70,682	59,796	**2,100**
	1,123,677	335,414	211,509	567,156	**506,502**

MEGA MEDICAL TECHNOLOGY LIMITED

美加醫學科技有限公司