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

(Incorporated in the Hong Kong with limited liability)
(Stock Code: 648)

2016 FINAL RESULTS

The board of directors (the "Board" or the "Directors") of **China Wah Yan Healthcare Limited** (the "Company") hereby presents the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 as follows:

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)
Revenue	2	**194,211**	127,236
Cost of goods sold and services		**(146,071)**	(98,817)
Gross profit		**48,140**	28,419
Other gains and losses	4	**28,719**	5,996
Selling and distribution expenses		**(25,756)**	(11,756)
Administrative expenses		**(124,685)**	(179,752)
Loss arising from change in fair value of financial assets at fair value through profit or loss		**(47,236)**	(2,011)
Impairment loss on available-for-sale financial assets		**(183,372)**	(40,734)
Impairment loss on trade receivables		**(5,075)**	(17,172)
Impairment loss on property, plant and equipment and other intangible assets		**—**	(18,532)
Loss arising from change in fair value of investment properties		**(12,901)**	(44,110)
Loss on disposal of subsidiaries		**(40,475)**	—
Gain on bargain purchase of subsidiaries		**49,318**	—
Loss arising on extinguishment of convertible bonds		**—**	(69,410)
Share of results of associates		**8,741**	—
Share of result of a joint venture		**(3,902)**	6,891
Finance costs	5	**(29,445)**	(16,655)
Loss before taxation		**(337,929)**	(358,826)
Income tax	6	**(702)**	(5,847)
Loss for the year	7	**(338,631)**	(364,673)

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
Other comprehensive loss for the year			
Items that may be reclassified subsequently to loss:			
Change in fair value of available-for-sale financial assets		**10,619**	—
Reclassification of revaluation of previously held interest in Rui Kang		**(11,214)**	—
Exchange differences on translating foreign operations		**(611)**	(26,121)
Reclassification adjustment relating to foreign operations disposed of during the year		**(72,191)**	—
Other comprehensive loss for the year, net of income tax		**(73,397)**	(26,121)
Total comprehensive loss for the year		**(412,028)**	(390,794)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(311,388)**	(436,503)
Non-controlling interests		**(27,243)**	71,830
		(338,631)	(364,673)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(385,332)**	(454,989)
Non-controlling interests		**(26,696)**	64,195
		(412,028)	(390,794)
Loss per share attributable to the owners of the Company *(HK cents)*	9		
— Basic		**(7.92)**	(24.49)
— Diluted		**(7.92)**	(24.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**57,462**	26,986
Land use right		**7,842**	3,506
Investment properties		**101,000**	150,600
Goodwill		**69,010**	61,237
Investment in associates		**72,611**	—
Other intangible assets		**60,621**	3,610
Available-for-sale financial assets	10	**113,944**	335,324
Long-term prepayments and deposits		**1,944**	108,921
		484,434	690,184
Current assets			
Land use right		**225**	84
Inventories		**17,781**	11,099
Trade receivables	11	**25,103**	24,011
Other receivables, prepayments and deposits		**47,849**	133,473
Tax recoverable		**1,157**	—
Available-for-sale financial assets	10	**91,095**	67,858
Financial assets at fair value through profit or loss	12	**124,714**	75,584
Cash and bank balances		**72,943**	91,713
		380,867	403,822
Assets classified as held for sale		**8,777**	—
		389,644	403,822
Current liabilities			
Trade and other payables	13	**96,962**	143,444
Receipt in advance		**60,808**	77,807
Tax payable		**275**	17,189
Borrowings		**113,600**	129,835
Convertible notes		**1,990**	—
Bonds payable		**79,693**	—
		353,328	368,275
Net current assets		**36,316**	35,547
Total assets less current liabilities		**520,750**	725,731

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Other payables	13	**13,821**	7,000
Borrowings		**69,619**	67,684
Convertible notes		**—**	1,963
Bonds payable		**53,734**	96,828
Promissory note		**61,383**	—
Deferred tax liabilities		**2,314**	642
		200,871	174,117
NET ASSETS		**319,879**	551,614
CAPITAL AND RESERVES			
Share capital	14	**3,030,660**	2,757,283
Reserves		**(2,784,783)**	(2,379,093)
Equity attributable to the owners of the Company		**245,877**	378,190
Non-controlling interests		**74,002**	173,424
TOTAL EQUITY		**319,879**	551,614

Notes:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The audited consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the Hong Kong Companies Ordinance.

These consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial information relating to the Company for the years ended 31 December 2015 and 2016 included in this final result announcement is derived from but does not constitute the Company's statutory annual consolidated financial statements for these two years.

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies of Hong Kong as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 to the Registrar of Companies of Hong Kong within the prescribed time limit.

The Company's auditor has reported on the financial statements of the Group for both the years ended 31 December 2015 and 2016. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Application of New and Revised HKFRSs

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial years beginning from 1 January 2016. A summary of new and revised HKFRSs adopted by the Group is set out as follows:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operation
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investing Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative

The application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle was issued to sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

HKFRS 5, Non-current assets held for sale and discontinued operations: Clarify that when an entity reclassifies an assets or disposal group from held for sale to held for distribution to owners (or vice versa) without any time lag, then such reclassification is considered as a continuation of the original plan of disposal and the entity continues to apply help-for-distribution or help-for-sale accounting; and when an entity determines that an asset no longer meets the help-for-distribution criteria, then it ceases the help-for-distribution accounting in the same way as it would cease help-for-sale accounting.

HKFRS 7, Financial Instruments: disclosures: clarify that when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety; and the applicability of the additional disclosures required by the amendments to HKFRS 7, Disclosures-Offsetting financial statements.

HKAS 19, Employee Benefits has been amended to clarify that the depth of the market for high quality corporate bonds should be assessed at currency level, and not at the country level.

HKAS 34, Interim financial reporting has been amended to clarify that the disclosure of information elsewhere in the interim financial report includes the disclosure by cross-reference to information in another statement. This information should be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

Amendments to HKFRS 11, Accounting for acquisition of interests in joint operation

The amendments to HKFRS 11 provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. Specifically, the amendments require business combination accounting to be applied in this situation.

Amendments to HKAS 16 and HKAS 38, "Clarification of acceptable methods of depreciation and amortisation"

The amendments to HKAS 16 Property, Plant and Equipment prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 Intangible Assets introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 16 and HKAS 41 "Agriculture: Bearer plants"

The amendments to HKAS 16 Property, Plant and Equipment and HKAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

Amendments to HKAS 27 "Equity method in separate financial statements"

The amendments allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

- at cost;
- in accordance with HKFRS 9 (or HKAS 39); or
- using the equity method as described in HKAS 28.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: Applying the consolidation exception"

The amendments to to HKFRS 10, HKFRS 12 and HKAS 28 clarify the following areas of the accounting requirements of investment entities:

- Exemption from preparing consolidated financial statements under HKFRS 10.4(a) is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries, including that parent entity, at fair value.
- A subsidiary that is itself an investment entity should not be consolidated even if it provides services related to the parent's investment activities.
- When applying the equity method, a non-investment entity investor is allowed, but not required, to retain the fair value measurement applied by its investment entity associate or joint venture for their subsidiaries, i.e. the investor can make a policy choice.
- An investment entity measuring all of its subsidiaries at fair value is still required to provide the disclosures relating to investment entities required by HKFRS 12, even though it is not preparing consolidated financial statements.

Amendments to HKAS 1 "Disclosure initiative"

The amendments to HKAS 1 Presentation of Financial Statements give some guidance on how to apply the concept of materiality in practice.

