China Health Group Limited
中國衛生集團有限公司

(Carrying on business in Hong Kong as CHG HS Limited)
(Incorporated in Bermuda with limited liability)
Listed on The Stock Exchange of Hong Kong (Stock Code：673)

ANNUAL REPORT 2016

CONTENTS

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS
Mr. Weng Yu
Mr. Wang Yongqing
Mr. Chung Ho
Mr. Wang Jingming
Mr. Zhang Fan

NON-EXECUTIVE DIRECTORS
Mr. Ying Wei
Mr. Zhang Song
Ms. Wei Changying
Mr. Xing Yong
Mr. Wang Zili
Mr. Wang Xiaolin
Mr. Wang Yuexiang
Mr. Li Xuguang

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Xiao Zuhe
Mr. Wang Qingyou
Mr. Zou Lian
Ms. Yang Huimin
Mr. Liang Qi
Mr. Xin Hua
Mr. Jiang Xuejun

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STOCK CODE
673

Management Discussion and Analysis

RESULTS

For the year ended 31 March 2016, the Group reported a turnover of approximately HK$23.7 million, representing a decrease of 37% as compared to HK$37.8 million for the previous financial year. The Group's loss attributable to shareholders for the year was approximately HK$73.2 million as compared to a net loss of approximately HK$55.9 million for the previous financial year. The decrease in turnover was mainly due to no revenue from the De-consolidated Subsidiaries from October 2015 to March 2016 was recognised for the year ended 31 March 2016 upon de-consolidation of the De-consolidated Subsidiaries on 1 October 2015 as detailed in note 2 to the financial statements. The increase in net loss was mainly attributable to decrease in turnover as stated above and significant increase in legal and professional fees and related expenses incurred in relation to the legal proceedings and disputes among shareholders and previous management of the Group during the year ended 31 March 2016. Basic loss per share for the year was HK2.69 cents (2015: HK5.8 cents).

Business Review

During the year, the Group has made substantial progress in business transformation, successfully obtained an operating right of 承德市雙灤區人民醫院暨承德市精神病醫院 (Shuangluan District, Chengde City Hospital (Chengde City Psychiatric Hospital)) ("Shuangluan Hospital") in Hebei Province for a period of 30 years. The Group has also successfully raised funds of approximately HK$225 million to provide sufficient financial resources for the business transformation of the Company.

However, the former Board did not grasp the opportunity and did not effectively utilise resources to promote the business development of the Company. They ignored the interest of the Company and filed a series of lawsuits against the shareholders and investors. That not only greatly damaged the interest and image of the Company (please refer to the court judgment set out in the announcement of the Company dated 23 June 2016), but also led to the missing of business opportunities for the Company. Fortunately, remarkable achievement has been made under the adherence and tireless efforts of the management team of Shuangluan Hospital.

Shuangluan Hospital

The Group took over the operation management of Shuangluan Hospital in September 2015 and introduced a new management model to the hospital. Through the introduction of information technology system, the reorganization of management structure, and the implementation of full cost performance appraisal and meticulous management, the hospital has achieved significant improvement since March 2016. Subsequent to the balance sheet date, the operating income of the hospital increased significantly compared with last year.

Management Discussion and Analysis

Shuangluan Hospital relocated to a new site on 28 August 2016. The new hospital covers an area of 46 acres, with completed construction area of 37,000 square meters and 400 beds for the first phase. The second phase construction has commenced. With the expansion of hospital scale, the revenue of the hospital is expected to grow exponentially next year and therefore the Group can also capture satisfactory revenue from managing the hospital.

Analysis of financial position

During the year, the Group successfully raised approximately HK$225 million by issuance of the convertible notes with an aggregate principal amount of HK$225 million. As at the date of this annual report, the abovementioned convertible notes with an aggregate principal amount of HK$165 million had been converted into ordinary shares of the Company, which further expanded the equity base of the Company.

The Group faced a series of lawsuits mainly arising from disputes among shareholders and previous management of the Group in the second half of the year, incurring significant legal and professional fees of over HK$30 million. These expenses are considered non-recurring in nature.

Despite suffering from such lawsuits and incurring significant expenses, the Group still has resources to maintain general operation and business development. Subsequent to the balance sheet date, the Company obtained additional operations rights of Anping Bo'ai Hospital in Hebei province and Dingnang Chinese Medicine Hospital in Jiangxi province, and continued to fulfill obligations of the agreements with providing loans to Shuangluan Hospital and Anping Bo'ai Hospital.

Board reorganization

The Company received request of certain shareholders ("Requisition Notice") during the year to convene a special general meeting to reorganize the Board. The special general meeting was scheduled to be held in Hong Kong on 10 March 2016, but it was cancelled as the Company filed with the Supreme Court of Bermuda for an interlocutory injunction against those shareholders to restrain the convening or the holding of the special general meeting pursuant to the Requisition Notice with a period of 7 days (please refer to the announcements of the Company dated 31 December 2015 and 11 March 2016).

Management Discussion and Analysis

Subsequent to the balance sheet date, the Company received request of those requisition shareholders again to convene a special general meeting to remove all the existing Directors and appoint new Directors. The special general meeting held on 5 June 2016 was considered adjourned as ruled by the High Court of Hong Kong ("Court"). It was reconvened on 18 June 2016 and shareholder resolutions were passed such that, except for Mr. Chung Ho ("Mr. Chung") and Mr. Wang Jingming, the other eight Directors, namely Mr. Jia Hong Sheng, Dr. Li Zhong Yuan ("Dr. Li"), Mr. Zhou Bao Yi, Mr. Zhao Kai, Mr. Mu Xiang Ming, Dr. Yan Shi Yun, Mr. Jiang Bo and Mr. Zhao Hua, were all removed from the Board, and 20 new Directors were appointed with immediate effect (please refer to the announcement of the Company dated 19 June 2016).

REVIEW OF THE GROUP'S OPERATIONS

During the year, the Group is principally engaged in the below principal activities:

– provision of medical and healthcare services through its operating subsidiaries in the PRC, namely:

   1. Beijing Zhongwei Kanghong Hospital Management Co. Ltd. ("Beijing Zhongwei") which is principally engaged in hospital management for Shuangluan Hospital under an agreement entered into between the Company and Shuangluan Hospital on 23 July 2015 (the "Shuangluan Agreement");

   2. Shanghai Imperial Care Health Advocate Limited ("Shanghai Imperial") which is principally engaged in provision of insurance services;

   3. Shanghai Weichang Investment Management and Consulting Co., Limited ("Shanghai Weichang") which is principally engaged in investment management and provision of consultancy service and holds a 51% interest in Shanghai Imperial; and

   4. Shanghai New Everstep Investment Management and Consultancy Limited ("Shanghai New Everstep") which is principally engaged in the provision of maternal and fetal care service.

– B-to-C consumer services through its operating subsidiaries in the PRC, namely:

   1. Shanghai De Yi Er Investment Management Consulting Co., Ltd. ("Shanghai De Yi Er") which is principally engaged in investment and consultancy; and

   2. Shangdong Harvest Mobile Communication Technology Company Limited ("Shangdong Harvest") which is principally engaged in distribution of consumer services.

Management Discussion and Analysis

Following the substantial change in the composition of the Board effective from 18 June 2016, the Group could not access and obtain the complete set of books and records together with the supporting documents of the above companies due to non-cooperation of the former management and accounting personnel of these companies as detailed in the section headed "Addressing all concerns raised by the Company's auditors" below. The new Board needed time to familiarise themselves with various aspects of the Group's affairs. In August 2016, the Company had appointed a qualified personnel as the new financial controller of the Company to oversee the financial matters of the Group. The Company had also engaged other professional parties such as accountants to assist the Group in reviewing its internal control system; and legal advisers to assist in dealing with the Group's litigations as well as the change in legal representatives, directors and management of the De-consolidated Subsidiaries as further explained below.

De-consolidated Subsidiaries

In June 2016, the Company engaged a PRC lawyer to assist in regaining control of Shanghai Imperial, Shanghai Weichang, Shanghai New Everstep, Shanghai De Yi Er and Shangdong Harvest.

From August 2016 to the date of this annual report, the PRC lawyer issued various legal letters to each of the above companies requesting, among others, its books and records and supporting documents from 1 April 2015 to 31 March 2016. However, as at the date of this annual report, there were no responses from each of the above companies. The PRC lawyer is of view that it is difficult for the Company to take control of these companies in the short term. In this connection, it is considered that the Group had lost control over these subsidiaries and had de-consolidated their financial results, assets and liabilities from the consolidated financial statements of the Group with effect from 1 October 2015 accordingly. The Company continues to take actions to recover control and books and records of these companies including legal actions.

On 7 November 2016, a civil lawsuit brought by Shanghai Weichang against the then existing director and legal representative of Shanghai Weichang requesting for the return of company chop and other corporate properties of Shanghai Weichang has been formally registered with the People's Court of Xuhui District of Shanghai Municipality. The PRC legal adviser of the Company has also been in communication with the then existing director and legal representative with a view to reaching a settlement or compromise before the court hearing. In early February 2017, the director and legal representative of Shanghai Weichang was changed to Mr. Weng Yu, an executive Director. Shanghai Weichang shall commence the necessary legal procedures to change the director and legal representative of Shanghai Imperial.

Management Discussion and Analysis

The Company is assessing the circumstances concerning the remaining De-consolidated Subsidiaries and will take appropriate actions to regain control thereof if there are reasonable prospects of success. Once the Group can regain control on the De-consolidated Subsidiaries, the Company will engage auditors to conduct audit on the financial statements for the De-consolidated Subsidiaries and consider any prior-year adjustment if necessary. The Group is optimistic about regaining control of these companies in future.

Beijing Zhongwei

On 23 May 2016, Beijing Zhongwei filed a copy of resolution (the "May Resolution") with Dongcheng District Beijing Municipality Bureau of Commerce and Administrative Management (the "Bureau") regarding the removal of Mr. Wang Jingming and Mr. Chung as directors of Beijing Zhongwei, removal of Mr. Fan Shuiping as supervisor of Beijing Zhongwei, and appointment of new directors and supervisor. The changes have been registered with the Bureau. The May Resolution is believed to be forgedly signed in the name of Mr. Chung.

On 9 June 2016, Zhongwei Kanghong Investment Limited ("Zhongwei Kanghong"), the indirect wholly-owned subsidiary of the Company and the immediate holding company of Beijing Zhongwei, passed shareholder resolutions (the "June Resolution") to approve the removal of former directors, supervisor and legal representative of Beijing Zhongwei and the appointment of new directors, supervisor and legal representative comprising the members of the existing Board (the "Change"). However, the Change has not been registered with the Bureau as the company chop and seal, which are needed for the purpose of making the registration, had been withheld by the previous management of Beijing Zhongwei.

On 6 July 2016, Zhongwei Kanghong filed a civil lawsuit ("Civil Lawsuit I") at the People's Court of Dongcheng District Beijing Municipality (the "Dongcheng District Court") against Beijing Zhongwei, Mr. Jia Hong Sheng, Mr. Zhao Kai, Mr. Wang Jingyan and Ms. Zhang Tiantian (collectively, the "Zhongwei Defendants"). Zhongwei Kanghong claimed for ruling that (i) the Zhongwei Defendants shall hand over the original business license and its copies, license for opening accounts, common seal, stamp for financial affairs, stamp of the legal person and stamp for contract of Beijing Zhongwei to Zhongwei Kanghong; (ii) the Zhongwei Defendants shall hand over the accounting books and records, financial information, original vouchers and related contracts of Beijing Zhongwei from its establishment date, being 25 November 2014, to the date when the handover to Zhongwei Kanghong is actually completed; (iii) the Zhongwei Defendants shall hand over the premise leased by Beijing Zhongwei which is located at Unit 1, 15th Floor, Tower E2, Oriental Plaza, No.1 Dong Chang An Avenue, Dong Cheng District, Beijing to Zhongwei Kanghong; and (iv) the Zhongwei Defendants shall be liable for costs of the Civil Lawsuit I. On 15 August 2016, the Dongcheng District Court informed Zhongwei Kanghong that the Civil Lawsuit I met statutory prosecution conditions and was formally registered. Details of the above were disclosed in the announcement of the Company dated 1 September 2016. On 8 November 2016, the Civil Lawsuit I has been discontinued by the Company.

Management Discussion and Analysis

On 31 October 2016, an administrative lawsuit (the "Administrative Lawsuit") was filed with the Dongcheng District Court against the Bureau for the revocation of the May Resolution. The Administrative Lawsuit has since been transferred to the court in Beijing Haidian District ("Haidian Court") for processing. Up to the date of this annual report, the Administrative Lawsuit has not been heard and no notices from the Haidian Court have been received.

On 30 November 2016, Zhongwei Kanghong filed another civil lawsuit ("Civil Lawsuit II") at the Dongcheng District Court against Beijing Zhongwei seeking confirmation on the validity and enforcement of the June Resolution. It is expected that a judgment in respect of the Civil Lawsuit II will be obtained by the end of June 2017.

In light of the above, the PRC legal adviser of the Company is of the view that the June Resolution is legally binding and the Change became effective from 9 June 2016 pursuant to the Company Law of the PRC and the provisions of the articles of association of Beijing Zhongwei despite the registration procedures with the Bureau have not been completed. In addition, the day to day operations of Beijing Zhongwei, which is responsible for the management of Shuangluan Hospital under the Shuangluan Agreement, is managed by personnel appointed by the existing Board under the close supervision of Mr. Wang Jingming who is an executive Director, legal representative of Beijing Zhongwei based on the June Resolution and current president of Shuangluan Hospital. On this basis, the Company's PRC legal adviser is of the view that the Company has legal control, both in terms of shareholding and board composition, as well as operational control over Beijing Zhongwei notwithstanding the pending lawsuits and non-completion of registration of the Change. To reflect such control, the Board considered it is appropriate to consolidate the results of Beijing Zhongwei into the financial statements of the Group for the year ended 31 March 2016. Beijing Zhongwei is the only operating subsidiary of the group as at 31 March 2016.

Management Discussion and Analysis

Analysis of the annual results of the Group

The results of the Group for the year ended 31 March 2016 are analysed as below:

	De-consolidated Subsidiaries *HK$'000*	Remaining Group *HK$'000*	Total *HK$'000*
Revenue	23,142	574	23,716
Cost of services	(18,225)	–	(18,225)
Gross profit	4,917	574	5,491
Other income	49	14,751	14,800
Selling and distribution expenses	(5,012)	–	(5,012)
Administrative expenses	(4,031)	(51,154)	(55,185)
Finance cost	(6,696)	(587)	(7,283)
Impairment loss on assets	–	(15,149)	(15,149)
Net loss recognised on de-consolidation of subsidiaries	–	(15,969)	(15,969)
Loss before tax	(10,773)	(67,534)	(78,307)
Income tax	(128)	–	(128)
Loss for the year	(10,901)	(67,534)	(78,435)

Note: The above "De-consolidated Subsidiaries" mainly represents Shanghai Imperial, Shanghai Weichang, Shanghai New Everstep, Shanghai De Yi Er Shangdong Harvest and other companies which are not under control of the Group, while the "Remaining Group" mainly represents the Company, Beijing Zhongwei and other subsidiaries which are under control of the Group.

Management Discussion and Analysis

Pursuant to the Shuangluan Agreement, Beijing Zhongwei was granted an operation right for the management and operation of Shuangluan Hospital for a term of 30 years from 1 August 2015 to 31 July 2045 and is entitled to 3% of the annual revenue of Shuangluan Hospital before Shuangluan Hospital starts to generate any net profit. Once Shuangluan Hospital starts to generate net profit, the management fee shall be increased to 6% of the annual revenue of Shuangluan Hospital. In the event that the annual audited net profit margin of Shuangluan Hospital exceeds 15%, Beijing Zhongwei shall be entitled to a bonus in an amount equivalent to 40% of the excess profit. The turnover of HK$574,000 included in the "Remaining Group" represented management fee calculated based on 3% of the annual revenue of Shuangluan Hospital from September 2015 to March 2016 (representing entitlement of management fees for around 7 months only) and it is expected that the management fee will increase through the measures implemented by Shuangluan Hospital under the management of Beijing Zhongwei as stated above.

FUTURE PROSPECT

Faced with enormous medical health demand brought by significant urbanization and aging population in the PRC, as well as the overall inadequate and structural imbalance of medical supplies, the PRC government has launched a new series of healthcare reform, including the reform of public hospitals, public-private partnership hospital management, government procurement services, establishment of grading clinics and a series of major measures, creating tremendous business opportunities for our future. With the business potential in healthcare industry in the PRC, the Group is actively seeking other business opportunities to expand the medical-related operation of the Group and has made substantial progress as detailed below.

Management Discussion and Analysis

On 12 September 2016, the Company, Zhongwei Health Industries (Shenzhen) Co., Ltd. (the "Management Company", a wholly-owned subsidiary of the Company), Mr. Sang Shiwen ("Mr. Sang"), Mr. Han Jianbin ("Mr. Han") and Anping Bo'ai Hospital entered into an agreement (as supplemented on 29 September 2016), pursuant to which Mr. Sang and Mr. Han have agreed to grant the Company an operation right to manage and operate Anping Bo'ai Hospital through the Management Company for a term of 20 years commencing on 1 October 2016 at a consideration of RMB15,000,000 (equivalent to HK$17,400,000) payable by the Management Company. In addition, the Company has agreed to provide Anping Bo'ai Hospital with loan in an aggregate principal amount of no more than RMB10,000,000 (equivalent to HK$11,600,000) for Anping Bo'ai Hospital to improve medical and health care conditions and expand operation. In addition, the Management Company and Mr. Sang entered into an assets transfer agreement in relation to acquisition of properties at a consideration of RMB15 million (equivalent to HK$17.4 million). The Management Company will be entitled to a monthly operation and management income in an amount equal to 90% of the total monthly revenue generated from the business operation of Anping Bo'ai Hospital. Meanwhile, the Management Company will bear all expenses of Anping Bo'ai Hospital during the term of management and operation of Anping Bo'ai Hospital excluding (1) depreciation, repair and maintenance expenses and equipment upgrade and renovation cost to be incurred from the existing equipment available as stipulated in the agreement; (2) rental expenses; (3) finance cost; and (4) any legal and professional fees arising from legal proceeding against Anping Bo'ai Hospital. Completion of grant of the operation right to the Group to operate Anping Bo'ai Hospital took place on 29 September 2016. Further details of the transactions were disclosed in the announcements of the Company dated 12 September 2016 and 29 September 2016.

On 4 November 2016, the Management Company, Mr. Zheng Ruiyuan and Dingnang Chinese Medicine Hospital entered into an agreement, pursuant to which Dingnang Chinese Medicine Hospital conditionally agreed to grant and the Management Company conditionally agreed to accept an operation right to manage and operate Dingnang Chinese Medicine Hospital for a term of 15 years commencing on 1 November 2016. The Management Company will pay RMB3,000,000 (equivalent to HK$3,420,000) to Dingnang Chinese Medicine Hospital on the date agreed in the agreement. Further details of the above were disclosed in the announcement of the Company dated 7 November 2016.

On 7 March 2017, the Management Company and Shenzhen Gaoxinqi Hosin Investment Fund Management Co., Ltd entered into a limited partnership agreement, pursuant to which the Management Company has committed to invest RMB20,000,000 (equivalent to approximately HK$22,400,000) in a healthcare industry investment fund as a limited partner. Further details of the above were disclosed in the announcement of the Company dated 7 March 2017.

Management Discussion and Analysis

On 30 March 2017, the Company and Miss Hao Mengmeng entered into the agreement in relation to granting of the rights to operate the Red Cross Hospital of Luanping County (灤平縣紅十字醫院) and the Hong Fu Eldercare and Nursing Home of Luanping County (灤平縣鴻福養老護理院) to the Company for a term of 30 years from April 2017 to March 2047. Further details of the above were disclosed in the announcement of the Company dated 31 March 2017.

In addition to the above acquisitions and investments, the Group is also carrying out medical machinery equipment trading business and financing services for hospitals through a trading company with medical equipment procurement and supply licenses in Beijing and a finance leasing company in the Shenzhen Qianhai Free Trade Area, respectively.

It is expected that these new businesses will also bring in stable revenue to the Group. The Directors believe the commencement of these new businesses could facilitate the sourcing and supplying of high quality equipment and provision of financial liquidity to the hospitals managed by the Company, which could in turn streamline the hospital operations, maintain quality of services provided by the Group, and improve performance of the hospital management business accordingly.

In light of the successful experience of the Group in managing hospitals, we have laid a foundation to carry out cooperation with public hospitals and launch primary healthcare service system. In the future, the Group will fully utilise the competitive edge of management model and human resources to cooperate with public hospitals through ways of merger and acquisition and/or reconstruction, and establish regional medical care service system together. Under the leadership of the new Board, the Group has entered into a rapid and healthy development track, and gradually forming a hospital chain group in the next few years to create maximum value for the shareholders.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Proposed acquisition of medical projects

On 30 September 2014, the Group entered into a framework agreement (the "2014 Framework Agreement") with certain independent third parties targeting to acquire the assets and operating rights of a general hospital and nine treatment centers in the PRC at a total consideration of HK$2,380 million. As there were fundamental changes on the terms of the possible acquisition contemplated under the 2014 Framework Agreement, the parties to the 2014 Framework Agreement agreed to terminate the 2014 Framework Agreement on 30 April 2015.

Management Discussion and Analysis

Subsequent to the termination of the 2014 Framework Agreement, on 30 April 2015, the Group entered into the framework agreement (the "2015 Framework Agreement") in relation to the possible acquisition of healthcare management service business and the relevant management service contracts and/or cooperation agreements of five cancer diagnosis and treatment centers in hospitals located in the PRC at a total consideration of HK$1,325 million. The Company paid an earnest money of HK$10 million pursuant to the 2015 Framework Agreement which was intended to be applied to set off part of the cash consideration for the possible acquisition if the formal agreement was concluded. As no formal agreement was concluded by the parties to the 2015 Framework Agreement, the 2015 Framework Agreement lapsed on 31 December 2015.

Details of the above were set out in the announcements of the Company dated 30 September 2014, 28 November 2014, 30 January 2015, 16 March 2015, 30 April 2015, 30 June 2015, 28 August 2015, 30 October 2015 and 22 January 2016.

Discloseable transaction – Shuangluan Hospital

On 23 July 2015, the Company, Beijing Zhongwei and Shuangluan Hospital entered into the Shuangluan Agreement, pursuant to which the People's Government of Shuangluan District, Chengde City has agreed to grant an operating right to the Company for the management and operation of Shuangluan Hospital by Beijing Zhongwei for a period of 30 years, commencing from 1 August 2015. Meanwhile, the Company has agreed to provide a loan in an aggregate principal amount of RMB50 million (equivalent to approximately HK$62.5 million) on agreed dates to Shuangluan Hospital for the purposes of setting up the information technology system, purchasing equipments and settling the construction fee of the hospital.

RMB15 million (equivalent to approximately HK$18.4 million) had been provided to Shuangluan Hospital in accordance with the Shuangluan Agreement during the year. As at the date of this annual report, loan of RMB50 million (equivalent to approximately HK$58.9 million) has been provided to Shuangluan Hospital under the Shuangluan Agreement by utilising internal financial resources of the Group. Details of the above transaction was set out in the announcement of the Company dated 24 July 2015.

