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

(Incorporated in Bermuda with limited liability)

(Stock Code: 876)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of Mega Medical Technology Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2016 together with the comparative figures for the corresponding year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000* *(restated)*
Continuing operation			
Turnover	*3*	**188,140**	99,873
Cost of goods sold		**(85,800)**	(42,634)
Gross profit		**102,340**	57,239
Other income, gains and losses		**7,422**	4,086
Selling and distribution costs		**(29,747)**	(18,758)
Administrative expenses		**(60,995)**	(44,071)
Other expenses		**(9,768)**	(5,062)
Profit (loss) before taxation	*4*	**9,252**	(6,566)
Taxation	*5*	**(10,547)**	(3,810)
Loss for the year from continuing operation		**(1,295)**	(10,376)
Discontinued operation			
Loss for the year from discontinued operation	*6*	**(18,998)**	(29,004)
Loss for the year		**(20,293)**	(39,380)

	Note	2016 HK$'000	2015 HK$'000 (restated)
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**(13,504)**	(9,966)
Reclassification of exchange differences upon disposal of subsidiaries		**2,849**	—
Other comprehensive expense for the year		**(10,655)**	(9,966)
Total comprehensive expense for the year		**(30,948)**	(49,346)
Loss for the year attributable to owners of the Company:			
– from continuing operation		**(1,645)**	(10,008)
– from discontinued operation		**(13,543)**	(20,605)
		(15,188)	(30,613)
Profit (loss) for the year attributable to non-controlling interests:			
– from continuing operation		**350**	(367)
– from discontinued operation		**(5,455)**	(8,400)
		(5,105)	(8,767)
Loss for the year		**(20,293)**	(39,380)
Total comprehensive expense attributable to:			
Owners of the Company		**(26,329)**	(37,980)
Non-controlling interests		**(4,619)**	(11,366)
		(30,948)	(49,346)
Loss per share	7		
From continuing and discontinued operation			
– Basic		**(0.40) HK cents**	(0.86) HK cents
– Diluted		**(0.40) HK cents**	(0.86) HK cents
From continuing operation			
– Basic		**(0.04) HK cents**	(0.28) HK cents
– Diluted		**(0.04) HK cents**	(0.28) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties		—	—
Property, plant and equipment		**8,380**	9,113
Prepaid lease payments		—	7,968
Intangible assets		**29,146**	29,839
Goodwill		**330,805**	330,805
Convertible bonds receivable	*8*	**40,984**	—
		409,315	377,725
Current assets			
Inventories		**2,429**	7,796
Trade and other receivables	*9*	**55,845**	89,467
Amount due from a director		**35,534**	40,772
Taxation recoverable		—	122
Bank balances and cash		**64,597**	130,150
		158,405	268,307
Assets classified as held for sale		**18,700**	177,652
		177,105	445,959
Current liabilities			
Trade and other payables	*10*	**48,909**	186,902
Amounts due to related parties		**712**	43,713
Amount due to a non-controlling shareholder of a subsidiary		**1,232**	1,943
Taxation payable		**6,266**	11,868
Bank loans		—	1,134
		57,119	245,560
Liabilities associated with assets classified as held for sale		**15,512**	3,508
		72,631	249,068

	2016	2015
	HK$'000	*HK$'000*
Net current assets	**104,474**	196,891
Total assets less current liabilities	**513,789**	574,616
Non-current liabilities		
Deferred taxation	**7,287**	7,460
	506,502	567,156
Capital and reserves		
Share capital	**4,783**	4,783
Reserves	**499,619**	502,577
Equity attributable to owners of the Company	**504,402**	507,360
Non-controlling interests	**2,100**	59,796
	506,502	567,156

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

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

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

The Company is an investment holding company.

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

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

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

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

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

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

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

The Directors of the Company anticipate that the application of some of these amendments may have effect on the Group's financial performance and positions and/or the disclosures set out in the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

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

Segment revenues and results from continuing operation

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

Segment profit/loss represents the profit/loss earned/incurred by each segment without allocation of central administration costs and certain other income, gains and losses. This is the information reported to the Executive Directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

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

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

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

- all assets are allocated to operating segments other than certain prepayments and bank balances and cash held by the respective head offices, taxation recoverable and investment properties; and

- all liabilities are allocated to operating segments other than liabilities of the respective head offices, deferred taxation, bank loans and taxation payable from both segments.