New and revised HKFRSs in issue but not yet effective

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

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

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

HKFRS 9 "Financial Instruments"

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

Key requirements of HKFRS 9 are described below:

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

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

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

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

HKFRS 15 "Revenue from contracts with customers"

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

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

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating 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. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in Note 40. The directors of the Company anticipate that the application of HKFRS 16 in the future will have an impact on the Group's consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Other than disclosed above, the Directors anticipate that the application of these new and revised HKFRSs will have no material impact on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

2. REVENUE

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

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

	2016	2015
	HK$'000	*HK$'000*
Income from membership programs	**64,890**	54,653
Income from private coaching programs	**13,711**	17,406
Income from fitness centre operation and related business	**13,829**	13,976
Income from optical products and eye-care services	**38,041**	31,458
Income from obstetric and gynaecological business	**4,708**	—
Income from pharmaceutical manufacturing business	**10,180**	—
Income from medical laboratory testing business	**48,324**	—
Income from money lending business	**528**	—
Leasing and service income from chain of medical centres	**—**	9,743
	194,211	127,236

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

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

(i)	Health management business	—	chain of sports and healthcare clubhouses in the People's Republic of China (the "PRC").
(ii)	Medical and well-being business	—	chain of medical centres specialising in the diagnosis and treatment of tumours in the PRC;
		—	chain of optical products and eye-care services retail shops in Hong Kong;
		—	manufacturing and sale of pharmaceutical and health related products in the PRC and Hong Kong;
		—	provision of medical laboratory testing services and health check services in Hong Kong; and
		—	provision of obstetric and gynaecological services in Hong Kong.
(iii)	Asset management business	—	investment in financial/fixed/distressed assets and loan financing.

Segment revenue and results

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

Segment Results

For the year ended 31 December 2016

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

For the year ended 31 December 2015

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

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

Segment results represent the profit earned/loss incurred by each segment without allocation of central administration costs including directors' emoluments, share of results of associates, share of result of a joint venture, other gains and losses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

As at 31 December 2016

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

As at 31 December 2015

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

Segment information

For the year ended 31 December 2016

	Health management business *HK$000*	**Medical and well-being business** *HK$000*	**Asset management** *HK$000*	**Unallocated** *HK$000*	**Total** *HK$000*
Additions to non-current assets	**125**	**6,116**	**—**	**1,584**	**7,825**
Amortisation of land use right	**—**	**151**	**—**	**—**	**151**
Amortisation of other intangible assets	**456**	**1,197**	**—**	**—**	**1,653**
Depreciation of property, plant and equipment	**2,562**	**5,260**	**5**	**575**	**8,402**
Net loss on disposal of property, plants and equipment and other intangible assets	**1,136**	**—**	**—**	**35**	**1,171**
Impairment loss on trade receivables	**—**	**5,075**	**—**	**—**	**5,075**
Impairment loss on available-for-sale financial assets	**—**	**—**	**183,372**	**—**	**183,372**
Loss arising from change in fair value of investment properties	**—**	**—**	**12,901**	**—**	**12,901**
Loss arising from change in fair value of financial assets at fair value through profit or loss	**—**	**—**	**47,236**	**—**	**47,236**
Loss on disposal of subsidiaries	**—**	**—**	**—**	**40,475**	**40,475**
Gain on bargain purchase of subsidiaries	**—**	**—**	**—**	**49,318**	**49,318**

For the year ended 31 December 2015

	Health management business *HK$000*	Medical and well-being business *HK$000*	Asset management *HK$000*	Unallocated *HK$000*	Total *HK$000*
Additions to non-current assets	1,392	5,747	1,622	507	9,268
Amortisation of land use right	—	87	—	—	87
Amortisation of other intangible assets	304	1,338	—	—	1,642
Depreciation of property, plant and equipment	2,210	4,501	2	742	7,455
Net loss on disposal of property, plants and equipment and other intangible assets	118	1	—	—	119
Impairment loss on trade receivables	—	17,172	—	—	17,172
Impairment loss on property, plant and equipment and others intangible assets	—	18,532	—	—	18,532
Impairment loss on available-for-sale financial assets	—	—	40,734	—	40,734
Loss arising from change in fair value of investment properties	—	—	44,110	—	44,110
Loss arising from change in fair value of financial assets at fair value through profit or loss	—	—	2,011	—	2,011
Loss on arising on extinguishment of convertible bonds	—	—	—	69,410	69,410
Loss on redemption of promissory note	—	—	—	305	305