Proposed major transaction

On 20 September 2015, the Company, 天津市天主教愛國會 (Tianjin Catholic Patriotic Association) and 天津益瑞康科技發展有限公司 (Tianjin Yi Rui Kang Technology Development Co., Ltd.) entered into an agreement, pursuant to which the parties to the agreement have agreed to grant an operation right to the Company for the management and operation of Sheng You Hospital for a period of 20 years, commencing from the date of operation of Sheng You Hospital. Meanwhile, the Company has agreed to provide a loan in an aggregate principal amount of RMB100 million (equivalent to HK$125 million) to Sheng You Hospital for the purpose of its reconstruction and operation. The agreement lapsed during the year. Details of the proposed major transaction were set out in the announcements of the Company dated 21 September 2015 and 27 January 2016.

Management Discussion and Analysis

Strategic Cooperation Framework Agreement

On 14 August 2015, the Company entered into a strategic cooperation framework agreement with 中國航空國際建設投資有限公司 (China Aviation International Construction And Investment Co., Ltd.) ("AVIC-AIC") in relation to healthcare projects in the PRC. AVIC-AIC is a state-owned engineering construction company in the group of 中國航空工業集團公司 (Aviation Industry Corporation of China) and possesses qualifications on architectural engineering, civil aviation design, engineering construction, mechanical and electrical engineering and intelligent building engineering. Details of the above transaction were set out in the announcement of the Company dated 14 August 2015. No formal agreement had been entered into as at the date of this annual report.

Letter of intent

On 13 January 2016, the Company entered into a letter of intent with 今晚傳媒集團有限公司 (Jinwan Media Group Limited), which is engaged in media business, elderly care and medical business, trading and logistics business and cultural and arts business in the PRC, for the cooperation in development of elderly care and medical service business in the PRC. Details of the above transaction were set out in the announcement of the Company dated 13 January 2016. No formal agreement had been entered into as at the date of this annual report.

Save as disclosed above, there were no other significant investments, material acquisitions and disposals during the year.

FUND RAISING ACTIVITIES

The Company has conducted the following fund raising activities during the year:

Subscription of convertible notes

Pursuant to the subscription agreements dated 8 April 2014, the first supplemental agreements dated 30 September 2014, the second supplemental agreements dated 30 January 2015, the third supplemental agreements dated 30 April 2015, the fourth supplemental agreements dated 30 June 2015, the fifth supplemental agreements dated 28 August 2015, the sixth supplemental agreements dated 18 September 2015 and the seventh supplemental agreements dated 13 October 2015 ("Subscription Agreements") entered into between the Company and two independent subscribers (namely Zheng Hua Investment Limited ("Zheng Hua") and Pacas Worldwide Limited ("Pacas")), the Company has conditionally agreed to issue, and the subscribers have conditionally agreed to subscribe for, the convertible notes in an aggregate principal amount of HK$225 million which are convertible into new shares of the Company at the initial conversion price of HK$0.15 per share (subject to adjustments).

Management Discussion and Analysis

The Company has further agreed to grant the options to the subscribers, pursuant to which the subscribers have the right to request the Company to issue the option convertible notes with a maximum aggregate principal amount of HK$225 million to them. On 13 October 2015, all parties to the subscription agreements agreed to cancel the above grant of options given that the Company's immediate funding need had been reduced.

The subscription agreements were approved by the shareholders of the Company on 3 November 2015 and convertible notes with an aggregate principal amount of HK$225,000,000 which are convertible into 1,500,000,000 shares at a conversion price of HK$0.15 per share were issued in November 2015. Details of the above were set out in the announcements of the Company dated 8 April 2014, 30 September 2014, 15 January 2015, 30 January 2015, 15 April 2015, 30 April 2015, 30 June 2015, 28 August 2015, 15 September 2015, 18 September 2015 and 30 September 2015 and circular of the Company dated 19 October 2015.

The net proceeds from the subscription (after deducting all related expenses) were HK$224.4 million (representing the net conversion price for each conversion share of HK$0.15) which were intended to be used as to (i) approximately HK$43.8 million for the provision of loans to Shuangluan Hospital in accordance with the Shuangluan Agreement; (ii) approximately HK$125.0 million for the provision of loans to Sheng You Hospital; (iii) approximately HK$25.0 million for general working capital of the Group; and (iv) approximately HK$30.6 million for the possible acquisition of five grade-one hospitals in Tianjin, the PRC.

Subsequent to the year end, convertible notes with principal amount of HK$30,000,000 and HK$135,000,000 were converted into 200,000,000 shares and 900,000,000 shares on 21 June 2016 and 23 August 2016 by holders thereof respectively. As at the date of this annual report, convertible notes with principal amount of HK$60,000,000 which can be converted into 400,000,000 shares are outstanding.

Management Discussion and Analysis

From the date of issue of convertible notes to the date of this annual report, (i) approximately HK$40.5 million (equivalent to RMB35 million) has been used for the provision of loans to Shuangluan Hospital in accordance with the Shuangluan Agreement; (ii) approximately HK$17.4 million (equivalent to RMB15 million) has been used for payment for grant of operating right of Anping Bo'ai Hospital; (iii) approximately HK$2.3 million (equivalent to RMB2 million) has been used for provision of loan to Anping Bo'ai Hospital; (iv) approximately HK$11.9 million (equivalent to RMB10.5 million) has been used for partial payment of acquisition of properties of Anping Bo'ai Hospital; (v) approximately HK$31 million (equivalent to US$4 million) has been used as security deposit as stated in item 9 in "Material litigations" below; (vi) approximately HK$22.6 million (equivalent to RMB20 million) has been used to invest in a fund; and (vii) approximately HK$92.7 million has been used for general working capital of the Group (including legal and professional fees of over HK$30 million mainly arising from disputes among shareholders and previous management of the Group). The remaining amount of the unutilised net proceeds of approximately HK$6 million (together with the above security deposit of HK$31 million which is expected to refund in 2nd quarter 2017) will be applied as to (i) approximately HK$14.1 million (equivalent to RMB12.5 million) to finance the transactions in relation to provision of loan and acquisition of properties relating to Anping Bo'ai Hospital; and (ii) approximately HK$22.9 million for general working capital of the Group and expansion of the Group's existing business and/or potential acquisition in futures when opportunities arise.

Subscription of shares

On 13 April 2015, the Company and two independent subscribers entered into the subscription agreements in relation to subscription of 136,657,939 shares of the Company at a subscription price of HK$0.28 per share. On 22 April 2015, an aggregate of 136,657,939 subscription shares were successfully allotted and issued to subscribers. The net proceeds of approximately HK$38,114,000, representing a net subscription price per subscription share of approximately HK$0.279, were used for general working capital of the Group. Details of the subscription were set out in the announcements of the Company dated 13 April 2015 and 22 April 2015.

LIQUIDITY AND CAPITAL RESOURCES

The Group mainly financed its day to day operations by internally generated cash flow and fund raising as stated above during the year.

As at 31 March 2016, the Group's cash and cash equivalents amounted to approximately HK$205 million (2015: HK$101.3 million). In 2015, cash balance of HK$4.7 million, which was held in Harvest Network Ltd. ("Harvest"), was restricted for Harvest's working capital and other purpose only.

Management Discussion and Analysis

As at 31 March 2016, the current assets and net current assets of the Group are approximately HK$216.8 million (2015: HK$273.8 million) and HK$162.2 million (2015: HK$35.8 million) respectively, representing a current ratio of 3.97 (2015: 1.15).

As at 31 March 2016, a dividend payable on redeemable convertible cumulative preference shares in the sum of US$4,000,000 (equivalent to approximately HK$30.9 million), which is in dispute as disclosed in the section headed "Material litigations" below, was included in other payables and accrued expenses. As at 31 March 2015, the Group's total borrowings which represented liability component of convertible bonds, liability component of redeemable convertible cumulative preference shares and promissory note amounted to about HK$103.1 million.

As at 31 March 2016, the gearing ratio was 0.17 (2015: 12.65), calculated by dividing dividend payable on redeemable convertible cumulative preference shares (representing debt owed by the Company) by shareholders' equity of HK$180.4 million (2015: HK$8.2 million).

The Group conducted its continuing operational business transactions mainly in Renminbi and Hong Kong dollars. The Group did not arrange any forward currency contracts for hedging purposes.

MATERIAL LITIGATIONS

Save for certain lawsuits in respect of Shanghai Weichang and Beijing Zhongwei as detailed in the section headed "Review of the Group's Operations" above, the Group had the following material litigations during the year and up to date of this annual report:

1. On 11 December 2015, the Company issued a writ of summons against each of Mr. Chung, a Director, Zheng Hua and Pacas (both are holders of convertible notes) in the Court claiming for, among others, declarations in relation to the Subscription Agreements dated 8 April 2014 for subscription of convertible notes which were procured by Mr. Chung in breach of his fiduciary duties owed to the Company, and that such breach was known to each of Zheng Hua and Pacas. Accordingly, the Subscription Agreements and the related transaction(s) including the convertible note(s) should be voidable. The litigation was discontinued by mutual consent of the parties to the actions on 7 November 2016. Further details of the above were disclosed in the announcements of the Company dated 11 December 2015 and 30 March 2017.

2. On 14 December 2015, Pacas issued a writ of summons against the Company in the Court claiming for, among others, an order that the Company do allot and issue forthwith to Pacas shares in the share capital of the Company representing the entire amount of the conversion shares of the HK$30,000,000 convertible notes issued to Pacas by the Company pursuant to the Subscription Agreement entered into between Pacas and the Company on 8 April 2014 (as subsequently amended); and alternatively, damages to be assessed.

Management Discussion and Analysis

On 18 May 2016, the Court of First Instance of the Court granted a summary judgment against the Company (the "Judgment"), under which the Company was required to allot and issue to Pacas shares in the share capital of the Company representing the entire amount of the conversion shares of the HK$30,000,000 convertible notes issued to Pacas by the Company.

On 17 June 2016, the Court of First Instance of the Court ordered, among other matters, that the Company shall allot and issue to Pacas shares in the share capital of the Company representing the entire amount of the conversion shares of the HK$30,000,000 convertible notes issued to Pacas by the Company by 4:00 p.m. on 22 June 2016 pursuant to the Judgment. On 21 June 2016, the Company allotted and issued 200,000,000 shares, representing the entire amount of the conversion shares of the HK$30,000,000 convertible notes issued to Pacas.

Further details of the above were disclosed in the announcements of the Company dated 16 December 2015, 24 May 2016, 17 June 2016 and 23 June 2016.

3. On 23 December 2015, Zheng Hua issued a writ of summons against the Company in the Court claiming, among others, for an order that the Company do allot and issue forthwith to Zheng Hua shares in the share capital of the Company representing the amount of the conversion shares of the HK$135,000,000 of the principal amount of the HK$195,000,000 convertible notes issued to Zheng Hua by the Company pursuant to the Subscription Agreement entered into between Zheng Hua and the Company on 8 April 2014 (as subsequently amended); and alternatively, damages to be assessed. Further details of the above were disclosed in the announcement of the Company dated 27 December 2015.

   It was ordered by the Court on 2 June 2016, among other things that unless by 4:00 p.m. on 30 June 2016, the Company do file and serve its defence and/or counterclaim (if any), the Company be debarred from doing so and Zheng Hua as plaintiff be at liberty to apply for judgment to be entered against the Company with costs. Subsequent to this order, no further action has been taken by either party to the action to date.

   On 23 August 2016, the Company allotted and issued 900,000,000 shares upon conversion of convertible notes in the principal amount of HK$135,000,000 by Zheng Hua.

Management Discussion and Analysis

4. On 25 February 2016, the Company issued a writ of summons against each of Lin & Li Investment Limited ("LL"), Speedy Brilliant Investments Limited ("Speedy"), Mr. Ying Wei and Mr. Chung in the Court claiming for, among other reliefs: (a) a declaration that the transfer of convertible notes issued in January 2015 to Speedy and Mr. Ying Wei (the "LL Convertible Notes Transfers") were null and void; alternatively, an order that the LL Convertible Notes Transfers from LL to Speedy and Mr. Ying Wei be rescinded and set aside; (b) a declaration that the purported issue and allotment of shares to Speedy and Mr. Ying Wei was null and void; further or alternatively, an order that the purported issue and allotment of shares to Speedy and Mr. Ying Wei be rescinded and set aside; (c) an order that LL, Speedy, Mr. Ying Wei and Mr. Chung take all necessary steps including the delivery to the Company of any such share certificate(s) in the Company for cancellation; and (d) damages and/or equitable compensation. The litigation was discontinued by mutual consent of the parties to the actions on 21 September 2016. Further details of the above were disclosed in the announcements of the Company dated 26 February 2016 and 3 November 2016.

5. On 26 February 2016, the Company issued a writ of summons against Mr. Chung in the Court claiming for, among other reliefs: (a) an order that Mr. Chung do deliver up and return documents and records to the Company, including but without limitation to the original of the agreement dated 20 September 2015; (b) an order that Mr. Chung is to indemnify the Company for any loss and damage that may arise as a result of Mr. Chung's failure to return to the Company any of the documents and records; and (c) damages and/or equitable compensation. The litigation was discontinued by mutual consent of the parties to the actions on 7 October 2016. Further details of the above were disclosed in the announcements of the Company dated 14 January 2016, 26 February 2016 and 3 November 2016.

6. On 6 April 2016, Speedy served a petition (the "Petition") against the Company and Mr. Jia Hong Sheng ("Mr. Jia"), former chairman of the Board, in relation to special general meeting of the Company convened by Speedy. In relation to the Petition, Speedy also issued an inter parte writ of summons on 6 April 2016 against the Company and Mr. Jia, seeking interim relief that, among other matters, the Company be restrained, whether by their directors, servants, agents or otherwise howsoever from obstructing preventing or otherwise interfering with the requisitioning by Speedy of the special general meeting of the Company or obstructing or otherwise interfering with the conduct of any special general meeting of the Company which may be convened by Speedy. Further details of the above were disclosed in the announcement of the Company dated 8 April 2016.

   Upon the joint application of the parties to the action on 20 September 2016, scheduled court hearings were vacated. There has been no further action from the action parties since the hearings were vacated.

Management Discussion and Analysis

7. The Board noted an unauthorized remittance of approximately HK$4.5 million from the bank account of World Success Investments Limited ("World Success"), a non-wholly owned subsidiary of the Company, to a personal bank account of Mr. Mu Xiang Ming, a former Director, on 8 June 2016. Such remittance was instructed and operated by another former Director, namely Dr. Li. The Company stopped the payment and issued an originating summons against Dr. Li in the Court of First Instance of the Court on 21 June 2016 claiming for, among other reliefs, an injunction order to prohibit Dr. Li from transacting and/or conducting and/or purporting to transact and/or conduct the business and affairs of World Success including without prejudice to the generality of the foregoing, operating any bank accounts of World Success.

   On 21 June 2016, the Court of First Instance of the Court ordered that, among other matters, Dr. Li be restrained, whether by himself, his servants, agents or otherwise however from transacting and/or conducting and/or purporting to transact and/or conduct the business and affairs of World Success including, without prejudice to the generality of the foregoing, operating any bank accounts of World Success until Friday, 8 July 2016. Details of the above have been set out in the announcement of the Company dated 24 June 2016.

   Upon the application made by the Company by way of summons on 5 July 2016 and various affirmations were filed with the Court over the period from June to October 2016, and upon the Company undertaking to procure CHC Investment Holdings Limited (a wholly-owned subsidiary of the Company) to make an application in the British Virgin Islands for leave to commence derivative action for and on behalf of Harvest Network Limited ("Derivative Action") against World Success and without admission of any liability, upon Dr. Li undertaking that he would utilize the funds of World Success only in accordance with World Success' ordinary course of business or as authorised by the shareholder(s) of World Success in general meeting, it was by consent order amongst other things on 12 October 2016 that there be leave for payment out of the funds paid into the Court inclusive of any interests to World Success or its nominated solicitors. An application for leave to commence the Derivative Action in the British Virgin Islands by the Company was filed on 2 November 2016 and amended on 15 December 2016 ("Application"). On 17 February 2017, the Company was given to understand that Dr. Li will make an opposition to the Application by way of an affirmation as soon as practicable.

8. On 31 August 2016, CHC Investment Holdings Limited issued a writ of summons in the Court against each of Dr. Li (a former Director), Mr. Zhou Bao Yi (a former Director), Shanghai Huiqu E-commence Company Limited, Harvest Network Limited, World Success, Shanghai De Yi Er and 上海德豐信息網絡技術有限公司 (Shanghai Harvest Network Technology Co., Ltd.*) in respect of a very substantial disposal of the Company which was completed in November 2011. Further details of the above were disclosed in the announcement of the Company dated 1 September 2016. As at the date of this annual report, there is no judgment in respect of the above lawsuit.

Management Discussion and Analysis

9. On 12 September 2016, the Company has received a statutory demand (the "Statutory Demand") from Li Hong Holdings Limited ("Li Hong") in respect of repayment of dividend payable on redeemable convertible cumulative preference shares in the sum of US$4,000,000 (equivalent to approximately HK$30,894,000) (the "Alleged Outstanding Sum"). Such amount has been included in other payables and accrued expenses in consolidated balance sheet as at 31 March 2016.

   An originating summons (the "Originating Summons") has been issued in the Court by the Company against Li Hong on 27 September 2016. Pursuant to the Originating Summons, the Company is seeking, amongst others, the reliefs against Li Hong (i) an order that the Li Hong be restrained from presenting any petition for the winding up of the Company based on the Alleged Outstanding Sum; and (ii) costs.

   A hearing took place on 30 September 2016 at the Court, during which Li Hong has undertaken not to file a winding up petition against the Company based on the Alleged Outstanding Sum and the Company has undertaken (i) to pay the sum of US$4,000,000 or its equivalent into the Court within 21 days from the date of the hearing; and (ii) to comply with any order the Court may make if the Court later finds that Li Hong's undertaking has caused loss to Li Hong or any other party and decides that Li Hong or that other party should be compensated for that loss.

   On 8 February 2017, another Court hearing took place and it was ordered at the hearing, among other things, that (i) Li Hong be restrained from presenting any petition for the winding up of the Company based on the Alleged Outstanding Sum; and (ii) the sum of US$4,000,000 or its equivalent paid into the Court be released to the Company.

Management Discussion and Analysis

Pursuant to the reasons for judgement handed down by the Court dated 29 March 2017, it was concluded that the Company has shown that there is bona fide dispute of the Alleged Outstanding Sum on substantial grounds and the presentation of a winding-up petition by Li Hong would be an abuse of process. The Court further commented that new information filed for the Company lend credence to the Company's case that the Promissory Note was in fact issued by the Company pursuant to a backdoor arrangement made or participated in by Dr. Li for his benefit, though not necessarily for his sole or exclusive benefit, and that Li Hong was Dr. Li's nominee for the purpose of receiving the Promissory Note. As stated in the judgment, it follows that it must at least be open to serious argument that the Promissory Note is not enforceable by Li Hong against the Company, because the issue of the Promissory Note by the Company to Dr. Li's nominee (Li Hong) would involve a breach of fiduciary duty on Dr. Li's part of which Li Hong had knowledge. It was also mentioned in the judgment that Li Hong clearly does not have a valid cause of action against the Company based on a letter dated 31 July 2015 issued by Capital Foresight Limited and/or an agreement dated 23 November 2012 between the Company and Capital Foresight Limited being alleged evidence for the Statutory Demand as Li Hong is not a party to either of those documents and neither of those documents give rise to any contract or claim enforceable by Li Hong against the Company. Details of the above have been set out in the announcements of the Company dated 28 September 2016, 3 October 2016 and 30 March 2017.

10. On 23 September 2016, a writ of summons (the "Writ") has been issued by the Company, Wisdom Profit Investment Limited and China HealthCare Holdings (Hong Kong) Limited against Dr. Li, Mr. Zhou Bao Yi and World Success (collectively, the "Transfer Defendants") in the Court. As set out in the Writ, on 8 March 2016, certain bank transfers were made or procured to be made by Dr. Li and Mr. Zhou Bao Yi. The Company is of the view that the aforesaid transfers which served no discernable commercial purpose, were not made in the best interests of the Group, were procured by Dr. Li and Mr. Zhou Bao Yi in breach of their fiduciary or other duties owed to the Group, and constituted misappropriation of the assets belonging to the Group. Pursuant to the Writ, the Group are seeking, amongst others, various reliefs against the Transfer Defendants declarations that the Transfer Defendants hold the sums received in respect of the transfers. Details of the above have been set out in the announcement of the Company dated 27 September 2016. A defence and counterclaim of Dr. Li was filed in the Court on 6 February 2017. An affirmation of Dr. Li was filed into the Court on 7 February 2017

Further announcement(s) will be made by the Company as and when appropriate to keep the shareholders informed of any material developments in the above matters.

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 31 March 2016, there were no material contingent liabilities of the Group (2015: nil).

CHARGE ON GROUP'S ASSETS

As at 31 March 2016, there was no charge on the Group's assets (2015: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2016, total staff cost including Directors' emoluments was HK$11 million as compared to HK$6.1 million for the previous year.

The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the Mandatory Provident Fund Schemes and a discretionary bonus payment which is linked to the profit performance of the Group and individual performance. A share option scheme has also been established for employees of the Group. No share option was granted nor exercised during the year. There were 5,970,000 outstanding share options as at 31 March 2016.

CHANGES OF COMPANY'S NAME AND LOGO

The Company changed its English name from "China HealthCare Holdings Limited" to "China Health Group Limited" and adopted "中國衛生集團有限公司" as the secondary name of the Company to replace then existing name in Chinese of "中國衛生控股有限公司" (which was adopted for identification purpose only). The logo of the Company also changed accordingly upon the change of company name became effective. Such change was approved by shareholders of the Company on 29 September 2015.

The Certificate of Incorporation on Change of Name and Certificate of Secondary Name issued by the Registrar of Companies in Bermuda certifying that the change of name of the Company from "China HealthCare Holdings Limited" to "China Health Group Limited" and adoption of "中國衛生集團有限公司" as the secondary name of the Company to replace then existing name in Chinese of "中國衛生控股有限公司" (which was adopted for identification purpose only) were both registered respectively and both took effect on 13 October 2015.

Management Discussion and Analysis

However, during conduct of the necessary filing procedures in relation to the change of name of the Company in Hong Kong, it was found that another company (which is unrelated to the Group) with the English name "China Health Group Co., Limited" has already been registered as a Hong Kong company with the Registrar of Companies in Hong Kong. In order to avoid confusions relating to the English name of the Company, "China Health Group Limited (carrying on business in Hong Kong as CHG HS Limited)" has been adopted as the name of the Company for carrying on business in Hong Kong. The Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 14 January 2016 certifying the new name of the Company has been registered in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

ADDRESSING ALL CONCERNS RAISED BY THE COMPANY'S AUDITORS

The consolidated financial statements of the Company for the year ended 31 March 2016 had been subject to the disclaimer of opinion of Elite Partners CPA Limited, the auditor of the Company for the year ended 31 March 2016, on the basis as set out in the section headed "Extract from independent auditor's report" in this annual report. The matters which gave rise to such disclaimer of opinion related to (1) de-consolidation of the De-consolidated Subsidiaries during the year ended 31 March 2016; (2) lack of supporting documents for certain transactions entered into during the year ended 31 March 2016; (3) no sufficient appropriate audit evidence for the deposit for the possible acquisition of HK$10,000,000 and its recoverability; (4) lack of supporting documents for dividend payable on redeemable convertible cumulative preference shares of HK$30,894,000 (equivalent to USD4,000,000); (5) no sufficient appropriate audit evidence and explanations for contingent liabilities and commitment; (6) no sufficient appropriate audit evidence and explanations for events after the reporting period; and (7) no sufficient appropriate audit evidence and explanations for related parties transactions.