Other segment information from continuing operation

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

Geographical information

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

	Turnover from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		
Hong Kong	**103,789**	62,752	**40,984**	—
PRC	**80,436**	36,678	**8,380**	17,081
Others	**3,915**	443	**—**	—
	188,140	99,873	**49,364**	17,081

Note: Non-current assets exclude intangible assets and goodwill.

Information about major customers

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

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

4. PROFIT (LOSS) BEFORE TAXATION FROM CONTINUING OPERATION

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

5. TAXATION

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

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

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

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

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

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

6. DISCONTINUED OPERATION

Pursuant to the board resolution dated 2 December 2016, having reviewed the Group's business operation, the Directors decided to discontinue the EMS Business (defined in note 3) and it is expected that the discontinuation of the EMS Business will allow the Group to reallocate its resources and effort to the manufacturing and trading in dental prosthetics business, which the Directors considered to be a more profitable segment of the Group.

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

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

7. LOSS PER SHARE

From continuing operation

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

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

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

From continuing and discontinued operation

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

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

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

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

From discontinued operation

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

8. CONVERTIBLE BONDS RECEIVABLE

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

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

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

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

Details of movement is set out below:

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

9. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of trade receivables presented based on the invoice date (also approximates to revenue recognition date) at the end of the reporting period:

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

Payment terms with customers are mainly on credit. Invoices are normally due for payment within 30 to 90 days after issuance, except for certain well-established customers, where the terms are extended to 120 days.

10. TRADE AND OTHER PAYABLES

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

Note: At 31 December 2015, other payables mainly represented deposit received in respect of the disposal of Decent Choice Limited and its subsidiaries which was settled during the year ended 31 December 2016.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

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

FINAL DIVIDEND

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

BUSINESS REVIEW

Electronic Manufacturing Services Business (the "EMS Business")

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

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

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

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

Properties Holdings and Properties Investments

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

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

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

Dental Prosthetics Business

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

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

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

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

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

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

PROSPECT

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

EMS Business

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

Dental Prosthetics Business

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

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

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

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

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

Gross Profit and Gross Profit Margin

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

Goodwill

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

Convertible Bonds Receivable

The convertible bonds receivable represented the Group's EUR 5 million investment in Condor International, which is specialised in the sales, distribution and development of the three dimensional intraoral scanners.

Cash Position and Cash Flow

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

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

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

Capital Expenditure and Capital Commitments

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

Contingent Liabilities

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

Treasury Policy

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

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

Liquidity, Capital Structure and Financial Resources

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

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

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

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

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

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

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

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

Charge on Assets

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

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

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

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

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

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

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

EVENT AFTER THE REPORTING PERIOD

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

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

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

EMPLOYEES AND REMUNERATION POLICY

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

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

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

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

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2016.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2016, the Company has complied with the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.2.1

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

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

Code Provision A.6.7

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

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

Code Provision E.1.2

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

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

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

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The Audit Committee currently comprises three independent non-executive Directors, namely Dr. Liu Yanwen (chairman), Mr. Guo Peineng and Mr. Song Qun. Dr. Loke Yu alias Loke Hoi Lam (resigned on 11 January 2017) was the chairman of the Audit Committee, and Mr. Wu Jixian (resigned on 23 January 2017) and Mr. Lam Kwok Cheong (resigned on 1 July 2016) were the members of the Audit Committee during the year.

The Audit Committee has reviewed and discussed with management and the external auditors on matters regarding internal control, systems of risk management, the accounting standards and practices adopted by the Group and the Group's annual results for the year ended 31 December 2016.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (http://www.megamedicaltech.com) and Hong Kong Exchanges and Clearing Limited website (http://www.hkexnews.hk). The 2016 annual report will be dispatched to the shareholders of the Company and will be made available on the websites of the Company and Hong Kong Exchanges and Clearing Limited in due course in accordance with the Listing Rules.

APPRECIATION

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

I would also like to personally thank our management and staff for their hard work and commitment to the Group and cheer them as we tackle future challenges successfully.

By Order of the Board
Mega Medical Technology Limited
LUO Jun
Chairman

Hong Kong, 18 March 2017

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Luo Jun (Chairman) and Mr. Wu Tianyu (Chief Executive Officer), one non-executive Director, namely Mr. Xu Hao, and three independent non-executive Directors, namely Dr. Liu Yanwen, Mr. Song Qun and Mr. Guo Peineng.