Revenue from major products and services

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

	2016	2015
	HK$'000	*HK$'000*
Income from membership programs	**64,890**	54,653
Income from private coaching programs	**13,711**	17,406
Income from fitness centre operation and related business	**13,829**	13,976
Income from optical products and eye-care services	**38,041**	31,458
Income from obstetrics and gynaecological business	**4,708**	—
Income from pharmaceutical manufacturing business	**10,180**	—
Income from medical laboratory testing business	**48,324**	—
Income from money lending business	**528**	—
Leasing and service income from chain of medical centres	**—**	9,743
	194,211	127,236

Geographical information

The Group operates in Hong Kong and the PRC.

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

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

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

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

Information about major customers

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

4. OTHER GAINS AND LOSSES

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

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on:		
Bank and other borrowings wholly repayable within five years	**13,480**	7,433
Loans from a former intermediate holding company and a former fellow subsidiary not wholly repayable within five years	**1,866**	1,665
Imputed interest on convertible bonds and convertible notes	**128**	3,224
Imputed interest on bonds payable	**11,159**	4,271
Imputed interest on promissory note	**2,770**	62
Imputed interest on loan from a non-controlling shareholder of a subsidiary	**42**	—
	29,445	16,655

6. INCOME TAX

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

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

The applicable PRC enterprise income tax rate is 25% for the years ended 31 December 2016 and 2015.

7. LOSS FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**8,402**	7,455
Amortisation of other intangible assets included in cost of services	**1,653**	1,642
Amortisation of land and use right	**151**	87
Total depreciation and amortisation	**10,206**	9,184
Auditors' remuneration		
— Audit services	**1,950**	1,100
— Non-audit services	**310**	1,063
Cost of inventories recognised as expenses	**49,841**	15,154
Net loss on disposal of property, plant and equipment and other intangible assets	**1,171**	119
Impairment loss on available-for-sale financial assets	**183,372**	40,734
Impairment loss on trade receivables	**5,075**	17,172
Impairment loss on property, plant and equipment and other intangible assets	**—**	18,532
Loss arising from change in fair value of financial assets at fair value through profit or loss	**47,236**	2,011
Loss arising from change in fair value on investment properties	**12,901**	44,110
Loss on disposal of subsidiaries	**40,475**	—
Gain on bargain purchase of subsidiaries	**(49,318)**	—
Loss arising on extinguishment of convertible bonds	**—**	69,410
Share of results of associates	**(8,741)**	—
Share of results of a joint venture	**3,902**	(6,891)
Withholding tax in relation to offshore transfer of available-for-sale financial assets	**—**	67,131
Employee benefit expenses, including directors' emoluments:		
— salaries and other benefits	**111,573**	49,977
— equity-settled share-based payments	**–**	15,148

8. DIVIDEND

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

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

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

Loss

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

Number of shares

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

Note:

The effect of the outstanding convertible notes, outstanding share options and outstanding unlisted warrants were not included in the calculation of diluted loss per share for the years ended 31 December 2016 and 2015 due to the an anti-dilutive effect of these instruments on the basic loss per share of the Company during the respective reporting periods.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December 2016	As at 31 December 2015
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Available-for-sale financial assets comprise:		
Listed investments — Equity securities listed in Hong Kong *(Note (a))*	**91,095**	153,146
Unlisted investments, at cost *(Note (b))*	**113,944**	250,036
	205,039	403,182
Analysed for reporting purposes as:		
Current assets	**91,095**	67,858
Non-current assets	**113,944**	335,324
	205,039	403,182

Notes:

(a) Balance is mainly comprised of the Group's investment in the companies listed on the Stock Exchange and are detailed as follows:

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

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

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

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

(b) As at 31 December 2016, the unlisted investment mainly represented the Group's attributable interest in a hospital project amounting to HK$88.8 million. The unlisted investment of the Group of HK$250.0 million as at 31 December 2015 was comprised of the Group's total assets on a consolidated basis in the said hospital project and other healthcare related projects (which were disposed of during the year ended 31 December 2016).