The Directors are of the view that all the matters which gave rise to the disclaimer of opinion for the year ended 31 March 2016 are solely due to the lack of books and records of the De-consolidated Subsidiaries and the incomplete records of the Group as a result of non-cooperation of the former management and accounting personnel of the Company following the substantial change in the composition of the Board effective from 18 June 2016 as detailed below.

Loss of accounting supporting documents

The book-keeping function of the Group was previously performed by the accounting team of the Group stationed in the PRC. All supporting documents for transactions of the Company and its subsidiaries in Hong Kong were passed to the accounting team in the PRC who was responsible for preparing vouchers, maintaining the books of the Group and preparing the accounts of the Group under the supervision of the Company's former Directors.

Management Discussion and Analysis

After the change of the Board composition on 18 June 2016, the accounting team in the PRC and the former Directors did not provide the books and records and supporting documents of the Group to the existing Directors and management of the Company (the "Existing Management") despite their repeated requests. In addition, the former Directors and legal representative of Beijing Zhongwei have not handed over all the licenses, stamps and books and records of Beijing Zhongwei to the Existing Management.

In order to retrieve the books and records and supporting documents of the Group, the Existing Management has (a) changed the bank signatories for all significant bank accounts and obtained bank statements and cheque copies and remittance records from the banks to verify the bank transactions and identify nature of transactions during the year; (b) obtained financial information provided by the former management of the Company to the auditors such as breakdown of major balances, management accounts and ledgers; (c) attempted to contact counterparties in respect of these transactions and request for supporting documents; and (d) taken legal actions to retrieve the missing documents from the former Directors. Nevertheless, such process takes considerable time, and the Existing Management still makes every endeavor to complete the process. The Existing Management had only been able to identify the nature of certain transactions from copies of supporting documents. The lack of originals of supporting documents and the inability to perform satisfactory alternative audit procedures have caused the disclaimer of audit opinion on the financial statements for the year ended 31 March 2016.

As explained in more detail below, the balances of which the Company is unable to provide original supporting documents for audit purposes related substantially to transactions conducted prior to 18 June 2016 and those of the De-consolidated Subsidiaries. The existing Directors consider this is caused solely by a colluded action of non-cooperative former accounting team and former Directors and that the loss of books and records and supporting documents of the Group is an isolated incident.

Details and implications of disclaimer of audit opinion

Set out below are the details of the transactions which are subject to the disclaimer of opinion and its implications:

(1) De-consolidation of the De-consolidated Subsidiaries

As explained in the section headed "Review of the Group's operation", the PRC lawyer is of view that it is difficult for the Company to take control of the De-consolidated Subsidiaries in the short term. In this connection, it is considered that the Group had lost control over the De-concolidated Subsidiaries and their financial results, assets and liabilities had been de-consolidated from the consolidated financial statements of the Group with effect from 1 October 2015 accordingly.

Management Discussion and Analysis

The Company is in progress of regaining control of the De-consolidated Subsidiaries as at the date of this annual report. Once the Group can regain control on the De-consolidated Subsidiaries, the Company will engage auditors to conduct audit on the financial statements for the De-consolidated Subsidiaries and consider any prior-year adjustment if necessary.

(2) Transactions of the Group without supporting documents

(i) Cash and bank balances

The cash and bank balances of approximately HK$205 million as at 31 March 2016 comprised bank balances of the Company, Beijing Zhongwei and two non-PRC subsidiaries of approximately HK$201.7 million, HK$3.2 million and HK$0.1 million respectively.

The Group's bank balances as at 31 March 2016 which were subject to disclaimer of audit opinion relate to certain bank balances of the Company and the bank balances of Beijing Zhongwei and two non-PRC subsidiaries. The aggregate balances of the aforesaid bank accounts of the Company and the two non-PRC subsidiaries were less than HK$30,000 and approximately HK$0.1 million respectively. As these bank accounts of the Company and non-PRC subsidiaries have immaterial balances and are not active, the Company took the view that there was no urgency to change the authorized signatories of these bank accounts at the time when the Existing Management took over the management of the Group. The change has now been requested and is being processed by the banks. In addition, the Company considers closing down the inactive bank accounts of the Company and non-PRC subsidiaries with immaterial balances of less than HK$1,000. As no original bank statements could be obtained and no audit confirmation can be arranged for the purpose of the audit, the auditors issued disclaimer of opinion on these account balances.

Management Discussion and Analysis

Beijing Zhongwei has bank accounts in two different banks and the former management of Beijing Zhongwei are the authorised signatories of these accounts. As the seal and company chop of Beijing Zhongwei are still being kept by its former management, the Existing Management is unable to change the bank signatories of these bank accounts despite passing of the June Resolution regarding the Change in June 2016 and filing of lawsuits by the Group as described in the section headed "Review of the Group's operations". The aggregate balance of these bank accounts was HK$3.2 million as at 31 March 2016 and was subject to disclaimer of audit opinion as mentioned above. The Existing Management is unable to obtain the original copies of statements of these bank accounts for a certain period within the financial year ending 31 March 2017 (the "Next Financial Year") and no supporting documents are available to verify the movements in these bank accounts for transactions conducted before 18 June 2016. To minimise the risk to the Group, the Group has ceased to use these bank accounts except for payment of certain operating expenses through one of these bank accounts, and shift the receipt of all income from Shuangluan Hospital to and payment of most operating expenses of Beijing Zhongwei from the bank accounts of the Group's other PRC subsidiaries. The Group will continue to make every endeavour including legal actions to complete the procedures to effect the change of authorised signatories for Beijing Zhongwei's bank accounts as soon as practicable.

As no original copies of bank records of Beijing Zhongwei's accounts are available for a certain period within the Next Financial Year and no bank confirmations can be arranged before the change of bank signatories takes place, there could be disclaimer of opinion on the closing balance of these bank accounts for the Next Financial Year, in addition to the carrying effect of the qualifications on the opening balance and comparative figure in the financial statements for the Next Financial Year.

(ii) *Other income and impairment loss on other receivables*

The other income comprised mainly write back of payables and accrued charges of the Company and subsidiaries in Hong Kong, and Beijing Zhongwei of approximately HK$7.6 million and HK$5.1 million respectively. As no supporting documents can be located and there has not been any material claims or requests for payment since the Existing Management took over the management of the Group on 18 June 2016, the Existing Management considered it appropriate to write back these payables and accruals. The impairment on other receivables mainly relates to receivables from certain assets management company and technology service providers of Beijing Zhongwei. The qualification has no carrying effect on the financial statements of the Next Financial Year save for qualification on the comparative figure.

Management Discussion and Analysis

(iii) Administrative expenses

Based on copies of bank statements and cheques available to the Existing Management, the Existing Management has been able to identify the nature of the majority of the administrative expenses, which mainly comprised legal and professional fees and consultancy fee incurred by the Company of approximately HK$16.4 million in relation to the various litigations and disputes between shareholders and the then management before 18 June 2016; and expenses incurred by Beijing Zhongwei of approximately HK$13.4 million. The auditors were however unable to verify the said expenses due to lack of supporting documents. The qualification has no carrying effect on the financial statements of the Next Financial Year save for qualification on the comparative figure.

(3) Deposit for the possible acquisition

The amount represents the earnest money of HK$10 million (the "Earnest Money") paid by the Company for the possible acquisition as detailed in the paragraph headed "Proposed acquisition of medical projects" under the section headed "Significant investments, material acquisitions and disposals". According to the terms of the 2015 Framework Agreement, in the event that the formal agreement is not concluded due to reasons caused by the procurers or the vendors, the Earnest Money shall be refunded to the Company and the procurers shall pay an additional compensation of HK$10 million to the Company. In case the formal agreement is not concluded due to reasons caused by the purchaser or the Company, the Earnest Money shall be forfeited. If the formal agreement is not concluded due to reasons caused by other third parties, the Earnest Money shall be refunded to the Company. The 2015 Framework Agreement lapsed on 31 December 2015 as no formal agreement was concluded by the parties thereto due to the inability to obtain certain information and documents of the target requested by the Company (as purchaser). In this connection, the Existing Management is of the view that the formal agreement was not concluded due to reasons caused by parties other than the Company and the Earnest Money should have been refunded to the Company pursuant to the terms of the 2015 Framework Agreement.

Management Discussion and Analysis

The Company identified the payment from copies of bank statements and scanned copy of remittance order retrieved from the bank and matched the same against the 2015 Framework Agreement. However, due to absence of the correspondence address of the procurers and the vendors, the auditors were unable to arrange direct confirmation to the procurers and the vendors on the balance and there is uncertainty about the recoverability of the Earnest Money which is not yet settled as at date of this annual report. The Company will continue to negotiate with the vendors and the procurers on the settlement of the Earnest Money and seek legal advice on whether legal actions would be appropriate. In the event the Company considers the amount to be not recoverable after any action (including possible legal action(s)) to be taken in future, the Company will consider writing off the amount and the qualification will be removed in the financial statements for the Next Financial Year. The qualification will have a carrying effect on the opening balance and comparative figure in the financial statements of the Group for the Next Financial Year.

(4) Dividend payable on redeemable convertible cumulative preference shares

The auditors were able to verify the issuance of the Promissory Note as settlement of the Dividend Payable against a copy of the executed settlement agreement. However, the party to which the Promissory Note was first issued as stated in the agreement is not Li Hong, the company which filed a statutory demand against the Company for repayment of the Promissory Note as detailed in item (9) under the section headed "Material Litigations". In the circumstances, the auditors are unable to perform satisfactory alternative procedures to ascertain whether the Promissory Note is valid and the reclassification of the Promissory Note as Dividend Payable is appropriate. In addition, the Group has not accounted for overdue interests on the Dividend Payable which may be accrued according to the terms of the preference shares. As a result, there is a disclaimer of audit opinion on the re-classification and the amount of the Dividend Payable.

Li Hong was ordered by the Court to restrain from presenting any petition for the winding up of the Company. The written judgment of the Court for this case has been handed down on 29 March 2017. It was concluded that the Company has shown that there is bona fide dispute of the Alleged Outstanding Sum on substantial grounds and the presentation of a winding-up petition by Li Hong would be an abuse of process (please also refer to item (9) under the section headed "Material Litigations" above for further details on the written judgement). After receiving the judgement, the Company is now in the course of consulting its legal adviser if any further legal action is needed.

This qualification will have a carrying effect on the opening balance and comparative figure in the financial statements of the Group for the Next Financial Year. The Company and the auditors however are not able to assess at this stage whether there will be other qualification concerning this balance in the Next Financial Year as it will depend on the accounting treatment for the balance after receiving the Court written judgment.

Management Discussion and Analysis

(5) Contingent liabilities and commitment

The disclaimer of audit opinion on contingent liabilities and commitment was caused by the lack of books and records of the De-consolidated Subsidiaries and incomplete records of the Group, resulting in the inability of the auditors to perform satisfactory audit procedures. For the purpose of ascertaining the contingent liabilities of the Group as at 31 March 2016, the Existing Management had considered the relevant accounting standards relating to contingent liability; and had reviewed information and documents available to the Group including the status of material litigations of the Group. In addition, the Company has been managed by the Existing Management after the change of Board composition on 18 June 2016. The changes in the Board composition and the disputes between shareholders and the previous management had been made known to the public by means of announcements. The Existing Management believed that it would be reasonable to expect that any potential creditors with material claims would have approached the Company and filed claims as soon as they became aware of the chaotic situation faced by the Group at that time. Now that the Existing Management has taken over the management of the Group for more than eight months up to date of this annual report, the Group has not received any material claims from any parties other than the demand from Li Hong in respect of the Dividend Payable on the redeemable preference shares of US$4 million as stated above. On this basis and coupled with the results of the review of the documents available to the Group and the status of the litigations, the Existing Management believed that all material contingent liabilities (if any) have been identified despite it is not able to access certain books and records of the Group. It is not likely that the financial statements for future reporting periods would contain similar qualifications.

(6) Events after the reporting period and related parties transactions

The disclaimer of audit opinion on events after the reporting period and related parties transactions were caused by the lack of books and records of the De-consolidated Subsidiaries and incomplete records of the Group, resulting in the inability of the auditors to perform satisfactory audit procedures. As mentioned above, the existing Board is not aware of any material claims and events (other than those already disclosed above) after the change in composition of the Board and the disputes between the shareholders and former management have been made known to public. After the Existing Management took over the management of the Group, the accounting personnel and financial controller of the Company review all material transactions conducted by the Group from time to time to identify whether they are related party transactions. A related party register is being compiled and updated with a view to enabling the Company to identify the related party transactions more efficiently. In addition, all the accounting records and supporting documents of the Group have been properly maintained after 18 June 2016, save for those relating to the bank accounts of Beijing Zhongwei as mentioned above. On this basis, the Existing Management believes that all material events and related parties transactions of the Group have been identified since it took over the management and that barring unforeseen circumstances, it is not likely that the financial statements for future reporting periods would contain similar qualifications.

Management Discussion and Analysis

Transactions during the Next Financial Year

The Next Financial Year covers the period from 1 April 2016 to 31 March 2017, during which the Existing Management only took over the management of the Group in June 2016. Accordingly, the Existing Management may not be able to retrieve and provide supporting documents or explanations for transactions conducted during April to June 2016. In addition, as explained above, the Existing Management is at present unable to retrieve documents to verify the transactions of the bank accounts of Beijing Zhongwei for the first few months of the Next Financial Year. Depending on the progress of the various legal actions concerning Beijing Zhongwei and the ability of the auditors to perform appropriate audit procedures at the time of the audit, there may be qualifications on certain income statement balances for the Next Financial Year concerning transactions conducted during the period from April to June 2016.

Measures taken by the Existing Management

(1) Financial reporting and book-keeping

As explained above, the audit qualifications are principally due to the loss of accounting books and records caused solely by a colluded action of non-cooperative former accounting team and former Directors. The Existing Management do not consider this implicates a material deficiency in the Group's internal control. Nevertheless, in order to mitigate the risk of occurrence of similar incident in future, the Group has implemented new procedures on financial reporting and book-keeping described below:

(i) after the change of Board composition on 18 June 2016, the Company has appointed a qualified accountant as the financial controller in Hong Kong to oversee the financial matters of the Group. In addition, the Company has engaged an independent professional accounting firm (the "Accounting Firm") to perform the book-keeping function for the Company and its non-PRC subsidiaries instead of relying solely on the accounting team of the Group in the PRC;

(ii) the accounting staff of the Company in Hong Kong collects all supporting documents for transactions of the Company and its non-PRC subsidiaries and passes them to the Accounting Firm for book-keeping and preparation of vouchers, ledgers and management accounts of the Company and its non-PRC subsidiaries on a monthly basis; and

(iii) after preparing the accounting vouchers, ledgers and management accounts of the Company and its non-PRC subsidiaries, the Accounting Firm will send the accounting vouchers, ledgers and management accounts to the financial controller of the Company for review.

Management Discussion and Analysis

The Board considers that it is more reliable and effective to engage an independent professional accounting firm in Hong Kong than solely relying on the accounting team in the PRC to handle book-keeping and financial reporting functions of the Company and its non-PRC subsidiaries, especially during the transition period when the Exisiting Management first took over the management of the Group in June 2016, and believes that the risk of loss of books and records of the Company and its non-PRC subsidiaries due to colluded actions would be reduced.

Currently, the Company has 4 major operating subsidiaries in PRC. The Existing Management considers that it would be appropriate to maintain the accounting records and perform the bookkeeping function of these subsidiaries by the local onsite accounting team. Given the voluminous supporting document involved, it would be impractical to transport all the accounting records to Hong Kong for bookkeeping purpose, which is not time and cost efficient and exposes the Company to the risk of loss of supporting documents in transit. In addition, the local PRC accounting team comprises mostly personnel recruited after the change of management or unrelated to those departed non-cooperative personnel. The Existing Management believes the loss of books and records was an isolated event and it is not justified to relocate all the book-keeping and financial reporting functions of the PRC subsidiaries to Hong Kong solely because of this one-off incident.

The Group has established an accounting team in its Shenzhen office to assist the financial controller stationed in Hong Kong to oversee the financial reporting function of all of its PRC subsidiaries. Monthly management accounts as well as copies of supporting documents for material transactions will be sent to the accounting team in Shenzhen and the financial controller in Hong Kong for review and back up. The Shenzhen accounting team shall pay visits to the offices of the operating subsidiaries from time to time to supervise the work of the onsite accounting teams. The Board considers the accounting team in Shenzhen can assist the financial controller to review the books and records of the PRC subsidiaries more closely and maintain back-up copies of supporting documents for material transactions.

Management Discussion and Analysis

(2) Making payments

After the change of Board composition on 18 June 2016, the Existing Management had immediately changed the bank signatories for all major bank accounts of the Group and examined all significant bank payment records. Save for the cash transfers made by the former management of the Company in breach of their fiduciary duties as disclosed in the section headed "Material litigations" above, the Existing Management has not identified other material payments which were of similar nature. In addition, the existing Board had also reviewed the then asset composition of the Group and noted that cash and bank balances represented a significant portion of the Group's total assets. Having considered the nature of the Group's assets and the results of the examination of bank payment records, the Board believed that all other material assets had been properly maintained by the Group.

The Board is of view that the aforesaid transfers were isolated events solely due to misbehavior of certain former Directors. After discovering the transfers, the Existing Management has taken steps to strengthen the internal control measures on making payments as described below:

(i) the accounting staff of the Company in Hong Kong keeps the cheque books and remittance forms for the bank accounts of the Company. The staff is responsible for preparing "Cash/cheque requisition form" based on invoices received, issuing cheques and preparing bank remittance forms;

(ii) the financial controller of the Company reviews the full set of bank payment documents prepared by the accounting staff;

(iii) all payments are then approved by the executive Director(s), who is/are authorised signatory(ies) of the Company's bank accounts. Two Directors' signatures are needed for any payments of over a prescribed limit; and

(iv) the accounting staff is also responsible for dispatching the cheques or remittance forms after obtaining approval of the Director(s). All documents in respect of the payments are passed to the Accounting Firm for preparation of vouchers and bookkeeping on a monthly basis as stated above.

The Board will continue to review the above measures taking into consideration of the Group's situation and development from time to time.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Weng Yu, aged 37, graduated from Shanghai Jiao Tong University with a bachelor's degree in law. Mr. Weng has been engaged in legal work in enterprises since 2002 and served as a chief legal officer and secretary of the board of directors in a high-tech company from 2005 to 2015, as a result, he has extensive experience in company law and corporation management. He was appointed as executive director of the Company on 18 June 2016.

Mr. Wang Yongqing, aged 56, graduated from Zhongnan University of Economics and Law with a bachelor's degree in economics. Mr. Wang has extensive experience in economic policies and enterprise restructuring and is currently the legal representative of Shenzhen Muosen Arts Exchange Centre. He was appointed as executive director of the Company on 18 June 2016.

Mr. Chung Ho, aged 54, graduated from Shanghai Railway University with a Bachelor degree in Science and Technology and from the Central University of Finance and Economics with a Master degree in Economics. He has over 25 years of experience in investment, financing, corporate management and other areas and has worked in several investment institutions and companies in Mainland China and Hong Kong as senior manager and director. He was appointed as executive director of the Company on 28 December 2012.

Mr. Wang Jingming, aged 59, graduated from the Fourth Military Medical University and the Third Military Medical University and received a bachelor's degree in Medicine and a master's degree in Surgery respectively. In his career of hospital management from 1994, he served in the 251st Hospital of the People's Liberation Army as director of Medical Service, vice president in medical and president, Chang'an Hospital in Xi'an as president, Beijing Beiya Orthopedics Hospital as president, Nanchang 334 Hospital as president, Chengde City Shuangluan District People's Hospital as president. Mr. Wang has long been focused on theoretical research and practice of hospital operating mechanism, management model, development direction, and made outstanding achievements. "The Research of Military Center Hospital Management New Model" awarded the second prize of military science and technology progress, "Hospital Management New Model" was published by the People's Military Medical Press in 2009, and was published its second edition in 2015; he advocates the three opportunities theory of hospital development, causing widespread concern in the field. He has published over 80 articles on hospital management and medical professional academic papers; and he was awarded 8 military science and technology achievement awards and medical achievement awards (of which 3 were the second prize, all were the primary research); 2 honorary third awards. During the 5 years when he served as president in the 251st Hospital, the hospital obtained sustainable and rapid development, accessed to social benefits and economic benefits double harvest. The hospital was named "Hospital Operating Mechanism Research Base", "Model Digital Trial Hospitals" by the Ministry of Health, and the "Advanced Unit of the Army in Hospital Informatization" by the General Logistics Department.

Biographical Details of Directors and Senior Management

Mr. Wang was honoured "The Most Leading Chinese Hospital President Innovation Award", "China Outstanding CIO", "Excellent Hospital President of the Army", "Outstanding Contribution of Promoting Construction of China's Informatization", etc. He was also elected as a standing member of the Information Management Committee, a vice chairman of the Chinese Hospital Statistics Committee, a member of the Chinese Health Information Association, and a standing member of the Military Hospital Economic Management Committee of Chinese Hospital Association. As the president of Chang'an Hospital for more than three years, the number of beds increased from 300 to more than 1000, and medical income increased from RMB120 million to RMB400 million, rising the Shaanxi provincial tertiary hospital rank from No. 48 to No. 12; it Is the only private hospital to participate in the Ministry of Health electronic medical system function evaluation, the first of the national inspection and evaluation; and the first US HIMMS sixth level certified hospital in China. When he served as the president of 334 Hospital for 1 year, it completed the overall renovation of new model hospital management, and the overall management level, service capacity, brand image were significantly improved, outpatient, inpatient beds increased by 1 time, hospital income increased by over 90%, and the hospital was certified tertiary hospital qualification. He was appointed as executive director of the Company on 15 May 2014.

Mr. Zhang Fan, aged 51, graduated from the Engineering Department of Changsha University of Science and Technology with a Bachelor Degree in engineering, majoring in engineering machinery. From April 1989 to November 2016, he served at CSG Holding Co., Ltd. (which is listed on the Shenzhen Stock Exchange with stock code: 000012), and held a number of important positions with CSG Holding Co., Ltd. or its subsidiaries. Mr. Zhang has long been engaged in enterprise management, and in particular has accumulated extensive management experience in corporate standardization, regulation and information development. He has in-depth understanding of the relevant industries, and was president of the Guangdong Glass Association. He was appointed as executive director of the Company on 16 December 2016.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Ying Wei, aged 50, holds a master's Degree in Business Administration from University of San Francisco and a Bachelor Degree in Economics from Zhejiang Gongshang University (formerly known as Hangzhou Institute of Commerce), and a non-practising member of the Chinese Institute of Certified Public Accountants. He was appointed as an independent non-executive director of Zhongsheng Group Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with stock code of 881) on 19 December 2016. At present, Mr. Ying is the independent non-executive directors of Fountain Set (Holdings) Limited (a company listed on the Stock Exchange with stock code of 420) and CHTC Fong's Industries Company Limited (a company listed on the Stock Exchange with stock code of 641) respectively, and also the chairman and non-executive director of New Focus Auto Tech Holdings Limited (a company listed on the Stock Exchange with stock code of 360). Mr. Ying is also the Managing Director of CDH Investments. He was appointed as non-executive director of the Company on 18 June 2016.

Mr. Zhang Song, aged 35, holds a doctoral degree in biological science and technologies from Tsinghua University and a bachelor's degree in biochemistry from Nanjing University. Mr. Zhang is an executive director of CDH Investments and has been working in the company since 2009. Mr. Zhang is also the chairman of the board of supervisors of Zhong Ding United Dairy Farming Co., Ltd. (National Equities Exchange and Quotations code: 834586) and the director of LUXI Group Co., Ltd. He was appointed as non-executive director of the Company on 18 June 2016.

Ms. Wei Changying, aged 44, graduated from Mudanjiang College of Education in Heilongjiang majoring in financial accounting. She is a Certified Public Accountant in the PRC and is the PRC southern regional chief financial officer of China of Meinian Onehealth Healthcare (Group) Co., Ltd. She was appointed as non-executive director of the Company on 18 June 2016.

Mr. Xing Yong, aged 52, a senior engineer, graduated from Huaqiao University majoring in mechanical manufacturing. In 2004, Mr. Xing formed a Hong Kong company conducting the business of trading and shipping agency for customers from the United States, Europe and South Africa. Mr. Xing was appointed as the deputy general manager of Shenzhen Teamrun Investment Development Company Limited since 2015 and oversees commercial real estate development projects. He was appointed as non-executive director of the Company on 18 June 2016.

Biographical Details of Directors and Senior Management

Mr. Wang Zili, aged 53, graduated from Shanghai Institute of Building Materials. Mr. Wang has been engaged in the production, technologies and product sales work of float glass in several PRC companies and has extensive experience in marketing planning and product sales in the PRC market. Mr. Wang was employed as a manager of the Shanghai subsidiary of CSG Holding Co., Ltd. in 2000 and has been mainly involved in the sales of construction glass. He was appointed as non-executive director of the Company on 18 June 2016.

Mr. Wang Xiaolin, aged 48, graduated from the Finance Department of Jiangxi University of Finance and Economics with a bachelor's degree in economics. Mr. Wang Xiaolin has long been engaged in the financial management for enterprise and is currently the chief financial officer of Shenzhen Yingshangtonghui Technology Co., Ltd. He was appointed as non-executive director of the Company on 18 June 2016.

Mr. Wang Yuexiang, aged 55, received a bachelor's degree from Changsha Railway University. Since the beginning of 1985, Mr. Wang Yuexiang engaged in financial management in the enterprise; from 2008 to 2011, he served as chief financial officer in Beijing Haixinfangzhou Properties Development Co., Ltd.; from 2011 to date, Mr. Wang Yuexiang serves as the chief financial officer in Beijing Dongchenheyue Investment Management Co., Ltd. He was appointed as non-executive director of the Company on 18 June 2016.

Mr. Li Xuguang, aged 53, graduated from Manchester Business School in UK with an MBA in 1992, after obtaining bachelor degree from Shanghai Institute of Foreign Trade and postgraduate study in Fudan University. He has worked for Heineken and ABInbev in various senior positions in Greater China for more than a decade. Until most recently, Mr. Li has served as board member of a number of privately held companies in China, and has been providing strategic advisory services to these companies. Mr. Li has vast experience in the areas of M&A, business development, marketing and sales, general and strategic management with both multinational companies and rapidly growing companies in China. The sectors he has covered includes Fastmoving consumer goods (FMCG), Consumer Electronics, E-commerce and Technology. He was appointed as non-executive director of the Company on 16 December 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xiao Zuhe, aged 50, graduated from Jiangxi University of Finance and Economics and the City University of Hong Kong majoring in accounting. Mr. Xiao is a Certified Public Accountant in China, certified public accountant in Hong Kong and a member of the Institute of Chartered Accountants in England and Wales. Mr. Xiao is currently the managing director of Shenzhen Qianhai Benefit Equity Investment Management Co., Ltd. and the chief executive officer of Hong Kong Benefit Capital Limited. Mr. Xiao was an independent director of Beijing Shenhua New Capital Co., Ltd (a company listed on the Shenzhen Stock Exchange with stock code of 000010) during the period from 2013 to 2015 and is currently an independent director of Shenzhen Konka Group Co., Ltd (a company listed on the Shenzhen Stock Exchange with stock code of 000016). He was appointed as independent non-executive director of the Company on 18 June 2016.

Biographical Details of Directors and Senior Management

Mr. Wang Qingyou, aged 49, obtained a bachelor's degree in law from China University of Political Science and Law in 1992, a Master's degree in Economic Law from Peking University School of Law in 1998 and an EMBA degree from Xiamen University in 2012. Mr. Wang is a qualified lawyer in the PRC. Mr. Wang is experienced in legal services, business development and law firm management. Mr. Wang has taken up many important positions in many legal institutions in the PRC. Mr. Wang is currently the director of Anli Partners' Beijing office and responsible for the business development and overall management of the firm. Mr. Wang is also a member of the Beijing International Arbitration Centre, an arbitrator of the China International Economic and Trade Arbitration Commission and the director of the Beijing Lawyers Association. Mr. Wang is also the independent director in Qingdao Tianneng Electric power Engineering Machinery Co., Ltd. since 6 December 2011. He was appointed as independent non-executive director of the Company on 18 June 2016.

Mr. Zou Lian, aged 57, chief physician, professor, tutor of doctoral students. Mr. Zou graduated with a bachelor's degree in Medicine from Fourth Military Medical University in 1983 and obtained a Clinical Doctor degree in Surgery (Urology) in the Fourth Military Medical University in 1992. In 1993, Mr. Zou attended the medical department of Hirosaki University in Japan for research and studies, in which he researched on the genome treatment of renal cell carcinoma. In 2002, Mr. Zou became the vice chairman of the General Army Urology Committee, the vice director of the PLA Second Artillery General Hospital and chairman of the Urology Department in that hospital, the chief physician, the chief physician, and chairman of the Urology Department in the PLA Second Artillery General Hospital. Mr. Zou has long been engaged in clinical medical treatment, teaching and scientific research in Urology. Mr. Zou has awarded Third Class in Military Medical Award twice since 2004. Mr. Zou also published dozens of SCI thesis and statistic source journal articles, and participated in editing of four monographs. He was appointed as independent non-executive director of the Company on 18 June 2016.

Ms. Yang Huimin, aged 40, obtained a bachelor's degree in economics from Zhongnan University of Economics (now known as Zhongnan University of Economics and Law in 1998 and Master's degree of Management in Nanajing University in 2001. Ms. Yang is a non-practising member of the Chinese Institute of Certified Public Accountants (CPA) and holds the Chartered Financial Analyst qualification (CFA). Ms. Yang has extensive experience in Company finance and listed company operations. Ms. Yang joined the financial department of COFCO Corporation in 2001. In 2006, Ms. Yang joined the strategic department of China Foods Limited (a company listed on the Stock Exchange with stock code of 506). In 2010 – 2014, she joined COFCO Property (Group) Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code of SZ000031) and successively became the vice general manager of the financial department, the general manager of the operation department and the vice general manager of the Shenzhen Centre City Company. In 2013, Ms. Yang was appointed as the vice general manager, chief financial supervisor and secretary of the board of directors of COFCO & CM (Shenzhen) Grain Electronic Trading Centre Co., Ltd., the director of the strategic department and also the project team leader of Qianhai Asia Pacific Region Headquarter of COFCO Property (Group) Co., Ltd. She was appointed as independent non-executive director of the Company on 18 June 2016.

Biographical Details of Directors and Senior Management

Mr. Liang Qi, aged 55, graduated from Renmin University of China in 1983 and received a bachelor's degree in economics. From 1983 to 1992, Mr. Liang successively worked in government agencies and news organizations; from 1992 to 2002, he worked as senior manager in a number of companies, business involved in real estate, processing trade and IT fields. Since 2002 to date, he has served as the chairman of Shenzhen City Fairview times Investment Advisory Co., Ltd.. Mr. Liang was also employed as the guest professor of class president the real estate in Tsinghua University. He was appointed as independent non-executive director of the Company on 18 June 2016.

Mr. Xin Hua, aged 51, head of the center of the Comprehensive Development Research Institute (Shenzhen, China) "urban resource leveling and Industrial Development Research Center", expert of the Shenzhen Municipal Policy Advisory Committee. He was graduated and obtained a bachelor's degree in 1988 from Jilin University, graduated and obtained master's degree from Jilin University in 1991; and obtained a doctoral degree from Nankai University in 2003. From 1993 to present, Mr. Xin has worked in Comprehensive Development Institute (Shenzhen, China); from 2006 to present, he mainly engages in regional development, the coordinated development of urban resources and industrial research and consulting work. He has conducted more than 60 government and corporate consulting projects. He was appointed as independent non-executive director of the Company on 18 June 2016.

Mr. Jiang Xuejun, aged 49, obtained a master's degree and doctoral degree in Cardiology from Tongji Medical University Affiliated Tongji Hospital in China. He was also a post-doctoral fellow at Pennsylvania State University and New York State University from June 1998 to June 2001. He has been a professor of Cardiology, chief physician and PhD tutor at Wuhan University Renmin Hospital since October 2001. Mr. Jiang mainly focuses on interventional cardiology and his research directions are coronary heart disease intervention and biomaterial application. He undertakes a number of national and provincial studies and has published numerous medical articles. He was appointed as independent non-executive director of the Company on 21 February 2017.

COMPANY SECRETARY

Mr. Tsui Siu Hung Raymond, aged 40, is the company secretary of the Company. He joined the Group in June 2006. Mr. Tsui obtained a degree of bachelor of business administration from The Chinese University of Hong Kong in Hong Kong, in July 1999. His major subject was professional accountancy. He was admitted as a fellow member of the Association of the Chartered Certified Accountants in March 2008 and a fellow member of the HKICPA in June 2010. Mr. Tsui has been one of the partners of Tsui & Partners CPA Limited, a registered firm of certified public accountants (practising) in Hong Kong since March 2014, and currently the company secretary of the following companies listed on the Stock Exchange and the GEM of the Stock Exchange: Vongroup Limited (Stock Code: 318) since February 2010 and Guru Online (Holdings) Limited (Stock Code: 8121) since May 2015, Sino Haijing Holdings Limited (Stock Code: 1106) since December 2015 respectively.

Report of the Directors

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in provision of B-to-C consumer service and healthcare service during the year. Save as deconsolidation of certain subsidiaries of the Group as disclosed in note 2 to the financial statements, there were no significant changes in the operation of the Group during the year.

BUSINESS REVIEW

Details of business review, financial performance and future development of the Group's business are set out in the "Management Discussion and Analysis" section from pages 3 to 33. Important events affecting the Group since 31 March 2016 is disclosed in note 37 to the consolidated financial statements.

Principal Risks and Uncertainties

There are various risks and uncertainties including business risks, operational risks and financial risks that may have different levels of impact on the Group's financial performance, operations, business as well as future prospects.

As most of the existing healthcare projects are located in the People's Republic of China (the "PRC"), the Group's business, financial condition, results of operations and prospects are greatly affected by political, economic and legal developments and changes to government policies in the PRC. If any stricter regulations regarding the Group's operation or the healthcare industry are enacted in the future, business and operation of the Group may also be significantly impacted. Details of the financial risks are set out in note 7 to the consolidated financial statements.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group's operations are subject to a variety of the PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. The Group was in compliance with all relevant laws and regulations regarding environmental protection in all material respects and was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the year. The Group is also committed to allocate operating and financial resources to ensure environment protection compliance as required by applicable laws and regulations.

Report of the Directors

Compliance with the Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations. The Group's operations are mainly carried out in the PRC and Hong Kong while the shares of Company are listed on the Hong Kong Stock Exchange Limited. Hence, the Group shall comply with relevant laws and regulations in the PRC and Hong Kong and the respective places of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Rules Governing the Listing of Securities on the Stock Exchange and other relevant regulations. The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year. Save as delay in publication of the annual results for the Group for the year ended 31 March 2016 and certain litigations as disclosed in "Material litigations" in the "Management Discussion and Analysis" section, there was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 March 2016.

Relationship with Employees, Customers and Suppliers and other Stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators, hospital and shareholders. During the year, save as disclosed in "Material Litigations" in the "Management Discussion and Analysis" section, there were no material and significant dispute between the Group and its key stakeholders that have a significant impact on the Group.

The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2016 and the state of affairs at the date are set out in the consolidated financial statements on pages 65 to 144.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the Company's convertible bonds are set out in the note 27 to the consolidated financial statements.

Report of the Directors

REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

Details of the Company's redeemable convertible cumulative preference shares are set out in the note 28 to the consolidated financial statements.

SHARE CAPITAL

Details of movement in the Company's share capital during the year are set out in note 31 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in consolidated statement of changes in equity on pages 69 and 70.

DISTRIBUTABLE RESERVES

As at 31 March 2016, the Company had no reserves available for distribution and/or distribution in specie, as calculated in accordance with the Companies Act 1981 of Bermuda.

DIRECTORS AND THEIR SERVICE CONTRACTS

The directors of the Company ("Directors") during the year and up to the date of this report:

Executive Directors

Mr. Jia Hong Sheng	(removed on 18 June 2016)
Dr. Li Zhong Yuan	(removed on 18 June 2016)
Mr. Zhou Bao Yi	(removed on 18 June 2016)
Mr. Zhao Kai	(appointed on 6 January 2016 and removed on 18 June 2016)
Mr. Chung Ho	(appointed on 28 December 2012 and retained service on 18 June 2016)
Mr. Wang Jingming	(appointed on 15 May 2014 and retained service on 18 June 2016)
Mr. Weng Yu	(appointed on 18 June 2016)
Mr. Wang Yongqing	(appointed on 18 June 2016)
Mr. Zhang Fan	(appointed on 16 December 2016)

Report of the Directors

Non-executive Directors

Mr. Ying Wei	(appointed on 18 June 2016)
Mr. Zhang Song	(appointed on 18 June 2016)
Ms. Wei Changying	(appointed on 18 June 2016)
Mr. Pei Kewei	(appointed on 18 June 2016 and resigned on 21 February 2017)
Mr. Xing Yong	(appointed on 18 June 2016)
Mr. Wang Zili	(appointed on 18 June 2016)
Ms. Wang Fang	(appointed on 18 June 2016 and resigned on 16 December 2016)
Mr. Yang Cheng	(appointed on 18 June 2016 and resigned on 21 February 2017)
Mr. Wang Xiaolin	(appointed on 18 June 2016)
Mr. Huang Bin	(appointed on 18 June 2016 and resigned on 21 February 2017)
Mr. Wang Yuexiang	(appointed on 18 June 2016)
Ms. He Lijuan	(appointed on 18 June 2016 and resigned on 16 December 2016)
Mr. Li Xuguang	(appointed on 16 December 2016)

Independent non-executive Directors

Mr. Xiao Zuhe	(appointed on 18 June 2016)
Mr. Wang Qingyou	(appointed on 18 June 2016)
Mr. Zou Lian	(appointed on 18 June 2016)
Ms. Yang Huimin	(appointed on 18 June 2016)
Mr. Liang Qi	(appointed on 18 June 2016)
Mr. Xin Hua	(appointed on 18 June 2016)
Mr. Jiang Xuejun	(appointed on 21 February 2017)
Dr. Yan Shi Yun	(removed on 18 June 2016)
Mr. Mu Xiang Ming	(removed on 18 June 2016)
Mr. Jiang Bo	(removed on 18 June 2016)
Mr. Zhao Hua	(removed on 18 June 2016)

The biographical details of the Directors and senior management of the Group are set out on pages 34 and 39 of this annual report.

In accordance with the Company's Bye-laws 86(2) and 87, Mr. Chung Ho, Mr. Wang Jingming, Mr. Weng Yu, Mr. Wang Yongqing, Mr. Zhang Fan, Mr. Li Xuguang, Mr. Xing Yong, Mr. Wang Zili, Mr. Xin Hua and Mr. Jiang Xuejun will retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors

Each of Mr. Chung Ho, Mr. Wang Jingming and Mr. Zhang Fan has entered into a service contract with the Company with effect from 1 January 2017 for a term of three years unless terminated by three months' notice in writing served by each of Mr. Chung, Mr. Wang and Mr. Zhang or the Company. Each of Mr. Weng Yu and Mr. Wang Yongqing has entered into a service contract with the Company with effect from 18 June 2016 for a term of two years unless terminated by three months' notice in writing served by each of Mr. Weng and Mr. Wang or the Company.

All non-executive Directors and independent non-executive Directors are not appointed for a specific term.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than normal statutory obligations.

The remuneration of the Directors and the details of the 5 highest-paid employees of the Company and the Group are set out in note 13 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Except for those disclosed in notes 25 and 26 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director or his associate has engaged in any business which competes or is likely to compete directly or indirectly with that of the Group during the year.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

MANAGEMENT CONTRACTS

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

Report of the Directors

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's memorandum of association, every Director, secretary or other officer 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 shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES AND SHARE OPTIONS

As at 31 March 2016, the interests and short positions of the Directors/Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions in which the Directors were deemed or taken 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 for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

Name of Director/chief executive	Company/ associated corporation	Capacity	Interests in shares (other than pursuant to equity derivatives)	Interests in underlying shares pursuant to equity derivatives	Total interests in shares/ underlying shares	Percentage of shares and underlying shares to issued shares at 31 March 2016
Dr. Li Zhong Yuan	The Company	Corporate	18,779,000 *(Note 1)*	–	18,779,000	0.89%
		Personal	–	2,619,000	2,619,000	0.12%
Mr. Zhou Bao Yi	The Company	Personal	1,002,000	–	1,002,000	0.05%
Mr. Mu Xiang Ming	The Company	Personal	261,000	–	261,000	0.01%
Mr. Jiang Bo	The Company	Personal	261,000	–	261,000	0.01%

Report of the Directors

Notes:

1. These shares are held through Timenew Limited which is wholly owned by Dr. Li Zhong Yuan.

2. The underlying shares of equity derivatives represent the shares issuable upon the exercise of share options granted to the Directors/chief executives by the Company.

Save as disclosed above, none of Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or pursuant to section 352 of the SFO, to be recorded in the register referred therein; or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and neither the Directors nor chief executive, nor any of their spouse or children under the age 18, had any right to subscribe for securities of the Company, or exercised any such right.

Report of the Directors

PERSON WHO HAVE AN INTEREST IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 31 March 2016, so far as was known to the Directors and the chief executive of the Company, the following persons (not being Directors or chief executive of the Company of which interests were disclosed above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholders	Capacity	Interests in shares	Interests in underlying shares pursuant to equity derivatives	Total interests in shares and underlying shares	Approximate percentage of shares and underlying shares held to issued shares as at 31 March 2016
Speedy Brilliant Investments Limited *(note 1)*	Beneficial owner	276,510,000(L)	–	276,510,000 (L)	13.04%
Mr. Zhou Disun *(note 1)*	Through controlled corporation	276,510,000(L)	–	276,510,000 (L)	13.04%
Zheng Hua Investment Limited *(note 2)*	Beneficial owner	–	1,300,000,000 (L)	1,300,000,000 (L)	61.32%
Mr. Ying Wei *(note 3)*	Beneficial owner	253,469,000(L)	–	253,469,000(L)	11.96%

Remarks: (L): Long position

Notes:

(1) Speedy Brilliant Investments Limited is wholly owned by Mr. Zhou Disun.

(2) Zheng Hua Investment Limited is wholly owned by Shanghai Ying Mao Investment Management Patnership (Limited Partnership) which is owned as to 99.96% by Ping An Trust Co., Ltd.. Ping An Insurance (Group) Company of China Ltd holds 99.88% of Ping An Trust Co., Ltd..

The long position represents the convertible notes which can be converted into 1,300,000,000 shares of the Company at conversion price of HK$0.15 each.

(3) Mr. Ying Wei was appointed as non-executive director of the Company on 18 June 2016.

Report of the Directors

SHARE OPTION SCHEME

There was no change in any terms of the share option scheme of the Company during the year ended 31 March 2016. Details of the Company's share option scheme are set out in note 33 to the consolidated financial statements.

The following table discloses details of options outstanding and movements under the Company's share option scheme during the year:

	Option type	At 1 April 2015	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	At 31 March 2016
Director							
Li Zhong Yuan	E	2,619,000	–	–	–	–	**2,619,000**
Employees and others	E	3,351,000	–	–	–	–	**3,351,000**
Total		5,970,000	–	–	–	–	**5,970,000**

Option type	Date of grant	Exercisable Period	Exercise price *HK$*	Closing price immediately before the date of grant *HK$*
E	13 Apr 2010	13/4/2010-12/4/2020	0.500	0.490

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 145 and 146 of this annual report.

Report of the Directors

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 of the Company.

MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier and the five largest suppliers of the Group accounted for approximately 73% and 100%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 60% and 100%, respectively, of the Group's total sales for the year.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2016.

AUDITORS

Except for the change of the Company's auditor from SHINEWING (HK) CPA Limited to Zenith CPA Limited during the year ended 31 March 2011 and from Zenith CPA Limited to Elite Partners CPA Limited during the year ended 31 March 2013, there was no other change in auditors of the Company in any of the proceeding three years. Elite Partners CPA Limited will retire and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chung Ho
Executive Director

3 April 2017

Corporate Governance Report

In the opinion of the board of directors of the Company (the "Board"), the Company has complied with the Code of Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2016 except for certain deviations disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. Having made specific enquiry, Mr. Chung Ho and Mr. Wang Jingming have confirmed that they have fully complied with the required standard set out in the Model Code during the year. The Company did not receive the said confirmations from former directors, namely Mr. Jia Hong Sheng, Dr. Li Zhong Yuan, Mr. Zhou Bao Yi, Mr. Zhao Kai, Dr. Yan Shi Yun, Mr. Mu Xiang Ming, Mr. Jiang Bo and Mr. Zhao Hua.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the executive directors and senior management who perform their duties under the leadership of the Board.

The Board currently consists of five executive directors, eight non-executive directors and seven independent non-executive directors. One of our independent non-executive directors has relevant financial management expertise required by the Listing Rules. The directors have no financial, business, family or other material/ relevant relationship among themselves.

The Company has received annual confirmations of independence from independent non-executive directors and the Company considers that all of independent non-executive directors are independent.

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on pages 34 and 39 of this annual report.