(c) During the year ended 31 December 2016, the Group received dividend income of HK$961,000 (2015: HK$49,000) from its listed investments and neither recorded any realised gain/loss nor received any dividend respect of the unlisted investments in available-for-sale financial assets.

11. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**29,814**	41,183
Less: allowance for doubtful debts	**(4,711)**	(17,172)
	25,103	24,011

The Group generally allows an average credit period of 180 days (2015: 180 days) to its trade customers. The following is an ageing analysis of trade receivables by invoice date as at the end of reporting period which are neither individually nor collectively considered to be impaired:

	2016	2015
	HK$'000	*HK$'000*
0–180 days (neither past due nor impaired)	**21,211**	1,146
181–270 days (1 to 3 months past due)	**1,254**	1,047
271–365 days (4 to 6 months past due)	**376**	7,373
Over 365 days (More than 6 months past due)	**2,262**	14,445
	25,103	24,011

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets at fair values through profit or loss represented its investment in the companies listed on the Stock Exchange and amounted to HK$75.6 million and HK$124.7 million as at 31 December 2015 and 2016 respectively. During the year ended 31 December 2016, the Group recorded a loss arising from change in fair value of financial assets at fair value through profit or loss of HK$47.2 million. Such investment of the Group is comprised of companies principally engaged in the healthcare and financial services sectors including 1.24% issued share capital of Town Health International Medical Group Limited (a company principally engaged in the provision of healthcare services in Hong Kong) with a fair value of HK$120.6 million as at 31 December 2016.

13. TRADE AND OTHER PAYABLES

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

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

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

14. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Issued and fully paid:		
At 1 January 2016	2,612,547	2,757,283
Issue of shares pursuant to voluntary conditional securities offers *(note (a))*	1,330,132	135,878
Issue of shares pursuant to the placing *(note (b))*	2,578,058	137,499
At 31 December 2016	**6,520,737**	**3,030,660**

Notes:

(a) The Company allotted and issued 1,330,131,743 new shares in May 2016 as a result of the acquisition of Rui Kang Pharmaceutical.

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

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During 2016, the Group completed a number of strategic moves towards its goal of becoming a specialised healthcare group:

Acquisition of Rui Kang Pharmaceutical

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

Investment in New Ray Medicine

As at 31 December 2016, the Group held 8.25% of New Way Medicine of its issued share capital. New Ray Medicine is principally engaged in the distribution of pharmaceutical products in the PRC its sales network cover 800 hospitals in the PRC. In addition to its leading position in the distribution of the prescription drug market in Zhejiang Province, the PRC. The distribution network of New Ray Medicine also covers 22 regions in the PRC (including Shanghai, Chongqing, Anhui Province, Sichuan Province, Hebei Province and Guangdong Province). The Group expects its strategic investment in New Ray Medicine to benefit from the demand for medical treatment/medicine (resulted from ageing population, urbanization, increase in household income, and wider coverage of medical insurance in the PRC and to allow the Pharmaceutical Manufacturing Business to leverage on the distribution network of New Ray Medicine to expand its clientele and market coverage of .

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

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

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

As a shareholder of both Rui Kang Pharmaceutical and New Ray Medicine, the Group considers that the Share Transfer will bring about a closer strategic relationship between Rui Kang Pharmaceutical and New Ray Medicine and enable the respective business strength of Rui Kang

Pharmaceutical and New Ray Medicine to complement with each other particularly, the Pharmaceutical Manufacturing Business, the Medical Laboratory Testing Business and the Contracted Medical Scheme Group.

As at the date of this results announcement, the transfer of the first 11% equity interest of Rui Kang Pharmaceutical has been completed and the transfer of the remaining 18% equity interest is subject to further negotiation of the Group and New Ray Medicine as the resolution relating to the transfer of the remaining 18% equity interest of Rui Kang Pharmaceutical to New Ray Medicine was voted down by the then shareholders of the Company at the extraordinary general meeting held on 15 February 2017.