Corporate Governance Report

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The attendance of each director at the Board meetings, certain committee meetings and general meetings during the year is as follows:

	Attended/Eligible to attend				
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Executive Directors					
Mr. Jia Hong Sheng *(Chairman)* (removed on 18 June 2016)	22/22	N/A	N/A	N/A	1/3
Dr. Li Zhong Yuan (removed on 18 June 2016)	22/22	N/A	N/A	N/A	0/3
Mr. Zhou Bao Yi (removed on 18 June 2016)	22/22	2/2	N/A	N/A	1/3
Mr. Zhao Kai (appointed on 6 January 2016 and removed on 18 June 2016)	5/5	N/A	N/A	N/A	0/3
Mr. Chung Ho (appointed on 28 December 2012 and retained service on 18 June 2016)	17/22	N/A	N/A	N/A	3/3
Mr. Wang Jingming (appointed on 15 May 2014 and retained service on 18 June 2016)	20/22	N/A	N/A	N/A	0/3
Mr. Weng Yu (appointed on 18 June 2016)	0/0	N/A	N/A	N/A	0/0
Mr. Wang Yongqing (appointed on 18 June 2016)	0/0	N/A	N/A	N/A	0/0
Mr. Zhang Fan (appointed on 16 December 2016)	0/0	N/A	N/A	N/A	0/0
Non-executive Directors					
Mr. Ying Wei (appointed on 18 June 2016)	0/0	N/A	N/A	N/A	0/0
Mr. Zhang Song (appointed on 18 June 2016)	0/0	N/A	N/A	N/A	0/0
Ms. Wei Changying (appointed on 18 June 2016)	0/0	N/A	N/A	N/A	0/0
Mr. Pei Kewei (appointed on 18 June 2016 and resigned on 21 February 2017)	0/0	N/A	N/A	N/A	0/0
Mr. Xing Yong (appointed on 18 June 2016)	0/0	N/A	N/A	N/A	0/0
Mr. Wang Zili (appointed on 18 June 2016)	0/0	N/A	N/A	N/A	0/0
Ms. Wang Fang (appointed on 18 June 2016 and resigned on December 2016)	0/0	N/A	N/A	N/A	0/0
Mr. Yang Cheng (appointed on 18 June 2016 and resigned on 21 February 2017)	0/0	N/A	N/A	N/A	0/0
Mr. Wang Xiaolin (appointed on 18 June 2016)	0/0	N/A	N/A	N/A	0/0
Mr. Huang Bin (appointed on 18 June 2016 and resigned on 21 February 2017)	0/0	N/A	N/A	N/A	0/0
Mr. Wang Yuexiang (appointed on 18 June 2016)	0/0	N/A	N/A	N/A	0/0
Ms. He Lijuan (appointed on 18 June 2016 and resigned on December 2016)	0/0	N/A	N/A	N/A	0/0
Mr. Li Xuguang (appointed on 16 December 2016)	0/0	N/A	N/A	N/A	0/0
Independent non-executive Directors					
Dr. Yan Shi Yun (removed on 18 June 2016)	13/22	1/2	1/1	1/1	0/3
Mr. Mu Xiang Ming (removed on 18 June 2016)	19/22	2/2	1/1	1/1	0/3
Mr. Jiang Bo (removed on 18 June 2016)	18/22	2/2	1/1	1/1	0/3
Mr. Zhao Hua (removed on 18 June 2016)	7/22	N/A	N/A	N/A	0/3

Corporate Governance Report

	Attended/Eligible to attend				
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Mr. Xiao Zuhe (appointed on 18 June 2016)	0/0	0/0	0/0	0/0	0/0
Mr. Wang Qingyou (appointed on 18 June 2016)	0/0	0/0	0/0	0/0	0/0
Mr. Zou Lian (appointed on 18 June 2016)	0/0	0/0	0/0	0/0	0/0
Ms. Yang Huimin (appointed on 18 June 2016)	0/0	0/0	0/0	0/0	0/0
Mr. Liang Qi (appointed on 18 June 2016)	0/0	0/0	0/0	0/0	0/0
Mr. Xin Hua (appointed on 18 June 2016)	0/0	0/0	0/0	0/0	0/0
Mr. Jiang Xuejun (appointed on 21 February 2017)	0/0	0/0	0/0	0/0	0/0

CHAIRMAN AND EXECUTIVE DIRECTORS

Under A2.1 of the Code, the roles of Chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Jia Hong Sheng, who was removed on 18 June 2016, is the Chairman of the Company during the year. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively. Other executive directors, are responsible for the Group's overall business development, implementation and management during the year.

Currently, there is no chairman of the Company. All executive directors are responsible for the Group's overall business development, implementation and management.

NON-EXECUTIVE DIRECTORS

Under A.4.1 of the Code, the non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the non-executive Directors and independent non-executive Directors is appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws. The Board Considers that sufficient measures were taken to ensure the corporate governance practices are not less than those in the Code.

REMUNERATION COMMITTEE

The Company established its remuneration committee on 31 March 2007 with specific written terms of reference. The remuneration committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive directors and senior management of the Company. Details of remuneration of the directors for the year are disclosed in note 13 to the consolidated financial statements. The remuneration committee comprises three independent non-executive directors, namely Mr. Mu Xiang Ming as the chairman, Dr. Yan Shi Yun and Mr. Jiang Bo (all of them were removed on 18 June 2016). One meeting was held during the year and all committee members attended that meeting.

Corporate Governance Report

Currently, the remuneration committee comprises seven independent non-executive directors, namely Mr. Zou Lian as the chairman, Mr. Wang Qingyou, Mr. Xiao Zuhe, Ms. Yang Huimin, Mr. Liang Qi, Mr. Xin Hua and Mr. Jiang Xuejun.

NOMINATION COMMITTEE

The Company established its nomination committee on 30 March 2012 with specific written terms of reference. The nomination committee is responsible for reviewing the structure, size and composition of the Board, making recommendations to the Board on appointment of the directors and assessing the independence of independent non-executive directors. According to the board diversity policy adopted by the nomination committee, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. The nomination committee comprises Mr. Mu Xiang Ming as the chairman and Mr. Jiang Bo and Dr. Yan Shi Yun (all of them were removed on 18 June 2016) as members. One meeting was held during the year and all committee members attended that meeting.

Currently, the nomination committee comprises seven independent non-executive directors, namely Mr. Wang Qingyou as the chairman, Mr. Zou Lian, Mr. Xiao Zuhe, Ms. Yang Huimin, Mr. Liang Qi, Mr. Xin Hua and Mr. Jiang Xuejun.

AUDITOR'S REMUNERATION

The Company's external auditors are Messrs. Elite Partners CPA Limited. For the year ended 31 March 2016, the external auditor's remuneration for audit services was HK$1,100,000.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 57 to 64 of this annual report.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 March 2016 is set out below:

Remuneration bands	**Number of persons**
Up to HK$1,000,000	1
HK$1,000,001 and above	–

Corporate Governance Report

AUDIT COMMITTEE

The Group's audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Group's audited results for the year ended 31 March 2016.

During the year, the audit committee has performed the following duties:

– reviewed with the management and the external auditors the audited consolidated financial statements for the year ended 31 March 2015 and the unaudited interim financial statements for the six months ended 30 September 2015, with recommendations to the Board for approval;

– reviewed reports on internal control system covering financial, operational, procedural compliance and risk management functions; and

– reviewed the compliance issues with the regulatory and statutory requirements; and

– reviewed the appointment, reappointment and removal and performance of the external auditor.

The audit committee has also reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 March 2016.

The audit committee comprises one executive director, Mr. Zhou Bao Yi, and three independent nonexecutive directors namely Dr. Yan Shi Yun, Mr. Mu Xiang Ming and Mr. Jiang Bo. The chairman of the audit committee, Mr. Jiang Bo, possesses relevant financial management expertise and meets the requirements of rule 3.21 of the Listing Rules. All of them were removed on 18 June 2016.

Currently, the audit committee comprises seven independent non-executive directors, namely Mr. Xiao Zuhe as the chairman, Mr. Wang Qingyou, Mr. Zou Lian, Ms. Yang Huimin, Mr. Liang Qi, Mr. Xin Hua and Mr. Jiang Xuejun. The chairman of the audit committee, Mr. Xiao Zuhe, possesses relevant financial management expertise and meets the requirements of rule 3.21 of the Listing Rules.

Corporate Governance Report

ACCOUNTABILITY

The directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the six months ended 30 September 2015 and for the year ended 31 March 2016, the directors have adopted suitable accounting policies and applied them consistently. The directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The financial statements for the reporting year have been prepared on a going concern basis, details of which are set out in note 2 to the consolidated financial statements.

The Board has not taken any different view from that of the audit committee regarding the selection, appointment, resignation or dismissal of external auditors.

INTERNAL CONTROL

The Board has, through the audit committee, conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

Based on its assessment which covers all material controls including financial, operational and compliance controls and risk management functions, the Board believes that for the year ended 31 March 2016, the Company's internal control is effective. In addition, the Board has engaged a professional firm to review the internal control system of the Group for the year ended 31 March 2016. The Board is satisfied that there are adequate resources of staff with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

COMPANY SECRETARY

During the year ended 31 March 2016, Mr. Tsui Siu Hung Raymond, the Company Secretary, has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Tsui are set out in the section headed "Biographical details of Directors and Senior Management" in this annual report.

Corporate Governance Report

DIRECTORS' TRAINING

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

The Company did not receive the training records from the former directors namely Mr. Jia Hong Sheng, Dr. Li Zhong Yuan, Mr. Zhou Bao Yi, Mr. Zhao Kai, Mr. Mu Xiangming, Mr. Jiang Bo, Dr. Yan Shi Yun and Mr. Zhao Hua. Nevertheless, the Company will be responsible for arranging and funding suitable training for Directors in future.

INSURANCE COVER

Under paragraph A.1.8 of the Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors. The Company was unable to find any insurance company to provide insurance cover during the year and up to date of this report and will continue to seek insurance companies to comply with the Code.

SHAREHOLDERS' RIGHTS

The Directors believes that effective communication with the shareholders in a timely basis is essential. Shareholders can, by written requisition to the Board or the Secretary of the Company, to convene an extraordinary general meeting, subject to the provision of the Company's Bye-laws 58.

Shareholders are provided with contact details of the Company, such as telephone number, fax number, email address and postal address in the Company's website (http://www.ch-groups.com), in order to enable them to make any query that they may have with respect to the Company. They can also put forward their proposals at shareholders' meetings through these means subject to the provision as set out in the Company's Bye-Laws.

INVESTOR RELATIONS

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public, the Company maintains a website (http://www.ch-groups.com) on which comprehensive information about the Company's major businesses, press releases, notices, financial information, announcements, annual and interim reports and shareholders circulars are being made available.

There was no change in the Company's constitutional documents during the year ended 31 March 2016.

Independent Auditor's Report

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

TO THE MEMBERS OF
CHINA HEALTH GROUP LIMITED
(Carrying on business in Hong Kong as CHG HS Limited)
(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of China Healthcare Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 65 to 144, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matter describe in the Basic of Disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independent Auditor's Report (Continued)

BASIS FOR DISCLAIMER OF OPINION

1. De-consolidation of certain subsidiaries during the year ended 31 March 2016

As disclosed in note 2 to the consolidated financial statements, the directors of the Company (the "Directors") were unable to obtain complete set of books and records together with the supporting documents of the Group's certain subsidiaries, namely a) 上海衛昌投資管理諮詢有限公司 (Shanghai Weichang Investment Management & Consultancy Co., Limited), 上海醫瑞祺信息諮詢有限公司 (Shanghai Imperial Care Health Advocate Limited) and 上海新恒階投資管理諮詢有限公司 (Shanghai New Everstep Investment Management & Consultancy Limited) (the "Healthcare Service Segment"); and b) 德豐網絡有限公司 (Harvest Network Limited), 華世投資有限公司 (World Success Investments Limited), China Clinical Trials Centre Limited, 上海德意爾投資管理諮詢有限公司 (Shanghai De Yi Er Investment Management Consulting Co., Ltd.) and 山東德豐移通科技有限公司 (Shandong Harvest Mobile Communication Technology Company Limited) (the "Harvest Network Group") (together referred to as the "De-consolidated Subsidiaries"), due to the non-cooperation of the management and accounting personnel of the De-consolidated Subsidiaries.

Due to the non-cooperation of the directors and management of the De-consolidated Subsidiaries, the Directors were unable to access to the books and records of the De-consolidated Subsidiaries. Accordingly, the Directors resolved that the Group no longer had the power to govern the financial and operating policies of the De-consolidated Subsidiaries, and the control over the De-consolidated Subsidiaries was lost. In this connection, the financial results, assets and liabilities of the De-consolidated Subsidiaries have been de-consolidated from the consolidated financial statements of the Group with effect from 1 October 2015.

The de-consolidation of the De-consolidated Subsidiaries had resulted in a net loss of approximately HK$15,969,000. As disclosed in note 2 to the consolidated financial statements, the Company included the transactions of the De-consolidated Subsidiaries for the period from 1 April 2015 to 30 September 2015 in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2016.

We have not been provided with sufficient information and explanations on the de-consolidation of the De-consolidated Subsidiaries and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether it was appropriate to deconsolidate the assets and liabilities of the De-consolidated Subsidiaries and cease recording its results of operations from the consolidated financial statements during the year ended 31 March 2016.

Independent Auditor's Report (Continued)

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

1. De-consolidation of certain subsidiaries during the year ended 31 March 2016 *(Continued)*

Due to the lack of books and records of the De-consolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence and explanation to the transactions and balances included in the financial statements of the Group before and after the de-consolidation of the De-consolidated Subsidiaries, the financial performance and cash flow for the period of the De-consolidated Subsidiaries, the loss on de-consolidation of subsidiaries and the resulting movement recorded in the reserves. We were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence or occurrence, valuation, ownership, classification and disclosures of the transactions undertaken by the De-consolidated Subsidiaries. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions and balances were free from material misstatement. Consequently, we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence or occurrence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and event after the reporting period relating to the De-consolidated Subsidiaries.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net assets as at 31 March 2016 and the financial performance and cash flows of the Group for the year ended 31 March 2016 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the De-consolidated Subsidiaries.

Independent Auditor's Report (Continued)

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

2. Transactions of the Group during the year ended 31 March 2016

Following the substantial change in the composition of the Board effective from 18 June 2016, the Directors were unable to locate the supporting documents for certain transactions entered into during the year ended 31 March 2016, details of which were set out below:

Balances included in the consolidated financial statements of financial position

	HK$'000
Cash and bank balances	3,341

Transactions included in the consolidated statement of profit or loss

	HK$'000
Other income	12,728
Administrative expenses	34,417
Impairment loss on other receivables	15,149

Due to the lack of supporting documents of the above transactions, we were unable to obtain sufficient appropriate audit evidence and explanation to the above transactions included in the consolidated financial statements of the Group and the resulting movement in the reserves. We were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence or occurrence, valuation, ownership, classification and disclosures of the transactions undertaken by the Group. Also, as there was inadequate documentary evidence available for us to verify the nature of the above transactions, we were unable to carry out any substantive procedures in relation to the above transactions. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions and balances were free from material misstatement. Consequently, we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence or occurrence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and subsequent events relating to the Group. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net assets as at 31 March 2016 and the financial performance and cash flows of the Group for the year ended 31 March 2016 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions.

Independent Auditor's Report (Continued)

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

3. Deposit for the possible acquisition

Included in the Group's prepayment, deposits and other receivables as at 31 March 2016 was an earnest money paid for the possible acquisition with a total amount of approximately HK$10,000,000 (the "Earnest Money").

As disclosed in the announcement of the Company dated 22 January 2016, the Company entered a framework agreement (the "Framework Agreement") for the possible acquisition on 30 April 2015. Pursuant to the Framework Agreement, the Company has paid the Earnest Money to the procurers under the Framework Agreement, which was intended to be applied to set off part of the cash consideration of the possible acquisition if the formal agreement was concluded. According to the terms of the Framework Agreement, in the event that the formal agreement is not concluded due to reasons caused by the procurers or the vendors, the Earnest Money shall be refunded to the Company and the procurers shall pay an additional compensation of HK$10,000,000 to the Company. In case the formal agreement is not concluded due to reasons caused by the purchaser or the Company, the Earnest Money shall be forfeited. If the formal agreement is not concluded due to reasons caused by other third parties, the Earnest Money shall be refunded to the Company. On 31 December 2015, the Framework Agreement lapsed. The Company has been in negotiation with the vendors and the procurers for a mutually acceptable settlement for the Earnest Money. Up to 31 March 2016, no conclusion on the settlement of the Earnest Money has been reached by the parties to the Framework Agreement yet.

We were unable to obtain sufficient appropriate audit evidence regarding the Earnest Money because: (i) we were unable to carry out effective confirmation procedures in relation to the Earnest Money for the purpose of our audit; (ii) there was inadequate documentary evidence available for us to satisfy ourselves as to the recoverability of the Earnest Money was appropriate; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Earnest Money were free from material misstatement. Any adjustments found to be necessary would have an effect on the Group's net position as at 31 March 2016 and consequently, the net loss and cash flows of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Independent Auditor's Report (Continued)

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

4. Dividend payable on redeemable convertible cumulative preference shares

Included in other payables and accrued expenses was a dividend payable on redeemable convertible cumulative preference shares (the "Dividend Payable") of approximately HK$30,894,000. As disclosed in note 14 to the Company's interim report dated 30 November 2015, the Company issued a promissory note in the principal amount of US$4,000,000 (equivalent to approximately HK$30,894,000) to settle the balance of the Dividend Payable (the "Promissory Note"). However, following the substantial change in the composition of the Board effective from 18 June 2016, the Directors were unable to locate and verify the supporting documents for the issuance of the Promissory Note. Accordingly, the Company reclassified the Promissory Note as the Dividend Payable (the "Re-classification").

Due to the lack of relevant documentation of the issuance of the Promissory Note, we were unable to validate the existence and validity of the Promissory Note and justify whether the Re-classification are properly accounted for.

No alternative audit procedures in relation to the Dividend Payable could be performed to satisfy ourselves as to whether the accuracy, classification and disclosures of Dividend Payable as at 31 March 2016 were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's net financial position as at 31 March 2016 and the financial performance and cash flows of the Group for the year ended 31 March 2016, and the related disclosures thereof in the consolidated financial statements.

5. Contingent liabilities and commitment

Due to the lack of books and records of the De-consolidated Subsidiaries and the incomplete records of Group, we were unable to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and HKAS 39 "Financial Instruments: Recognition and Measurement". There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments were free from material misstatements. Any adjustments that might have been found necessary may have a consequential effect on the Group's net assets as at 31 March 2016 and consequently the financial performance and cash flows of the Group for the year ended 31 March 2016, and the related disclosures thereof in the consolidated financial statements.

Independent Auditor's Report (Continued)

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

6. Events after the reporting period

Due to the lack of books and records of the De-consolidated Subsidiaries and the incomplete records of the Group, we have not been able to obtain sufficient appropriate audit evidence as to whether the events after the reporting period were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards including Hong Kong Accounting Standard 10 "Events after the Reporting Period". There were no practical alternative procedures that we could perform over the significant transactions which occurred during the period from 1 April 2016 to the date of this auditors' report. Any adjustments that might have been found necessary may have a consequential effect on the Group's net assets as at 31 March 2016 and consequently the financial performance and cash flows of the Group for the year ended 31 March 2016, and the related disclosures thereof in the consolidated financial statements.

7. Related parties transactions

Due to the lack of books and records of the De-consolidated Subsidiaries and the incomplete records of the Group, we have not been able to obtain sufficient appropriate audit evidence as to whether the related party disclosures were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standard 24 "Related Party Disclosures". There were no practical alternative procedures that we could perform over the related party transactions which occurred during the year ended 31 March 2016. Any adjustments that might have been found necessary may have a consequential effect on the Group's net assets as at 31 March 2016 and consequently the financial performance and cash flows of the Group for the year ended 31 March 2016, and the related disclosures thereof in the consolidated financial statements.

Independent Auditor's Report (Continued)

DISCLAIMER OF OPINION

Because of the significance of the matters described in the paragraphs of the Basis for Disclaimer of Opinion above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the financial position of the Group as at 31 March 2016 and the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

Report on matters under section 407(2) and 407(3) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding item (1) to (7) above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether proper books of account had been kept.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 3 April 2017

Yip Kai Yin
Practising Certificate Number P05131

10/F.,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

Consolidated Statement of Profit or Loss

Year ended 31 March 2016

	Notes	For the year ended 31 March 2016 HK$'000	2015 HK$'000
Revenue	9	23,716	37,823
Cost of services		(18,225)	(30,297)
Gross profit		5,491	7,526
Other income	9	14,800	455
Selling and distribution expenses		(5,012)	(872)
Administrative expenses		(55,185)	(30,879)
Finance costs	10	(7,283)	(44,461)
Impairment loss on other receivable		(15,149)	–
Net loss recognised on de-consolidation of subsidiaries	36	(15,969)	–
LOSS BEFORE TAX	11	(78,307)	(68,231)
Income tax	12	(128)	(432)
LOSS FOR THE YEAR		(78,435)	(68,663)
Attributable to:			
Owners of the Company		(73,214)	(55,926)
Non-Controlling interests		(5,221)	(12,737)
		(78,435)	(68,663)
LOSS PER SHARE	14		
Basic		(HK$2.69 cents)	(HK$5.8 cents)
Diluted		(HK$2.69 cents)	(HK$5.8 cents)

The notes on pages 73 to 144 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2016

	For the year ended 31 March	
	2016	2015
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(78,435)**	(68,663)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**5,185**	158
Reclassification adjustment relation to foreign operation de-consolidation during the year	**(21,965)**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(95,215)**	(68,505)
Attributable to:		
Owners of the Company	**(89,994)**	(55,865)
Non-controlling interests	**(5,221)**	(12,640)
	(95,215)	(68,505)

The notes on pages 73 to 144 form part of these financial statements.

Consolidated Statement of Financial Position

31 March 2016

	Notes	As at 31 March 2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**238**	62
Goodwill	16	**–**	742
Other receivables	19	**17,985**	–
Total non-current assets		**18,223**	804
CURRENT ASSETS			
Trade receivables	18	**562**	76,199
Prepayments, deposits and other receivables	19	**11,169**	94,399
Available-for-sale financial assets	20	**–**	1,896
Restricted bank balances	21	**–**	4,730
Cash and bank balances	22	**205,027**	96,599
Total current assets		**216,758**	273,823
CURRENT LIABILITIES			
Trade payables	23	**–**	10,312
Other payables and accrued expenses	24	**49,889**	32,072
Amounts due to directors	25	**–**	2,500
Amounts due to de-consolidated subsidiaries	25	**4,716**	–
Interest-bearing loans from a director and a shareholder	26	**–**	552
Liability component of convertible bonds	27	**–**	51,284
Liability component of redeemable convertible cumulative preference shares	28	**–**	43,857
Tax payables		**–**	3,309
Preference shares dividend payable of a subsidiary	29	**–**	86,149
Promissory note	30	**–**	8,000
Total current liabilities		**54,605**	238,035
NET CURRENT ASSETS		**162,153**	35,788
TOTAL ASSETS LESS CURRENT LIABILITIES		**180,376**	36,592
NET ASSETS		**180,376**	36,592

Consolidated Statement of Financial Position (Continued)

31 March 2016

		As at 31 March	
		2016	2015
	Note	***HK$'000***	*HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*31*	**211,995**	68,329
Reserves		**(31,619)**	(60,176)
		180,376	8,153
Non-controlling interests		**–**	28,439
TOTAL EQUITY		**180,376**	36,592

Approved and authorised for issue by the board of directors on 3 April 2017.

Chung Ho
Director

Wang Jingming
Director

The notes on pages 73 to 144 form part of these financial statements.

Consolidated Statement of Changes In Equity

Year ended 31 March 2016

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000 (note a)	Contributed surplus HK$'000 (note b)	Statutory reserves HK$'000 (note c)	Convertible bonds reserve HK$'000 (note d)	Foreign currency translation reserve HK$'000 (note e)	Share options reserve HK$'000 (note f)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2014	63,329	326,331	57,124	1,047	3,592	15,574	1,656	(610,264)	(141,611)	41,079	(100,532)
Loss for the year	–	–	–	–	–	–	–	(55,926)	(55,926)	(12,737)	(68,663)
Other comprehensive income for the year	–	–	–	–	–	61	–	–	61	97	158
Total comprehensive income/(loss) for the year	–	–	–	–	–	61	–	(55,926)	(55,865)	(12,640)	(68,505)
Subscription of shares	5,000	5,629	–	–	–	–	–	–	10,629	–	10,629
Issue of convertible bonds	–	–	–	–	195,000	–	–	–	195,000	–	195,000
At 31 March 2015 and at 1 April 2015	**68,329**	**331,960***	**57,124***	**1,047***	**198,592***	**15,635***	**1,656***	**(666,190)***	**8,153**	**28,439**	**36,592**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(73,214)**	**(73,214)**	**(5,221)**	**(78,435)**
Other comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**(16,780)**	**–**	**–**	**(16,780)**	**–**	**(16,780)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**(16,780)**	**–**	**(73,214)**	**(89,994)**	**(5,221)**	**(95,215)**
Issue of shares upon conversion of the convertible bonds	**130,000**	**65,000**	**–**	**–**	**(195,000)**	**–**	**–**	**–**	**–**	**–**	**–**
Subscription of shares	**13,666**	**24,598**	**–**	**–**	**–**	**–**	**–**	**–**	**38,264**	**–**	**38,264**
De-consolidation of subsidiaries	**–**	**–**	**–**	**(1,047)**	**–**	**–**	**–**	**–**	**(1,047)**	**(23,218)**	**(24,265)**
Repayment of convertible bonds	**–**	**–**	**–**	**–**	**(3,592)**	**–**	**–**	**3,592**	**–**	**–**	**–**
Issue of convertible bonds	**–**	**–**	**–**	**–**	**225,000**	**–**	**–**	**–**	**225,000**	**–**	**225,000**
At 31 March 2016	**211,995**	**421,558***	**57,124***	**–**	**225,000***	**(1,145)***	**1,656***	**(735,812)***	**180,376**	**–**	**180,376**

* *These reserve amounts comprise the consolidated deficiency in reserves of approximately HK$31,619,000 (2015: HK$60,176,000) in the consolidated statement of financial position.*

Consolidated Statement of Changes In Equity (Continued)

Year ended 31 March 2016

Notes:

(a) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(b) Contributed surplus

The contributed surplus arose in the previous years represented the net effect of the capital reduction, the share premium cancellation and the elimination of accumulated losses of the Company. 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:

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

– 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.

In the opinion of the directors of the Company, as at 31 March 2016, the Company did not have any reserve available for distribution to shareholders.

(c) Statutory reserves

Statutory reserves, which are non-distributable, are appropriated from the profit after tax of subsidiaries of the Company in the People's Republic of China (the "PRC") under the applicable laws and regulations in the PRC.

(d) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised/repurchased equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds set out in note 4 to the consolidated financial statements.

(e) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

(f) Share options reserve

Share options reserve represents the fair value of unexercised share options granted by the Company recognised in accordance with the accounting policy of share-based payments set out in note 4 to the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax:	**(78,307)**	(68,231)
Adjustments for:		
Finance costs	**7,283**	44,461
Interest income	**(1,082)**	(109)
Gain on investments	**(379)**	–
Depreciation of property, plant and equipment	**111**	479
Impairment loss on other receivable	**15,149**	–
Loss on de-consolidation of subsidiaries	**15,969**	–
Fair value gain on derivative component of redeemable convertible cumulative preference shares	**–**	1,579
Reversal of other payables	**(12,728)**	–
Gain on disposal of items of property, plant and equipment	**–**	(186)
Operating cash flow before movement in working capital	**(53,984)**	(22,007)
Increase in trade receivables	**(11,254)**	(20,636)
(Increase)/Decrease in prepayments, deposits and other receivables	**(9,807)**	31,900
Decrease in trade payables	**(1,325)**	(3,615)
Decrease in other payables and accrued expenses	**(2,281)**	(481)
Cash used in from operations	**(78,651)**	(14,839)
Income tax paid	**(188)**	(4)
Net cash flows used in from operating activities	**(78,839)**	(14,843)

Consolidated Statement of Cash Flows (Continued)

Year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(296)**	(86)
Interest received	**1,082**	109
Disposal/(acquisition) of available-for-sale financial assets	**2,275**	(1,896)
Proceeds from disposal of property, plant and equipment	**–**	202
Cash outflow of de-consolidation of subsidiaries	**(13,627)**	–
Net cash used in investing activities	**(10,566)**	(1,671)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in amounts due to directors	**–**	1,994
Repayment of redeemable convertible cumulative preference shares	**–**	(116,249)
Repayment of preference shares dividend payable of a subsidiary	**(12,963)**	–
Repayment of promissory notes	**(8,000)**	–
Repayment of convertible bonds	**(43,151)**	–
Subscription of shares	**38,264**	10,629
Issue of convertible bonds	**225,000**	195,000
Net cash flows generated from financing activities	**199,150**	91,374
NET INCREASE IN CASH AND CASH EQUIVALENTS	**109,745**	74,860
Effect of foreign exchange rate changes, net	**(6,047)**	(209)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**101,329**	26,678
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**205,027**	101,329
Analysis of cash and cash equivalents:		
Cash and bank balances	**205,027**	4,730
Restricted bank balances	**–**	96,599
	205,027	101,329

Notes to the Consolidated Financial Statements

31 March 2016

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and principal place of business is located at Unit 801, 8/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding, the principal activities of its subsidiaries are engaged in the provision of B-to-C consumer service (subsidiaries under this activity had been de-consolidated in the current year) and healthcare service.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the functional currency of the Company, Renminbi ("RMB"). As the Company is listed in Hong Kong, the Directors consider that it is appropriate to present the consolidated financial statements in HK$. The majority of the Company's subsidiaries are operating in the People's Republic of China (the "PRC") with RMB as their functional currency.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

2. BASIS OF PRESENTATION *(Continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired, disposed or de-consolidation of during the year are included in the consolidated income statement 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

2. BASIS OF PRESENTATION *(Continued)*

De-consolidation of certain subsidiaries of the Group

Following the substantial change in the composition of the Board effective from 18 June 2016, despite repeated verbal and written requests (including legal letters), the Board has been unable to contact the legal representatives, directors and managements of the Group's subsidiaries, namely, a) 上海衛昌投資管理諮詢有限公司 (Shanghai Weichang Investment Management & Consulting Co., Limited), 上海醫瑞葆健康信息咨詢有限公司 (Shanghai Imperial Care Health Advocate Limited), and 上海新恒階投資管理諮詢有限公司 (Shanghai New Everstep Investment Management & Consultancy Limited)(together, the "Healthcare Service Segment"); and b) 德豐網絡有限公司 (Harvest Network Limited), World Success Investments Limited (華世投資有限公司), China Clinical Trials Centre Limited, 上海德意爾投資管理諮詢有限公司 (Shanghai De Yi Er Investment Management Consulting Co., Ltd.) and 山東德豐移通科技有限公司 (Shandong Harvest Mobile Communication Technology Company Limited) (together, the "Harvest Network Group") (together with the Healthcare Service Segment is referred to as the "De-consolidated Subsidiaries"). During the preparation of consolidated financial statements for the year ended 31 March 2016, the Directors had been unable to access and obtain the complete set of books and records together with the supporting documents of the De-consolidated Subsidiaries for the period from 1 April 2015 to 31 March 2016 due to the non-cooperation of the management and accounting personnel of the De-consolidated Subsidiaries.

The Group had consolidated the assets and liabilities of the De-consolidated Subsidiaries up to 30 September 2015 and their financial performance for the period from 1 April 2015 to 30 September 2015 based on unaudited management information received. However, in the absence of complete set of books and records and the non-cooperation of the management and accounting personnel of the De-consolidated Subsidiaries, the Directors considered that the Group had lost control over the De-consolidated Subsidiaries and had de-consolidated their financial performance, assets and liabilities from the consolidated financial statements of the Group on 1 October 2015 accordingly.

The de-consolidation of the De-consolidated Subsidiaries had resulted in a net loss on de-consolidation of subsidiaries of approximately HK$15,969,000 including impairment losses on amounts due from the De-consolidated Subsidiaries and investments in the De-consolidated Subsidiaries of approximately HK$26,843,000 for the year ended 31 March 2016. To the best of the knowledge and belief of the Board, the carrying values of the amounts due from the De-consolidated Subsidiaries and investments in the De-consolidated Subsidiaries were not recoverable and, accordingly, an impairment loss of HK$26,843,000 had been recognised in the profit or loss.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

2. BASIS OF PRESENTATION *(Continued)*

De-consolidation of certain subsidiaries of the Group *(Continued)*

The following is the financial information, before intra-group balances and transactions elimination, of the De-consolidated Subsidiaries.

Consolidated financial statements of financial position of the De-consolidated Subsidiaries as at the date of de-consolidation

	Healthcare Service Segment *HK$'000*	Harvest Network Group *HK$'000*	Total *HK$'000*
Property, plant and equipment	3	5	8
Trade receivables	16,304	70,587	86,891
Prepayment, deposit and other receivables	9,748	55,703	65,451
Restricted bank balances	–	11,757	11,757
Cash and bank balances	1,862	8	1,870
Amount due (to)/from group companies	(13,393)	1,429	(11,964)
Trade payables	(8,987)	–	(8,987)
Accruals and other payables	(3,349)	(8,739)	(12,088)
Amount due to directors	(2,420)	–	(2,420)
Tax payable	(3,035)	(214)	(3,249)
Dividend payables	–	(92,845)	(92,845)
Translation reserve	(5,896)	(16,184)	(22,080)
Non-controlling interests	(1,305)	(21,913)	(23,218)

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

2. BASIS OF PRESENTATION *(Continued)*

De-consolidation of certain subsidiaries of the Group *(Continued)*

Transactions of the De-consolidated Subsidiaries included in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2016

	Healthcare Service Segment *HK$'000*	Harvest Network Group *HK$'000*	Total *HK$'000*
Revenue	14,332	8,810	23,142
Cost of services	(13,364)	(4,861)	(18,225)
Gross profit	968	3,949	4,917
Other income	14	35	49
Selling and distribution expenses	–	(5,012)	(5,012)
Administrative expenses	(1,966)	(2,065)	(4,031)
Finance cost	–	(6,696)	(6,696)
Loss before tax	(984)	(9,789)	(10,773)
Income tax	(127)	(1)	(128)
Loss for the year	(1,111)	(9,790)	(10,901)

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

3. ADOPTION OF NEW AND REVISED STANDARDS AND AMENDMENTS TO THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

3.1 New and revised standards adopted by the Group

(i) New standards, revisions and amendments to existing standards effective for annual periods beginning 1 April 2015, relevant to the Group's operations and adopted by the Group:

HKAS 19 (Amendment)	Defined Benefit Plans
HKFRSs (Amendment)	Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The adoption of the above new standards, revisions and amendments to existing standards did not have any material impact on the preparation of the Group's financial statements.

(ii) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

3. ADOPTION OF NEW AND REVISED STANDARDS AND AMENDMENTS TO THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES") *(Continued)*

3.2 New or revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Annual improvement Project	Annual Improvements 2012-2014 Cycle[1]
HKAS 1 (Amendment)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its associate or Joint Venture[3]
HKFRS 10 and HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 (Amendment)	Accounting for Acquisition of interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Lease[4]

[1] Effective for financial years beginning on or after 1 January 2016
[2] Effective for financial years beginning on or after 1 January 2018
[3] Effective date to be determined
[4] Effective for financial years beginning on or after 1 January 2019

The Group has commenced an assessment of the impact of these new and amended standards, but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

The Group intends to adopt the above standards, amendments and interpretations when they become effective.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charge to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint venture of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfy, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of cash item of property, plant and equipment to residual values over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture, fixtures and equipment	20%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 instrument.

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

Financial assets

The Group's financial assets are classified into loans and receivables, available-for-sale financial assets and financial asset at FVTPL. 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 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 (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 receivables, deposits and other receivables, restricted bank balances, cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available- for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

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

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF 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 either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is 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 designed and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designed as at FVTPL upon initial recognition if:

- such designation eliminated or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to directors, interest- bearing loans from a director and a shareholder are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible bonds containing liability and equity components

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

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

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

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Convertible bonds containing liability component and conversion option derivative

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible bonds containing liability component and conversion option derivative (Continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Redeemable convertible cumulative preference shares

Redeemable convertible cumulative preference shares which entitle the holder to convert into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains or losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the redeemable convertible cumulative preference shares based on the allocation of proceeds to the liability and derivative components when the instruments on initial recognition. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the redeemable convertible cumulative preference shares using effective interest method. Transaction costs relating to derivative component are charged to profit or loss immediately.

Equity instruments

Equity instrument issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

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

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or it expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) commission income represents amounts earned from distribution of mobile pre-charge and is recognised according to agreement terms;

(b) service income is recognised when the services are rendered;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expenses in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

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

At the time when the 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 continue to be held in share options reserve.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Share options granted to advisors/consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Retirement benefits costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

All borrowing costs are expensed in the period which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

4. SUMMARY OF 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year.

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 (i.e. HK$) of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses 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 (the foreign currency translation reserve).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or disposal involving loss of control over subsidiaries that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

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, are described below.

Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of the customers and other debtors and the current market condition. The directors of the Company reassess the impairment at the end of each reporting period.

Property, plant and equipment and depreciation

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

6. 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 debt and equity attributable to owners of the Company. Debt includes convertible bonds, redeemable convertible cumulative preference shares and promissory note. Equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through adjusting the new share issues, share buy-back and the issue of new debt or the redemption of existing debt or sell assets to reduce debt.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016	2015
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables:		
Trade receivables	**562**	76,199
Deposits and other receivables	**29,154**	92,795
Restricted bank balances	**–**	4,730
Cash and bank balances	**205,027**	96,599
	234,743	270,323
Available-for-sale financial assets	**–**	1,896
Total financial assets	**234,743**	272,219
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	**–**	10,312
Other payables and accrued expenses	**49,889**	32,072
Amounts due to directors	**–**	2,500
Amounts due to de-consolidated subsidiaries	**4,716**	–
Interest-bearing loans from a director and a shareholder	**–**	552
Liability component of convertible bonds	**–**	51,284
Liability component of redeemable convertible cumulative preference shares	**–**	43,857
Preference shares dividend payable of a subsidiary	**–**	86,149
Promissory note	**–**	8,000
Total financial liabilities	**54,605**	234,726

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, available-for-sale financial assets, restricted bank balances, cash and bank balances, trade and other payables, amounts due to directors, promissory note, interest- bearing loans from a director and a shareholder, preference share ("PS") and convertible bonds ("CB"). Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency 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.

Currency risk

The Group did not have a foreign currency hedging policy as at the end of the reporting period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase or decrease in the Hong Kong dollar and US dollar against the RMB. Under the linked exchange rate system, the financial impact on exchange difference between Hong Kong dollar and US dollar will be immaterial and therefore no sensitivity analysis has been prepared. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate.

Effect on (increase)/decrease in loss for the year

	2016	2015
	HK$'000	*HK$'000*
RMB	**561**	5,559

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 March 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group only trades with recognised and creditworthy third parties. As at 31 March 2016, the Group has concentration of credit risk of 100% (2015: 89%) and 100% (2015: 100%) as the total trade receivables was due from the Group's largest customer and the five largest customers, respectively. As at 31 March 2016, the Group has concentration of credit risk of 64% (2015: 65%) and 100% (2015: 100%) as the total other receivables was due from the Group's largest debtor and the five largest debtors, respectively. However, receivable balances are monitored on an ongoing basis, the directors of the Company review the recoverable amount of each individual trade debt and loan regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2016			2015		
	Less than 1 year or on demand	1 – 5 years	Total	Less than 1 year or on demand	1 – 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade payables	–	–	–	10,312	–	10,312
Other payables and accrued expenses	49,889	–	49,889	32,072	–	32,072
Amounts due to directors	–	–	–	2,500	–	2,500
Amounts due to de-consolidated subsidiaries	4,716	–	4,716	–	–	–
Interest-bearing loans from a director and a shareholder	–	–	–	552	–	552
Liability component of convertible bonds	–	–	–	51,284	–	51,284
Liability component of redeemable convertible cumulative preference shares	–	–	–	43,857	–	43,857
Preference shares dividend payable of a subsidiary	–	–	–	86,149	–	86,149
Promissory note	–	–	–	8,000	–	8,000
	54,605	–	54,605	234,726	–	234,726

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value and fair value hierarchy

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

- the fair values of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair values of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

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

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position of the Group approximate their fair values due to their immediate or short term maturities.

Fair value measurements recognised in the consolidated statement of financial position The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

8. OPERATING SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Directors being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

For management purposes the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

– B-to-C consumer service (subsidiaries under this operating segment had been de-consolidated in the current year); and
– Healthcare service.

Segment assets excluded available-for-sale financial assets and other corporate assets as these assets are managed on a group basis.

Segment liabilities excluded interest-bearing loans from a director and a shareholder, amounts due to directors, and other corporate liabilities as these liabilities are managed on a group basis.

The following is an analysis of the Group's revenue and results by operating segment for the year ended 31 March 2016 and 2015:

	B-to-C consumer service		Healthcare service		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**8,810**	14,877	**14,906**	22,946	**23,716**	37,823
Segment results	**(1,735)**	(4,071)	**(19,909)**	1,464	**(21,644)**	(2,607)
Reconciliation:						
Interest income and unallocated income					**7,893**	455
Corporate and other unallocated expenses					**(40,949)**	(21,618)
Finance costs unallocated					**(7,283)**	(44,461)
Impairment loss on other receivables					**(355)**	–
Net loss recognised on de-consolidation of subsidiaries					**(15,969)**	–
Loss before tax					**(78,307)**	(68,231)
Depreciation and amortisation	**52**	343	**1**	–	**53**	343
Reconciliation:						
Unallocated depreciation and amortisation					**58**	136
					111	479

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

8. OPERATING SEGMENT INFORMATION *(Continued)*

The following table is an analysis of the Group's assets and liabilities and other segment information for the years ended 31 March 2016 and 2015:

	B-to-C consumer service		Healthcare service		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT ASSETS	**–**	97,894	**22,538**	11,857	**22,538**	109,844
Corporate and other unallocated assets					**212,443**	164,783
Total assets					**234,981**	274,627
SEGMENT LIABILITIES	**–**	16,660	**–**	9,452	**–**	26,214
Corporate and other unallocated liabilities					**54,605**	211,821
Total liabilities					**54,605**	238,035

Geographical information

For the years ended 31 March 2016 and 2015, the Group's operations and its non-current assets are principally located in the PRC, accordingly no geographical segment information is presented.

Information about major customers

During the year ended 31 March 2016, the Group had transactions with 2 (2015: 2) customers who contributed over 10% of the Group's total net revenue, which is summarised below:

	Year ended 31 March	
	2016	2015
	HK$'000	*HK$'000*
Customer 1	**8,810**	14,877
Customer 2	**14,332**	22,576
	23,142	37,453

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

9. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represented the commission income earned from provision of B-to-C consumer service and the income from provision of healthcare service. An analysis of revenue is as follows:

	2016	2015
	HK$'000	*HK$'000*
Commission income earned from provision of B-to-C consumer service	**8,810**	14,877
Income from provision of healthcare service	**14,906**	22,946
	23,716	37,823

	2016	2015
	HK$'000	*HK$'000*
Gain on investment	**379**	160
Exchange gain	**573**	–
Gain on disposal of property, plant and equipment	**–**	235
Interest income	**1,082**	60
Reversal of other payables	**12,728**	–
Sundry income	**38**	–
	14,800	455

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

10. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	HK$'000	*HK$'000*
Dividend payable to convertible preference share issued by a subsidiary	6,696	13,392
Effective interest expenses on convertible bonds wholly repayable within five years	–	1,649
Effective interest expenses on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	587	29,420
	7,283	44,461

11. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	1,100	730
Depreciation of property, plant and equipment	111	479
Rental expenses in respect of office premises	495	998
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	10,960	6,541
– Contributions to defined contribution retirement plans	212	479
Loss on embedded derivative upon redemption of redeemable convertible cumulative preference shares	–	1,579

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

12. INCOME TAX

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for both years.

Subsidiaries established in PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2015: 25%).

	2016	2015
	HK$'000	*HK$'000*
Current tax – PRC		
Provision for the year	**128**	432

A reconciliation of the tax expense applicable to loss before tax at the statutory rates of the PRC, where the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Loss before tax	**(78,307)**	(68,231)
Tax at the statutory rate in the PRC of 25%	**(19,577)**	(17,058)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**2,365**	266
Expenses not deductible for tax	**7,714**	8,301
Tax losses not recognised	**9,626**	2,863
Under provision in prior years	**–**	6,060
Tax charge for the year	**128**	432

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

13. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The emoluments paid or payable to each of the ten (2015: nine) directors of the Company were as follows:

Year ended 31 March 2016

	Directors' fees	Salaries and other benefits	Contributions to retirement benefit schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Jia Hong Sheng *(Note a)*	–	2,160	–	2,160
Dr. Li Zhong Yuan *(Note a)*	–	–	–	–
Mr. Zhou Bao Yi *(Note a)*	–	–	–	–
Mr. Chung Ho	–	1,350	14	1,364
Mr. Wang Jingming	–	1,800	–	1,800
M. Zhao Kai *(Note b)*	–	–	–	–
Independent non-executive directors				
Mr. Mu Xiang Ming *(Note a)*	–	–	–	–
Mr. Jiang Bo *(Note a)*	–	–	–	–
Dr. Yan Shi Yun *(Note a)*	–	–	–	–
Mr. Zhao Hua *(Note a)*	–	–	–	–
	–	5,310	14	5,324

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

13. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(Continued)*

Directors' emoluments *(Continued)*

Year ended 31 March 2015

	Directors' fees	Salaries and other benefits	Contributions to retirement benefit schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Jia Hong Sheng *(Note a)*	–	540	–	540
Dr. Li Zhong Yuan *(Note a)*	–	2,271	18	2,289
Mr. Zhou Bao Yi *(Note a)*	–	554	–	554
Mr. Chung Ho	–	450	–	450
Mr. Wang Jingming	–	450	–	450
Independent non-executive directors				
Mr. Mu Xiang Ming *(Note a)*	100	–	–	100
Mr. Jiang Bo *(Note a)*	100	–	–	100
Dr. Yan Shi Yun *(Note a)*	100	–	–	100
Mr. Zhao Hua *(Note a)*	–	–	–	–
	300	4,265	18	4,583

No director had waived any emoluments during the years ended 31 March 2016 and 2015.

Notes:

a) Mr. Jia Hong Sheng, Dr. Li Zhong Yuan, Mr. Zhou Bao Yi, Mr. Mu Xiang Ming, Mr. Jiang Bo, Dr. Yan Shi Yun and Mr. Zhao Hua have been removed from directors of the Company on 18 June 2016.

b) Mr. Zhao Kai has been appointed as an executive director of the Company with effective from 5 January 2016 and removed from executive director of the Company on 18 June 2016.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

13. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(Continued)*

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2015: five) were directors of the Company whose emoluments are presented above. The emoluments of the remaining two individuals in 2016 were as follows:

	2016	2015
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,169**	–
Contributions to retirement benefit schemes	**13**	–
	1,182	–

The number of non-director, highest paid employees whose remuneration falls within the following bands is as follows:

	Number of employees	
	2016	2015
	HK$'000	*HK$'000*
Nil to HK$1,000,000	**2**	–

No emoluments have been paid or payable by the Group to any of the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2016 and 2015.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

14. LOSS PER SHARE

	2016	2015
	HK$'000	*HK$'000*
Loss attributable to owners of the Company, used in the basis loss per share calculation:	(73,214)	(55,926)

Number of shares	2016	2015
	'000	*'000*
Weighted average number of ordinary shares in issue during the year	2,726,801	971,783

(a) Basic loss per share

For the year ended 31 March 2016, the calculation of basic loss per share amount is based on the net loss for the year of HK$73,214,000 (2015: HK$55,926,000) attributable to the equity holders of the Company, and weighted average of approximately 2,726,801,000 (2015: approximately 971,783,000) ordinary shares in issue during the year.