Acquisition of obstetric and gynaecological business

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

Participation in the rights issue of IR Resources

The Group is the single largest shareholder of IR Resources, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange and is principally engaged in the forestry and agricultural, energy, resources and logistics businesses. The Group participated in full the rights issue of IR Resources to fuel the development of IR Resources following resumption of trading in the shares of IR Resources in February 2016. During 2016, IR Resources has formed joint ventures with a group of experienced business partners to accelerate the development pace of its forestry and agricultural business in Cambodia. In addition, with a view to diversifying its investment portfolio, in October 2016, IR Resources entered into agreements to acquire (i) 17.5% equity interest of a group engaged in the investment in and operation of solar power generation business in the PRC; and (ii) the controlling stake of a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Future Ordinance. With the PRC government's favourable policies which encourage the development of clean and renewable energy (e.g. solar power) to combat air pollution and the expanding scale of the power generating capacity of the solar power group, as well as the implementation of measures between the Hong Kong government and Chinese government to fuel the growth momentum to the Hong Kong stock market (such as the rolling out of the Shanghai-Hong Kong Connect in 2014 and Shenzhen-Hong Kong connect in 2016), the Group expects the two acquisitions to enhance return to the shareholders of IR Resources including the Group.

Investment in the ophthalmic business

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

Disposal of the tumour medical business

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

Reduction in equity interest in the Health Management Business

During the year, the Group disposed of 10.45% effective interest in its business in the operation of a chain of sports and healthcare business under the brand name of "Megafit" in the PRC (the "Health Management Business") to an investor for purpose of reducing the Group's weight in the Health Management Business for business risk management and with a view to leveraging on the expertise of the new shareholder to improve the operation of the business. However, given the increasingly fierce competition in the sports and fitness market in the PRC as well as the continuing loss situation and shrinking membership base of the Health Management Business, the Group will continue to monitor the business performance of this business segment and review its strategy as and when appropriate.

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

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

REVIEW OF FINANCIAL RESULTS

Business of the Group

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

Revenue

For the year ended 31 December 2016, the Group's revenue increased by 52.6% to HK$194.2 million (2015: HK$127.2 million). The increase in revenue for the year was attributable to (i) the inclusion of the revenue derived from the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business in the aggregate amount of HK$58.50 million into the Group's consolidated financial statements since May 2016; (ii) the increase in the revenue derived from the Healthcare Management Business by 7.4% to HK$92.4 million due to recognition of full year revenue of the business; (iii) the increase in the revenue of the Eye-care Business by 20.9% to HK$38.0 million; and (iv) the revenue contribution of HK$4.71 million from the O&G Business.

Gross Profit

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

Loss for the year

For the year ended 31 December 2016, the Group recorded net loss of HK$338.6 million (2015: HK$364.7 million). The net loss of the Group for the year ended 31 December 2016 was attributable to a combined impact of (i) the loss on disposal of the Group's turnover medical business of HK$40.5 million; (ii) the bargain purchase of Rui Kang Pharmaceutical of HK$49.3 million; and (iii) the gain of HK$11.2 million resulting from the increase in trading price of Rui Kang Pharmaceutical prior to Rui Kang Pharmaceutical becoming a subsidiary of the Group. In addition, given the occurrence of a number of events in 2016 which shook the economic and geopolitical landscape of the world and Hong Kong, including the Britain's decision to leave the European Union, the victory of Mr. Donald Trump in the presidential election of the United States, the trend of interest rate hikes by the Federal Reserve of the United States and the rise of populism and protectionism, the global equity market and the Hong Kong financial/property market had been volatile in 2016 which adversely affected the performance of the Group's listed securities held as available-for-sale financial assets and financial assets at fair value through profit and loss. For the year ended 31 December 2016, the Group recorded impairment loss of HK$183.4 million on available-for-sale financial assets (mainly attributable to the investment in New Ray Medicine and IR Resources) and loss arising from change in fair value of listed securities of HK$47.2 million in accordance with the Hong Kong Accounting Standards. However, the aforesaid impairment loss and loss due to change in fair value are of non-cash nature and the Company does not expect such provision would have any material adverse impact on the Group's operations. As mentioned above, the Group's investment in New Ray Medicine and IR Resources are strategic to its business development.