(b) Diluted loss per share

The computation of diluted loss per share does not assume the exercise of the Company's share options for both years because their assumed exercise would result in an increase in loss per share. Accordingly, no diluted loss per share has been presented.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Furniture fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST:				
At 1 April 2014	–	905	1,658	2,563
Additions	–	86	–	86
Disposals	–	(381)	–	(381)
Exchange realignment	–	3	5	8
At 31 March 2015 and 1 April 2015	**–**	**613**	**1,663**	**2,276**
Additions	**296**	**–**	**–**	**296**
Exchange realignment	**–**	**(23)**	**(62)**	**(85)**
De-consolidation of subsidiaries	**–**	**(590)**	**(1,601)**	**(2,191)**
At 31 March 2016	**296**	**–**	**–**	**296**
ACCUMULATED DEPRECIATION:				
At 1 April 2014	–	707	1,387	2,094
Provided for the year	–	207	272	479
Disposals	–	(365)	–	(365)
Exchange realignment	–	2	4	6
At 31 March 2015 and 1 April 2015	**–**	**551**	**1,663**	**2,214**
Provided for the year	**58**	**53**	**–**	**111**
Exchange realignment	**–**	**(22)**	**(62)**	**(84)**
De-consolidation of subsidiaries	**–**	**(582)**	**(1,601)**	**(2,183)**
At 31 March 2016	**58**	**–**	**–**	**58**
NET CARRYING VALUES				
At 31 March 2016	**238**	**–**	**–**	**238**
At 31 March 2015	–	62	–	62

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

16. GOODWILL

	2016	2015
	HK$'000	*HK$'000*
At 1 April	**742**	742
De-consolidation of subsidiaries	**(742)**	–
At 31 March	**–**	742

Goodwill acquired through business combination has been allocated to the healthcare segment.

As at 31 March 2015, the Group performed its annual impairment test for goodwill allocated to the healthcare segment cash-generating-unit by comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the cash-generating-unit is determined based on value-in-use calculations. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by management have been extrapolated with an estimated general annual growth of not more than 3% for a five- year period. The discount rate used of 22.71% reflects specific risks related to the segment. The budgeted gross margin of 12% is determined by the management based on past performance and its expectations for market development. The management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount. Accordingly, no impairment loss is recognised for the year ended 31 March 2015.

As mentioned in the Note 2 of the consolidated financial statements, certain of Group's subsidiaries in the Heathcare Served Segment has been de-consolidated from the consolidated financial statements of the Group on 1 October 2015, the corresponding goodwill was de-recognised accordingly.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

17. INTANGIBLE ASSETS

	Distribution right for selling cooling systems HK$'000
COST	
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	53,503
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	53,503
CARRYING VALUES	
At 31 March 2016	–
At 31 March 2015	–

Subsequent to the completion of the acquisition of Anew Capital Limited and its subsidiaries (together, the "Anew Group") by the Group in late 2012, Anew Group, in cooperation with Beijing Oriental Capital Technology Company Limited ("Oriental Capital"), which has entered into a cooperative agreement with Anew Group for cooperation of selling and distributing Voith Turbo's cooling systems in the PRC, have invested various resources in marketing and promoting the cooling systems in the railway industry in the PRC and strived for being a qualified supplier of cooling systems for high-speed trains recognised by the Ministry of Railway ("MOR") in the PRC, which was originally responsible for both policy planning and management of the operation of the railway system in the PRC.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

17. INTANGIBLE ASSETS *(Continued)*

In March 2013, nevertheless, the State Council announced an institutional reform and transformation program for the railway industry, pursuant to which MOR's railway planning and policy making functions are entrusted to the Ministry of Communications ("MOC"), its other administrative functions rest with a new organisation, the State Railways Administration ("SRA"), while MOR's commercial activities are being passed and transferred over to the China Railways Corporation ("CRC") newly established then. According to the State Council's program, CRC shall transport passengers and freight, and be responsible for operating and managing the country's rail network. CRC shall draft investment plans for railway construction, and put forward to the government proposals to fund and build the lines. CRC shall also be responsible for implementing railway projects and be accountable, as the main responsible body, for safety. MOR no longer exists after such reform.

Since the institutional reform for the railway industry, the railway construction and investment policy have been going through significant adjustments. To the best knowledge and information of the Directors, there is no increase in new orders of high-speed trains while a few of orders for some models have been suspended and no new suppliers of cooling systems have been approved by CRC since the industry reform. Up till now, Anew Group has not attained the qualification as an approved supplier of cooling systems for high-speed trains yet. As a result, no revenue from the cooling system distribution business has been recorded by the Group since completion of the acquisition of Anew Capital Limited by the Group.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

18. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**562**	76,199

The Group's credit policies for each of its principal activities are as follow:

(i) Provision of B-to-C consumer service pre-charge are with credit terms of 180 days; and

(ii) Provision of healthcare service is with credit terms of 90 days.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**562**	2,657
1 to 3 months	–	5,336
Over 3 months	–	68,206
	562	76,199

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

18. TRADE RECEIVABLES *(Continued)*

Aging of trade receivables which are past due but not impaired:

	2016 HK$'000	2015 HK$'000
Within 90 days	–	7,158
91 to 180 days	–	6,340
Over 180 days	–	51,264
	–	64,762

Trade receivables that were past due but not impaired were related to the customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Other receivables *(note (i)(ii)(iv))*	29,154	60,620
Less: Non-current portion of other receivables *(note (iv))*	17,985	–
	11,169	60,620
Deposits *(note (iii))*	–	32,175
Prepayments	–	1,604
Current portion of prepayments, deposits and other receivables	11,169	94,399

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(i) As at 31 March 2015, approximately RMB41,437,000 (equivalent to approximately HK$52,368,000) were amounts due from the disposed subsidiaries.

(ii) As at 31 March 2015, approximately HK$6,203,000 with respect to a secured loan of RMB8,000,000 granted by the Group to an independent third party pursuant to a loan agreement dated 26 July 2011, the loan is interest-free and repayable within 5 years. The Group engaged a lawyer to recover the loan. The amount was past due but not impaired.

(iii) As at 31 March 2015, approximately RMB25,000,000 (equivalent to approximately HK$31,595,000) were deposit for customer services.

(iv) As at 31 March 2016, approximately RMB15,000,000 (equivalent to approximately HK$17,985,000) were a loan to Shuangluan Hospital as working capital.

Save as disclosed in note (ii), none of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which no recent history of default.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	HK$'000	*HK$'000*
Unlisted securities:		
–Debt securities with floating interest and maturity in December 2018	–	1,896

All available-for-sale financial assets are denominated in RMB. The directors of the Company are of the opinion that the fair value cannot be measured reliably because the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

21. RESTRICTED BANK BALANCES

As at 31 March 2015, the restricted bank balances amount of approximately HK$4,730,000 represented the balances which are subject to restrictions pursuant to the subscription agreement signed by Harvest Network and subscribers of the non-redeemable convertible preference shares of Harvest Network. The bank balances are restricted to solely used in the operation of B-to-C services. The restricted bank balances were placed in banks in the PRC and carry interest at market rates ranged from 0.2% to 0.4% per annum.

There was no restricted bank balance as at 31 March 2016.

The carrying amounts of the Group's restricted bank balances are denominated in the following currencies:

	2016	2015
	HK$'000	*HK$'000*
RMB	–	912
HK$	–	89
US$	–	3,729
	–	4,730

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

22. CASH AND BANK BALANCES

The carrying amounts of the Group's cash and bank balances are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
RMB	3,201	34,447
HK$	201,757	40,070
US$	69	21,844
Euro	–	238
	205,027	96,599

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

23. TRADE PAYABLES

An aged analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 HK$'000	2015 HK$'000
Within 1 month	–	1,869
1 to 3 months	–	2,725
Over 3 months	–	5,718
	–	10,312

The trade payables are non-interest-bearing and normally settled from 30 to 60 day terms.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

24. OTHER PAYABLES AND ACCRUED EXPENSES

All of the Group's and the Company's other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

The directors consider that the carrying amounts of other payables and accruals approximate to their fair values at the end of reporting period.

25. AMOUNTS DUE TO DIRECTORS/DE-CONSOLIDATED SUBSIDIARIES

The amounts due to directors/de-consolidated subsidiaries are unsecured, interest free and repayable on demand.

26. INTEREST-BEARING LOANS FROM A DIRECTOR AND A SHAREHOLDER

The loans from a director and a shareholder with outstanding interest of approximately HK$Nil (2015: HK$272,000) and HK$Nil (2015: HK$280,000), respectively, are unsecured, bear interest at the Hong Kong Best Leading Rate and repayable within one year.

27. LIABILITY COMPONENT OF CONVERTIBLE BONDS

On 19 May 2005, the Company issued CB with nominal value of US$6,600,000 due on 18 May 2009. CB carries interest at 3% per annum payable semi-annually in arrears with the first interest payment due on 18 November 2005 and the last interest payment due on 18 May 2009. CB entitles the holder to convert the bonds into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK$2.525 per share during the period from 19 May 2005 to 18 May 2009. In addition, if CB remain outstanding on the maturity date, the Company will redeem the principal of CB at 100% of their face value.

The effective interest rate of the liability component of CB is 3% per annum.

As at and up to 31 March 2011, CB with aggregate principal amount of US$1,210,000 (equivalent to approximately HK$9,372,000) had been repurchased by the Group at an aggregate consideration of approximately HK$4,818,800. There is no repurchase of CB by the Group subsequently.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

27. LIABILITY COMPONENT OF CONVERTIBLE BONDS *(Continued)*

On 18 May 2009, CB had matured, however, due to liquidity problem, the Group was unable to redeem CB at maturity. The Group's default in the redemption on CB had triggered the Company's early redemption obligation of CB and PS. Subsequent to the maturity date of CB, the Company reached an understanding with the major holder of CB to conditionally postpone the payment by the Company of the outstanding debts of CB for three years to 17 May 2013 if the Group can fulfil the conditions requested by the major holder of CB, which is a successful injection of substantial external resources into the Group, in short, and as long as no additional issuance of any debts by the Group that will rank pari passu with the CB upon and after successful injection of substantial external resources.

The 3% interest payables have not been paid since 18 May 2009. According to the terms and conditions of the CB, to the extent that interest is not paid on CB on the interest payment date, interest shall charge thereon from the interest payments date at a default rate of 5% per annum until date of payment.

The net proceeds received for the issue of CB have been split between the liability component and an equity component. The movement of the liability component is as follows:

	2016	2015
	HK$'000	*HK$'000*
Carrying amount at 1 April	**51,284**	49,635
Interest charged for the year	**1,731**	1,649
Reclassification of other payable	**(9,864)**	–
Repayment	**(43,151)**	–
Carrying amount at 31 March	**–**	51,284

Liability component of convertible bonds comprise of the following:

	2016	2015
	HK$'000	*HK$'000*
Principal amount	**–**	42,042
Interest payable	**–**	7,972
Charge on interest overdue	**–**	1,270
	–	51,284

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

28. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

On 28 July 2006, the Company entered into a preference share agreement ("Original Agreement") and issued 15,000 PS of US$0.01 each for a total cash consideration of US$15,000,000 (approximately HK$117,000,000). The PS holder is entitled to 2% dividend per annum or 5% compounded semi-annually subject to occurrence of special events as defined in the Original Agreement. Such maturity date is falling on the 5th anniversary of 28 July 2006 (i.e. 27 July 2011) or such later date ("conversion period"), but not later than the 7th anniversary of which the specific terms will be subjected to future agreement. An option embedded therein was granted to the PS holder that the preference shares could be converted at any time during the conversion period at the lower of HK$0.3201; and 0.9 times of the volume-weighted average price of the Company's ordinary shares for the twenty trading days ending on the day immediately preceding the date of a relevant conversion notice; such redemption amount shall include a markup of 20% per annum on the sum of principal and accumulated dividend payable at any early redemption date.

On 24 November 2012, the Company entered into a supplementary agreement ("Modification Agreement") with the PS holder pursuant to which, the Company agreed to use its best endeavors to procure the fund raising to raise not less than US$15 million (or its HK$ equivalent) in net proceeds for the Company, of which US$15 million (or its HK$ equivalent) shall be applied to redeem the PS, on or before the 31 March 2013. Meanwhile, PS Holder agreed that it would not require the Company to redeem the PS nor would it exercise its conversion rights attached to all or any part of the PS at any time before 31 March 2013.

Subject to completion of the fund raising, the Company will redeem, and PS holder will accept the redemption of, all of the PS and in full and final settlement of all rights that PS Holder may have in respect of the PS whether under the Bye-laws of the Company or otherwise at an aggregate price of not more than US$19 million, which shall be satisfied as to US$15 million by payment of cash and as to not more than US$4 million by the issue of a promissory note by the Company.

On 31 March 2013, the Company has further revised the Modification Agreement by entering into a supplementary agreement ("Supplementary Agreement") with the PS holder. Pursuant to which, the Company shall redeem, and PS holder shall accept to extend the date of full and final settlement on or before 30 November 2013. In addition, the Supplementary Agreement specifically granted a conversion right to the Company that the sum of accumulated dividend payable from 1 December 2012 to 30 November 2013 is eligible to be settled by procuring ordinary shares of the Company at a predetermined price of HK$0.3201 or by cash at the date of maturity.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

28. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES *(Continued)*

On 28 June 2013, the Company and the PS holder entered into an amendment agreement to the Supplementary Agreement of the PS Agreement dated 31 March 2013 (the "Amendment Agreement").

Pursuant to the Amendment Agreement, the final settlement date to redeem the PS is extended from 30 November 2013 to 30 June 2014 provided that a non-refundable deposit of HK$10 million (the "Deposit") will be made to the PS holder before or by 29 June 2013 and the PS holder shall have the right to forfeit the Deposit if the redemption of the PS does not take place on or before 30 November 2013.

The calculation and settlement of the dividends of the PS from 1 December 2013 to 30 June 2014 shall be 6% per annum and the Company shall have the right to settle by way of share issuance of shares to the PS holder at a pre-determined price of HK$0.3201 per share.

Since the terms of the Modification Agreement, Supplementary Agreement and Amendment Agreement were different from the Original Agreement, hence, the financial liability are extinguished. The valuations were carried out by an independent qualified professional valuation firm not connected to the Group.

On 30 June 2014, the Company and the PS holder entered into a supplementary agreement to the Amendment Agreement of the PS Agreement dated 28 June 2013 (the "Supplementary Agreement 2014"). Pursuant to the Supplementary Agreement 2014, subject to the completion of the subscription agreement of the convertible note dated 3 June 2014 (the "Subscription of Convertible Note") as announced on 3 June 2014, the Company should redeem the PS principal in 5 days after the completion of the Subscription of Convertible Note, and settle all dividends. Should the company fail to complete the Subscription of Convertible Note, the settlement date to redeem the PS is further extended to 31 March 2015. Pursuant to the Supplementary Agreement 2014, the calculation and settlement of the dividends of the PS shall be:

(1) US$4 million from 28 July 2006 to 30 November 2012 (the "Dividend I"), which shall be settled by promissory notes issued by the Company;

(2) 5% per annum from 1 December 2012 to 30 November 2013 (the "Dividend II"), for which the Company shall have the right to settle by way of issuance of shares to the PS holder at a pre-determined price of HK$0.25 per share;

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

28. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES *(Continued)*

(3) 6% per annum from 1 December 2013 to 30 June 2014 (the "Dividend III"), for which the Company shall have the right to settle by way of issuance of shares to the PS holder at a pre-determined price of HK$0.25 per share; and

(4) 7% per annum from 1 July 2014 to 31 March 2015 (the "Dividend IV"), for which the Company shall have the right to settle by way of issuance of shares to the PS holder at a pre-determined price of HK$0.15 per share.

On 8 January 2015, the Company has issued the convertible note in principal amount of HK$195,000,000, the Company redeemed the PS principal accordingly.

(i) Liability component

	2016	2015
	HK$'000	*HK$'000*
At the beginning of the year	**43,857**	130,686
Interest charged for the year	**–**	29,420
Transfer to other payables and accrued expenses	**(30,894)**	–
Redemption	**(12,963)**	(116,249)
At the end of the year	**–**	43,857

The fair value of the liability component of preference shares is determined using the discounted cash flow model ("DCF") with reference to the parameters as follows:

	Modification Agreement	**Supplementary Agreement**	**Amendment Agreement**
Effective interest rates	53.34%	48.81%	58.14%
Year	0.35	0.67	0.26
Dividend	semi-annual	semi-annual	semi-annual
Dividend per annum	5%	5%	6%

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

28. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES *(Continued)*

(ii) Embedded derivative

	2016 HK$'000	2015 HK$'000
At the beginning of the year, asset	–	(1,579)
Redemption of principal	–	1,579
At the end of the year, asset	–	–

The fair value of the embedded derivative of preference shares is determined using the Black Scholes Option Pricing Model with reference to the parameters as follows:

	Supplementary Agreement 2014
Time to maturity	0.27
Risk free rate	0.09%
Volatility	64.36%
Strike price	HK$0.25 and HK$0.15
Spot price	HK$0.265

29. PREFERENCE SHARES DIVIDEND PAYABLE OF A SUBSIDIARY

	2016 HK$'000	2015 HK$'000
Dividend payable	–	86,149

Dividend payable to convertible preference shares holders of a subsidiary represented the cumulative dividend calculated at 8% per annum on the issue price of the convertible preference shares issued by Harvest Network, a wholly-owned subsidiary of the Company, to its convertible preference share holders.

As mentioned in the Note 2 of the consolidated financial statements, Harvest Network Group has been de-consolidated from the consolidated financial statements of the Group on 1 October 2015, the corresponding balance of dividend payable was de-recognised accordingly.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

30. PROMISSORY NOTE

On 24 November 2012, the Company issued a promissory note for an aggregate principal amounts of HK$18,000,000, upon the completion of the acquisition of Anew Capital Group. The promissory note are due on six months from the date of issue and are carrying no interest.

On 15 August 2013, the Company capitalised the principal amount of HK$10,000,000 of promissory note by means of issuing and allotting the 30,030,030 ordinary shares to the promissory note holder.

The promissory note were repaid during the year ended 31 March 2016.

31. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Authorised:		
Ordinary shares of HK0.1 each		
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	100,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 April 2014	633,289,695	60,326
Subscription of shares *(note i)*	50,000,000	5,000
At 31 March 2015 and 1 April 2015	**683,289,695**	**68,329**
Subscription of shares *(note ii)*	**136,657,939**	**13,666**
Issue of shares upon conversion of the convertible bonds *(note iii)*	**1,300,000,000**	**130,000**
At 31 March 2016	**2,119,947,634**	**211,995**

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

31. SHARE CAPITAL *(Continued)*

Notes:

(i) On 23 May 2014, the Company and the subscribers, independent third parties, entered into subscription agreements to subscribe an aggregate of 50,000,000 shares of the Company, at HK$0.212 per share. In June 2014, the subscriptions were completed raising net proceeds of HK$10.4 million which have been used as general working capital of the Group.

(ii) On 13 April 2015, the Company and the two independent subscribers entered into the subscription agreements in relation to subscription of 136,657,939 shares of the Company at a subscription price of HK$0.28 per share. On 22 April 2015, an aggregate of 136,657,939 subscription shares were successfully allotted and issued to subscribers. The net proceeds of approximately HK$38,114,000 were used for general working capital of the Group.

(iii) On 3 June 2014, the Company, Lin & Li Investment Limited (as the subscriber) and Mr. Lin Grant Xiao-Bin (as the guarantor) entered into the subscription agreement to subscribe for the zero coupon convertible note at the initial conversion price of HK$0.15 per share in principal amount of HK$195,000,000. The convertible notes were issued on 8 January 2015 raising net proceeds of approximately HK$194,500,000 which have been used for general working capital and/or settlement of outstanding liabilities of the Group. All convertible notes were converted into 1,300,000,000 conversion shares on 22 April 2015 and 5 May 2015.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016	2015
	HK$'000	*HK$'000*
NON-CURRENT ASSET		
Investments in subsidiaries	10	–
Property, plant and equipment	238	–
	248	–
CURRENT ASSETS		
Prepayments, deposits and other receivables	10,379	–
Amounts due from subsidiaries *(note a)*	–	90,966
Cash and bank balances Total current assets	201,705	58,910
	212,084	149,876
CURRENT LIABILITIES		
Other payables and accrued expenses	49,777	14,253
Amounts due to directors	–	35
Interest-bearing loans from a director and a shareholder	–	552
Liability component of convertible bonds	–	51,284
Liability component of redeemable convertible cumulative preference shares	–	43,857
Promissory note	–	8,000
Total current liabilities	49,777	117,981
NET CURRENT ASSETS	162,307	31,895
Net assets	162,555	31,895
EQUITY		
Share capital	211,995	68,329
Reserves (note)	(49,440)	(36,434)
Total equity	162,555	31,895

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

The changes in equity of the Company are as follow:

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Convertible bonds reserve *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2014	63,329	326,331	57,124	3,592	1,656	(585,975)	(133,943)
Loss for the year	–	–	–	–	–	(39,791)	(39,791)
Issue of shares	5,000	5,629	–	–	–	–	10,629
Issue of convertible bonds	–	–	–	195,000	–	–	195,000
At 31 March 2015 and at 1 April 2015	68,329	331,960	57,124	198,592	1,656	(625,766)	31,895
Loss for the year	–	–	–	–	–	(132,604)	(132,604)
Issue of shares	13,666	24,598	–	–	–	–	38,264
Issue of shares upon conversion of convertible bonds	130,000	65,000	–	(195,000)	–	–	–
Repayment of convertible bonds	–	–	–	(3,592)	–	3,592	–
Issue of convertible bonds	–	–	–	225,000	–	–	225,000
At 31 March 2016	211,995	421,558	57,124	225,000	1,656	(754,778)	162,555

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

33. SHARE OPTIONS SCHEME

The Company operated a share option scheme which was expired on 7 April 2012 (the "Old Scheme") and a new share option scheme (the "New Scheme") was approved by the shareholders of the Company on 28 August 2012.

Pursuant to the Old Scheme, the exercise period of options shall not beyond the ten year period after the date of adoption of the Old Scheme while the exercise period of Options granted under the New Scheme shall not expire later than 10 years from the date on which the Board resolves to make an offer. Save for the abovementioned difference in exercise period, certain conditions in respect of the lapse of options and other necessary modifications and/or amendments made pursuant to the Listing Rules, there are no material differences between the terms of the Old Scheme and the New Scheme.