Basic and diluted loss per share of the Company for the Reporting Year were HK$7.92 cents (2015: HK$24.49 cents) and HK$7.92 cents (2015: HK$24.49 cents), respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and financial resources

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

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

During the year ended 31 December 2016, the Group's net cash outflow from operating activities and investing activities amounted to HK$113.3 million (2015: net cash outflow of HK$133.6 million) and HK$51.8 million (2015: net cash outflow of HK$117.9 million) respectively, and net cash inflow from financing activities amounted to HK$147.2 million (2015: net cash inflow of HK$168.9 million). As a result, the Group recorded a net cash outflow of HK$17.9 million for the year ended 31 December 2016 (2015: net cash outflow of HK$82.6 million).

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

Capital structure

For the year ended 31 December 2016, the Group generally financed its operations with internally generated resources, proceeds raised from the issue of new shares and borrowings. In addition to the above mentioned placing of new shares of the Company during 2016, the Company also completed the voluntary conditional securities exchange offer for the acquisition of Rui Kang Pharmaceutical which resulted in the issue of a total of 1,330,131,743 new shares of the Company. As such, the number of issued shares of the Company increased to 6,520,736,569 shares as at 31 December 2016.

REVIEW ON BUSINESS SEGMENTS

Health Management Business Segment

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

Medical and Well-being Business

The Eye-care Business

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

The Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business

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

The O&G Business

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

Asset Management Segment

Investment in financial/fixed/distressed assets

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

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

Loan financing

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

FUND RAISING ACTIVITIES

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

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

EVENTS AFTER THE REPORTING PERIOD

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

In the extraordinary general meeting of the Company held in February 2017, the shareholders of the Company voted against the disposal of 141,920,000 shares of Rui Kang Pharmaceutical to New Ray Medicine. The Company is still in the course of evaluating the possibility of revising certain terms of the Share Transfer with New Ray Medicine. Please refer to the announcement of the Company dated 15 February 2017 for details.

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

Exposure to fluctuation in exchange rates

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

Charge on assets

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

CONTINGENCIES

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the total number of employees of the Group was approximately 1,001. The Group remunerates its employees based on their performance, working experience and the prevailing market rate. Other employee benefits include retirement benefits, insurance and medical coverage, training programs and share option scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high standard of corporate governance. During the year ended 31 December 2016, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules except for none of the existing non-executive Directors being appointed for a specific term, which constitutes a deviation from the code provision. However, since all the non-executive Directors are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the code.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company include: making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors; review and monitoring of the external auditors' independence and objectivity; development and implementation of policy on the engagement of the external auditors to supply non-audit services; monitoring integrity of the interim and annual financial statements as well as interim and annual reports and accounts; review of significant financial reporting judgments (particularly on any changes in accounting policies and practices); ensuring that management has discharged its duty to have an effective internal control system and consideration of any findings of major investigations of internal control matters; review of the external auditors' management letter, any material queries raised by the external auditors to management in respect of the accounting records, financial statements or systems of control and management's response. The final results of the Group for the year ended 31 December 2016 have been reviewed by the audit committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made enquiry of all Directors, each of them has confirmed that he/she had complied with the required standards set out in the Model Code during the year ended 31 December 2016.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2016 will be despatched to shareholders and published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinawahyan.com) as soon as practicable.

By Order of the Board of
China Wah Yan Healthcare Limited
CHAN KA CHUNG
Chairman

Hong Kong, 20 March 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chan Ka Chung, Mr. Cheung Wai Kwan and Mr. Wang Jianguo; and three independent non-executive Directors, namely, Mr. Chan Yee Ping, Michael, Ms. Hu Xuezhen and Mr. Lam Chun Ho.