Under the New Scheme, the Board of Directors of the Company may grant options to eligible officers and employees, including the directors of the Company and its subsidiaries ("Eligible Persons"), to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties who (i) have previously been and continue to be retained by the Group to provide business, legal or tax consultancy services or other professional services, whose expertise is valuable to the business development of the Group; or (ii) introduce investment opportunities to the Group; or (iii) contribute by way of introduction of new business to the Group.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other schemes of the Company is not permitted to exceed 10% of the shares of the Company in issue at the adoption date. The Company may seek approval by the Company's shareholders in general meeting for granting options beyond the 10% limit, provided that the options in excess of the limit are granted only to Eligible Persons specifically identified by the Company before such approval is sought. The maximum number of options that can be granted by the Company to the Eligible Persons has been refreshed to 10% of number of shares in issue. The total number of the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme of the Company must not exceed 30% of the shares of the Company in issue from time to time.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

33. SHARE OPTIONS SCHEME *(Continued)*

The number of share in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant. Upon acceptance of the options, the Eligible Person shall pay HK$1 to the Company by way of consideration for the grant. Options may be exercises at any time from the date of grant to the expiry date of the New Scheme. The exercise price is determined by the directors of the Company, and shall be the highest of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five trading days immediately preceding the date of grant and the nominal value of the Company's shares.

Particulars of share options granted by the Company as at 31 March 2016 and 2015 are as follows:

Option type	**Date of grant**	**Exercisable period**		**Exercise price**
		From	**To**	*HK$*
E	13 April 2010	13 April 2010	12 April 2020	0.5

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

33. SHARE OPTIONS SCHEME *(Continued)*

The following tables summarise the movements in the Company's share options during the year ended 31 March 2015 and 31 March 2016:

Old Scheme

	Option type	Number of share options Outstanding at 31 March 2015 and 31 March 2016
Directors	E	2,619,000
Employees	E	3,351,000
Total		5,970,000

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

33. SHARE OPTIONS SCHEME *(Continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Weighted average exercise price in HK$ per share	**Number of share options**	Weighted average exercise price in HK$ per share	Number of share options
At 1 April	**0.5**	**5,970,000**	0.5	5,970,000
Lapsed/cancelled	**–**	**–**	–	–
At 31 March	**0.5**	**5,970,000**	0.5	5,970,000

The options outstanding at the end of the year have a weighted average remaining contractual life of 4 years (2015: 5 years).

The estimated fair value of the share options granted on 13 April 2010 is approximately HK$2,898,000 were calculated using Binomial Option Pricing Model. The inputs to the model were as follows:

	13 April 2010
Share price of underlying share	HK$0.49
Exercise price	HK$0.5
Expected volatility	101%
Expected life	10 years
Risk-free rate	2.82%
Expected dividend yield	Nil

Expected volatility was determined by using the historical volatility of the Company's share price over the previous four years. The expected life using in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

For the years ended 31 March 2016 and 31 March 2015, no expense in relation to share options granted by the Company was recognised as no option granted.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

34. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases are payables as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	1,276	820
In the second to fifth years inclusive	2,978	152
	4,254	972

Operating lease payments represent rentals payable by the Group for certain of its office properties.

35. RELATED PARTY TRANSACTIONS

In addition to the transactions details elsewhere in the consolidated financial statements, the Group entered into the following related party transactions with related parties during the year:

Compensation of key management personnel of the Group are set out in note 13 to the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

36. DE-CONSOLIDATION OF SUBSIDIARIES

As mentioned in note 2 to the consolidated financial statements, the Group's subsidiaries in a) the Healthcare Service Segment, namely, 上海衛昌投資管理諮詢有限公司 (Shanghai Weichang Investment Management & Consulting Co., Limited), 上海醫瑞褋健康信息咨詢有限公司 (Shanghai Imperial Care Health Advocate Limited) and 上海新恒階投資管理諮詢有限公司 (Shanghai New Everstep Investment Management & Consultancy Limited); and b) the Harvest Network Group, namely, 德豐網絡有限公司 (Harvest Network Limited), World Success Investments Limited (華世投資有限公司), China Clinical Trials Centre Limited, 上海德意爾投資管理諮詢有限公司 (Shanghai De Yi Er Investment Management Consulting Co., Ltd.) and 山東德豐移通科技有限公司 (Shandong Harvest Mobile Communication Technology Company Limited) have been de-consolidated from the consolidated financial statements of the Group on 1 October 2015 respectively.

Details of the aggregate net assets of the above-mentioned De-consolidated Subsidiaries are set out below.

	Healthcare Service Segment *HK$'000*	Harvest Network Group *HK$'000*	Total *HK$'000*
Property, plant and equipment	3	5	8
Trade receivables	16,304	70,587	86,891
Prepayment, deposit and other receivables	9,748	55,703	65,451
Restricted bank balances	–	11,757	11,757
Cash and bank balances	1,862	8	1,870
Amount due (to)/from group companies	(13,393)	1,429	(11,964)
Trade payables	(8,987)	–	(8,987)
Accruals and other payables	(3,349)	(8,739)	(12,088)
Amount due to directors	(2,420)	–	(2,420)
Tax payable	(3,035)	(214)	(3,249)
Dividend payables	–	(92,845)	(92,845)
Net assets/(liabilities) in de-consolidated subsidiaries	(3,267)	37,691	34,424
Impairment losses on investments in de-consolidated subsidiaries and amounts due from the de-consolidated subsidiaries	14,299	12,544	26,843
Translation reserve	(5,896)	(16,184)	(22,080)
Non-controlling interests	(1,305)	(21,913)	(23,218)
Net loss on de-consolidation	3,831	12,138	15,969

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

37. EVENTS AFTER THE REPORTING PERIOD

(a) On 18 May 2016, the Court of First Instance of the High Court of Hong Kong granted a summary judgment against the Company (the "Judgment"), under which the Company was required to allot and issue to Pacas Worldwide Limited ("Pacas") shares in the share capital of the Company representing the entire amount of the conversion shares of the HK$30,000,000 convertible notes issued to Pacas by the Company pursuant to the subscription agreement entered into between Pacas and the Company on 8 April 2014 (as subsequent amended). On 17 June 2016, the Court of First Instance of the High Court of Hong Kong ordered, among other matters, that the Company shall allot and issue to Pacas shares in the share capital of the Company representing the entire amount of the conversion shares of the HK$30,000,000 convertible notes issued to Pacas by the Company pursuant to the Judgment by 4:00 p.m. on 22 June 2016 (the "Order"). On 21 June 2016, the Company allotted and issued 200,000,000 shares, representing the entire amount of the conversion shares of the HK$30,000,000 convertible notes issued to Pacas.

(b) On 23 December 2015, Zheng Hua issued a writ of summons against the Company in the Court claiming, among others, for an order that the Company do allot and issue forthwith to Zheng Hua shares in the share capital of the Company representing the amount of the conversion shares of the HK$135,000,000 of the principal amount of the HK$195,000,000 convertible notes issued to Zheng Hua by the Company pursuant to the Subscription Agreement entered into between Zheng Hua and the Company on 8 April 2014 (as subsequently amended); and alternatively, damages to be assessed. Further details of the above were disclosed in the announcement of the Company dated 27 December 2015. It was ordered by the Court on 2 June 2016, among other things that unless by 4:00 p.m. on 30 June 2016, the Company do file and serve its defence and/or counterclaim (if any), the Company be debarred from doing so and Zheng Hua as plaintiff be at liberty to apply for judgment to be entered against the Company with costs. Subsequent to this order, no further action has been taken by either party to the action to date. On 23 August 2016, the Company allotted and issued 900,000,000 shares upon conversion of convertible notes in the principal amount of HK$135,000,000 by Zheng Hua.

(c) The Board noted an unauthorized remittance of approximately HK$4.5 million from the bank account of World Success Investments Limited ("World Success"), a non-wholly owned subsidiary of the Company, to a personal bank account of Mr. Mu, a former Director, on 8 June 2016. Such remittance was instructed and operated by another former Director, namely Dr. Li Zhong Yuan. The Company stopped the payment and issued an originating summons against Dr. Li Zhong Yuan in the Court of First Instance of the Court on 21 June 2016 claiming for, among other reliefs, an injunction order to prohibit Dr. Li Zhong Yuan from transacting and/or conducting and/or purporting to transact and/or conduct the business and affairs of World Success including without prejudice to the generality of the foregoing, operating any bank accounts of World Success.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

37. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

On 21 June 2016, the Court of First Instance of the Court ordered that, among other matters, Dr. Li Zhong Yuan be restrained, whether by himself, his servants, agents or otherwise however from transacting and/or conducting and/or purporting to transact and/or conduct the business and affairs of World Success including, without prejudice to the generality of the foregoing, operating any bank accounts of World Success until Friday, 8 July 2016. Details of the above have been set out in the announcement of the Company dated 24 June 2016.

Upon the application made by the Company by way of summons on 5 July 2016 and various affirmations were filed with the Court over the period from June to October 2016, and upon the Company undertaking to procure CHC Investment Holdings Limited, a wholly-owned subsidiary of the Company, to make an application in the British Virgin Islands for leave to commence derivative action for and on behalf of 德豐網絡有限公司 (Harvest Network Limited) (“Derivative Action”) against World Success and without admission of any liability, upon Dr. Li Zhong Yuan undertaking that he would utilize the funds of World Success only in accordance with World Success’ ordinary course of business or as authorised by the shareholder(s) of World Success in general meeting, it was by consent order amongst other things on 12 October 2016 that there be leave for payment out of the funds paid into the Court inclusive of any interests to World Success or its nominated solicitors. An application for leave to commence the Derivative Action in the British Virgin Islands by the Company was filed on 2 November 2016 and amended on 15 December 2016 (“Application”). On 17 February 2017, the Company was given to understand that Dr. Li Zhong Yuan will make an opposition to the Application by way of an affirmation as soon as practicable.

(d) On 6 July 2016, Zhongwei Kanghong Investments Limited (“Zhongwei Kanghong”), an indirect wholly-owned subsidiary of the Company, filed a civil lawsuit (“Civil Lawsuit I”) at the People’s Court of Dongcheng District Beijing Municipality (“Dongcheng District Court”) against Beijing Zhongwei Kanghong Hospital Management Co. Ltd. (“Beijing Zhongwei”), a wholly-owned subsidiary of Zhongwei Kanghong, Mr. Jia (former chairman of the Company), Mr. Zhao Kai (former director of the Company and the legal representative of Beijing Zhongwei), Mr. Wang Jingyan and Ms. Zhang Tiantian (collectively, the “Zhongwei Defendants”). Zhongwei Kanghong claimed for ruling that (i) the Zhongwei Defendants shall hand over the original business license and its copies, license for opening accounts, common seal, stamp for financial affairs, stamp of the legal person and stamp for contract of Beijing Zhongwei to Zhongwei Kanghong; (ii) the Zhongwei Defendants shall hand over the accounting books and records, financial information, original vouchers and related contracts of Beijing Zhongwei from its establishment date, being 25 November 2014, to the date when the handover to Zhongwei Kanghong is actually completed; (iii) the Zhongwei Defendants shall hand over the premise leased by Beijing Zhongwei which is located at Unit 1, 15th Floor, Tower E2, Oriental Plaza, No.1 Dong Chang An Avenue, Dong Cheng District, Beijing to Zhongwei Kanghong; and (iv) the Zhongwei Defendants shall be liable for costs of the Civil Lawsuit I. On 15 August 2016, the Dongcheng District Court informed Zhongwei Kanghong that the Civil Lawsuit I met statutory prosecution conditions and was formally registered. Details of the above were set out in the Company’s announcement dated 1 September 2016. On 8 November 2016, the Civil Lawsuit I has been discontinued by the Company.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

37. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

On 31 October 2016, an administrative lawsuit (the "Administrative Lawsuit") was filed with the Dongcheng District Court against the Dongcheng District Beijing Municipality Bureau of Commerce and Administrative Management for the revocation of shareholders' resolutions of Beijing Zhongwei passed on 23 May 2016 which approved the removal and appointment of certain directors and supervisor, and the reinstatement of the previous board of directors and legal representative. The Administrative Lawsuit has since been transferred to the court in Beijing Haidian District ("Haidian Court") for processing. Up to the date of this announcement, the Administrative Lawsuit has not been heard and no notices from the Haidian Court have been received.

On 30 November 2016, Zhongwei Kanghong filed another civil lawsuit ("Civil Lawsuit II") with the Dongcheng District Court against Beijing Zhongwei seeking confirmation on the validity and enforcement of certain shareholders' resolution passed in June 2016 in respect of, among others, change in board and legal representative of Beijing Zhongwei. It is expected that a judgment in respect of the Civil Lawsuit II will be obtained by the end of June 2017.

(e) On 31 August 2016, CHC Investment Holdings Limited issued a writ of summons in the Court against each of Dr. Li Zhong Yuan (a former director of the Company), Mr. Zhou Bao Yi (a former director of the Company), Shanghai Huiqu E-commence Company Limited, Harvest Network Limited, World Success, 上海德意爾投資管理諮詢有限公司 (Shanghai De Yi Er Investment Management Consulting Co., Ltd.) and 上海德豐信息網絡技術有限公司 (Shanghai Harvest Network Technology Co., Ltd.) in respect of a very substantial disposal of the Company which was completed in November 2011. Further details of the above were disclosed in the announcement of the Company dated 1 September 2016. As at the date of this annual report, there is no judgment in respect of the above lawsuit.

(f) On 12 September 2016, the Company has received a statutory demand from Li Hong Holdings Limited ("Li Hong") in respect of repayment of dividend payable on redeemable convertible cumulative preference shares in the sum of US$4,000,000 (equivalent to approximately HK$30,894,000) (the "Alleged Outstanding Sum"). Such amount has been included in other payables and accrued expenses in consolidated balance sheet as at 31 March 2016.

An originating summons (the "Originating Summons") has been issued in the Court by the Company against Li Hong on 27 September 2016. Pursuant to the Originating Summons, the Company is seeking, amongst others, the reliefs against Li Hong (1) an order that Li Hong be restrained from presenting any petition for the winding up of the Company based on the Alleged Outstanding Sum; and (2) costs.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

37. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

A hearing took place on 30 September 2016 at the Court, during which Li Hong has undertaken not to file a winding up petition against the Company based on the Alleged Outstanding Sum and the Company has undertaken (i) to pay the sum of US$4,000,000 or its equivalent into the Court within 21 days from the date of the hearing; and (ii) to comply with any order the Court may make if the Court later finds that Li Hong's undertaking has caused loss to Li Hong or any other party and decides that Li Hong or that other party should be compensated for that loss.

On 8 February 2017, another Court hearing took place and it was ordered at the hearing, among other things, that (i) Li Hong be restrained from presenting any petition for the winding up the Company based on the Alleged Outstanding Sum; and (ii) the sum of US$4,000,000 or its equivalent paid into the Court be released to the Company.

Pursuant to the reasons for judgement handed down by the Court dated 29 March 2017, it was concluded that the Company has shown that there is bona fide dispute of the Alleged Outstanding Sum on substantial grounds and the presentation of a winding-up petition by Li Hong would be an abuse of process. The Court further commented that new information filed for the Company lend credence to the Company's case that the Promissory Note was in fact issued by the Company pursuant to a backdoor arrangement made or participated in by Dr. Li for his benefit, though not necessarily for his sole or exclusive benefit, and that Li Hong was Dr. Li's nominee for the purpose of receiving the Promissory Note. As stated in the judgment, it follows that it must at least be open to serious argument that the Promissory Note is not enforceable by Li Hong against the Company, because the issue of the Promissory Note by the Company to Dr. Li's nominee (Li Hong) would involve a breach of fiduciary duty on Dr. Li's part of which Li Hong had knowledge. It was also mentioned in the judgment that Li Hong clearly does not have a valid cause of action against the Company based on a letter dated 31 July 2015 issued by Capital Foresight Limited and/or an agreement dated 23 November 2012 between the Company and Capital Foresight Limited being alleged evidence for the Statutory Demand as Li Hong is not a party to either of those documents and neither of those documents give rise to any contract or claim enforceable by Li Hong against the Company. Details of the above have been set out in the announcements of the Company dated 28 September 2016, 3 October 2016 and 30 March 2017.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

37. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(g) On 12 September 2016, the Company, Zongwei Health Industries (Shenzhen) Co., Ltd. (the "Management Company", a wholly-owned subsidiary of the Company), Mr. Sang Shiwen ("Mr. Sang"), Mr. Han Jianbin ("Mr. Han") and the Anping Bo'ai Hospital entered into an agreement (as supplemented on 29 September 2016), pursuant to which Mr. Sang and Mr. Han have agreed to grant the Company an operation right to manage and operate the Anping Bo'ai Hospital through the Management Company for a term of 20 years commencing on 1 October 2016 at a consideration of RMB15,000,000 (equivalent to HK$17,400,000) payable by the Management Company. In addition, the Company has agreed to provide the Anping Bo'ai Hospital with the loan in the aggregate principal amount of no more than RMB10,000,000 (equivalent to HK$11,600,000) for the Anping Bo'ai Hospital to improve medical and health care conditions and expand operation. In addition, the Management Company and Mr. Sang entered into an assets transfer agreement in relation to acquisition of properties at a consideration of RMB15 million (equivalent to HK$17.4 million). The Management Company will be entitled to a monthly operation and management income in an amount equal to 90% of the total monthly revenue generated from the business operation of Anping Bo'ai Hospital. Meanwhile, the Management Company will bear all expenses of Anping Bo'ai Hospital during the term of management and operation of Anping Bo'ai Hospital excluding (1) depreciation, repair and maintenance expenses and equipment upgrade and renovation cost to be incurred from the existing equipment available as stipulated in the agreement; (2) rental expenses; (3) finance cost; and (4) any legal and professional fees arising from legal proceeding against Anping Bo'ai Hospital. Completion of grant of the operation right to the Group to operate Anping Bo'ai Hospital took place on 29 September 2016.

Further details of the transactions were disclosed in the announcements of the Company dated 12 September 2016 and 29 September 2016.

(h) On 23 September 2016, a writ of summons (the "Writ") has been issued by the Company, Wisdom Profit Investment Limited and China HealthCare Holdings (Hong Kong) Limited against Dr. Li Zhong Yuan, Mr. Zhou Bao Yi and World Success (collectively, the "Transfer Defendants") in the Court. As set out in the Writ, on 8 March 2016, certain bank transfers were made or procured to be made by Dr. Li Zhong Yuan and Mr. Zhou Bao Yi. The Company is of the view that the aforesaid transfers which served no discernable commercial purpose, were not made in the best interests of the Group, were procured by Dr. Li Zhong Yuan and Mr. Zhou Bao Yi in breach of their fiduciary or other duties owed to the Group, and constituted misappropriation of the assets belonging to the Group. Pursuant to the Writ, the Group are seeking, amongst others, various reliefs against the Transfer Defendants declarations that the Transfer Defendants hold the sums received in respect of the transfers. Details of the above have been set out in the announcement of the Company dated 27 September 2016. A defence and counterclaim of Dr. Li Zhong Yuan was filed in the Court on 6 February 2017. An affirmation of Dr. Li Zhong Yuan was filed into the Court on 7 February 2017.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

37. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(j) On 4 November 2016, the Management Company, Mr. Zheng Ruiyuan and Dingnang Chinese Medicine Hospital entered into an agreement, pursuant to which Dingnang Chinese Medicine Hospital conditionally agreed to grant and the Management Company conditionally agreed to accept an operation right to manage and operate Dingnang Chinese Medicine Hospital for a term of 15 years commencing on 1 November 2016. The Management Company will pay RMB3,000,000 (equivalent to HK$3,420,000) to Dingnang Chinese Medicine Hospital on the date agreed in the agreement. Further details of the above have been set out in the announcement of the Company dated 7 November 2016.

(j) On 7 November 2016, a civil lawsuit brought by Shanghai Weichang Investment Management and Consulting Co., Limited ("Shanghai Weichang"), one of the de-consolidated subsidiary of the Group, against the then existing director and legal representative of Shanghai Weichang requesting for the return of company chop and other corporate properties of Shanghai Weichang has been formally registered with the People's Court of Xuhui District of Shanghai Municipality. The PRC legal adviser of the Company has also been in communication with the then existing director and legal representative of Shanghai Weichang with a view to reaching a settlement or compromise before the court hearing. In early February 2017, the director and legal representative of Shanghai Weichang was changed to Mr. Weng Yu, an executive Director.

(k) On 7 March 2017, the Management Company and Shenzhen Gaoxinqi Hosin Investment Fund Management Co., Ltd entered into a limited partnership agreement, pursuant to which the Management Company has committed to invest RMB20,000,000 (equivalent to approximately HK$22,400,000) in a healthcare industry investment fund. Further details of the above were disclosed in the announcement of the Company dated 7 March 2017.

(l) On 30 March 2017, the Company and Miss Hao Mengmeng entered into the agreement in relation to granting of the rights to operate the Red Cross Hospital of Luanping County (灤平縣紅十字醫院) and the Hong Fu Eldercare and Nursing Home of Luanping County (灤平縣鴻福養老護理院) to the Company for a term of 30 years from April 2017 to March 2047. Further details of the above were disclosed in the announcement of the Company dated 31 March 2017.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 3 April 2017.

Notes to the Consolidated Financial Statements (Continued)

31 March 2016

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries are as follows:

Name of Company	Place of incorporation/ registration and operations	Class of shares held	Issued/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Gomei Investment Limited	British Virgin Islands/Hong Kong	Ordinary	US$1	100%	–	Investment holding
China Healthcare Holdings (Hong Kong) Limited	Hong Kong	Ordinary	HK$10,000	–	100%	Investment holding
Wisdom Profit Investment Limited	Hong Kong	Ordinary	HK$10,000	–	100%	Investment holding
CHC Investment Holdings Limited	British Virgin Islands/Hong Kong	Ordinary	US$100	–	100%	Investment holding
Long Heng Investments Limited	British Virgin Islands	Ordinary	US$1	100%	–	Investment holding
Zhongwei Kanghong Investments Limited	Hong Kong	Ordinary	US$1,000,000	–	100%	Investment holding
Beijing Zhangwei Kanghong Hospital Management Co. Ltd. *(note a)*	PRC	Registered capital	RMB10,000,000	–	100%	Healthcare services

Note:

(a) Wholly-foreign-owned enterprises established under the PRC Law.

The above list includes the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the assets or liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

Financial Summary

	Year ended 31 March				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)	(Restated)
RESULTS					
Turnover	**23,716**	37,823	37,720	23,128	49,106
(Loss)/profit before tax	**(78,307)**	(68,231)	(108,148)	129,492	(34,616)
Income tax expense	**(128)**	(432)	(598)	(270)	(1,957)
(Loss)/profit for the year from continuing operations	**(78,435)**	(68,663)	(108,746)	129,222	(36,573)
Loss for the year from discontinued operations	**-**	–	–	–	(489)
(Loss)/profit for the year	**(78,435)**	(68,663)	(108,746)	129,222	(37,062)
Attributable to:					
Owners of the Company	**(73,214)**	(55,926)	(67,570)	140,609	(24,596)
Non-controlling interests	**(5,221)**	(12,737)	(41,176)	(11,387)	(12,466)
	(78,435)	(68,663)	(108,746)	129,222	(37,062)

Financial Summary (Continued)

	As at 31 March				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)	(Restated)
ASSETS AND LIABILITIES					
Total assets	**234,981**	274,627	210,885	292,292	257,577
Total liabilities	**(54,605)**	(238,035)	(311,417)	(295,389)	(421,921)
Net assets/(liabilities)	**180,376**	36,592	(100,532)	(3,097)	(164,344)