HEALTHCARE
华|夏|健|康

CHINA HEALTHCARE ENTERPRISE GROUP LIMITED
華夏健康產業集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1143)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "**Directors**") (the "**Board**") of China Healthcare Enterprise Group Limited 華夏健康產業集團有限公司 (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 (the "**Year**"), together with the comparative figures of 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	**2016** *HK$'000*	2015 *HK$'000*
Continuing operations			
Revenue	*4*	**748,749**	1,008,561
Cost of sales		**(598,835)**	(796,467)
Gross profit		**149,914**	212,094
Other income	*5*	**34,419**	13,687
Selling and distribution expenses		**(49,943)**	(55,365)
Administrative expenses		**(131,420)**	(76,573)
Other operating expenses		**(74,637)**	(43,729)
(Loss)/profit from operations		**(71,667)**	50,114
Finance costs	*6*	**(4,297)**	(6,081)
Share of loss of a joint venture		**–**	(117)
(Loss)/profit before tax		**(75,964)**	43,916
Income tax expense	*7*	**(11,074)**	(5,549)
(Loss)/profit for the year from continuing operations		**(87,038)**	38,367
Discontinued operations			
Loss for the year from discontinued operations	*8*	**–**	(79,432)
Loss for the year		**(87,038)**	(41,065)
Attributable to:			
Owners of the Company		**(82,646)**	(1,844)
Non-controlling interests		**(4,392)**	(39,221)
		(87,038)	(41,065)
(Loss)/earnings per share	*10*		(Restated)
From continuing and discontinued operations			
Basic (cents per share)		**(1.668)**	(0.037)
Diluted (cents per share)		**N/A**	(0.037)
From continuing operations			
Basic (cents per share)		**(1.668)**	0.818
Diluted (cents per share)		**N/A**	0.815

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(87,038)**	(41,065)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Gain on property revaluation	**668**	4,236
Deferred tax credit/(charge) from gain/ loss on property revaluation	**66**	(545)
	734	3,691
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(1,284)**	1,418
Exchange differences reclassified to profit or loss on disposal of foreign operations	**–**	(3,810)
Fair value changes of available-for-sale financial assets	**(33,657)**	–
Reclassification adjustment for impairment loss recognised in respect of available-for-sale financial assets	**25,600**	–
	(9,341)	(2,392)
Other comprehensive income for the year, net of tax	**(8,607)**	1,299
Total comprehensive income for the year	**(95,645)**	(39,766)
Attributable to:		
Owners of the Company	**(91,253)**	(2,690)
Non-controlling interests	**(4,392)**	(37,076)
	(95,645)	(39,766)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**60,900**	72,167
Prepaid lease payments		**2,432**	3,259
Intangible assets		**–**	6,113
Investment in a joint venture		**–**	–
Deferred tax assets		**5,827**	14,046
Total non-current assets		**69,159**	95,585
Current assets			
Inventories		**100,865**	130,260
Trade receivables	*11(i)*	**117,442**	169,322
Receivables for factoring business	*11(ii)*	**14,551**	–
Prepayments, deposits and other receivables		**154,883**	14,834
Derivative financial assets		**–**	798
Available-for-sale financial assets		**130,224**	–
Current tax assets		**4,867**	1,442
Bank and cash balances		**208,293**	441,207
Total current assets		**731,125**	757,863
TOTAL ASSETS		**800,284**	853,448
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**4,955**	4,955
Reserves		**469,892**	549,005
		474,847	553,960
Non-controlling interests		**(11,210)**	(5,958)
Total equity		**463,637**	548,002

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
License rights payable		**2,095**	12,209
Deferred tax liabilities		**3,763**	8,030
Total non-current liabilities		**5,858**	20,239
Current liabilities			
Trade payables	*12*	**81,452**	116,528
Accruals and other payables		**159,072**	143,709
Amount due to a joint venture		**67**	–
Amount due to a non-controlling shareholder of a subsidiary		**327**	135
Borrowings		**79,712**	–
License rights payable		**4,904**	15,043
Product warranty provisions		**3,800**	4,298
Current tax liabilities		**1,455**	5,494
Total current liabilities		**330,789**	285,207
TOTAL EQUITY AND LIABILITIES		**800,284**	853,448

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS (CONT'D)

(b) New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The Group's financial assets that are currently classified as available-for-sale include certain listed equity securities. The Group expects to irrevocably designate these equity securities as fair value through other comprehensive income. This will give rise to a change in accounting policy. The listed equity securities are currently measured at fair value with fair value changes recognised in other comprehensive income until disposal or impairment at which point the fair value gains or losses are recycled to profit or loss. Under HKFRS 9 recycling of the fair value gains and losses is not permitted.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantity the impact until a more detailed assessment is completed.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS (CONT'D)

(b) New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statements but unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$25,843,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

3. SEGMENT INFORMATION

The Group has three operating segments as follows:

EMS	— Electronic manufacturing services
Distribution of Communications Products	— Marketing and distribution of communications products
Securities and Other Assets Investment	— Securities and other assets investment

A new operating segment, Securities and Other Assets Investment was formed during the year. The Company, certain newly formed subsidiaries and certain subsidiaries formerly under EMS segment form the constituents of this new operating segment.

Two operations (Multimedia Products and Computer Accessories and Gaming Products and Toy) were disposed of in the year ended 31 December 2015. Part of the EMS and Distribution of Communications Products operations were also disposed of in the year ended 31 December 2015. The segment information reported does not include any amounts for these discontinued operations.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include unallocated expenses, share of profits/losses of a joint venture, impairment loss on amount due from a joint venture and income tax. Segment assets do not include investment in a joint venture and deferred tax assets. Segment liabilities do not include borrowings and deferred tax liabilities. Segment non-current assets do not include deferred tax assets.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

3. **SEGMENT INFORMATION (CONT'D)**

(a) **Information about reportable segment profit or loss, assets and liabilities from continuing operations:**

	EMS	**Distribution of Communications Products**	**Securities and Other Assets Investment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016				
Revenue from external customers	**668,984**	**79,582**	**183**	**748,749**
Intersegment revenue	**37,446**	**–**	**–**	**37,446**
Segment profit/(loss)	**22,011**	**5,173**	**(82,335)**	**(55,151)**
Interest revenue	**196**	**–**	**10**	**206**
Interest expense	**–**	**2,550**	**–**	**2,550**
Depreciation and amortisation	**16,732**	**1,259**	**459**	**18,450**
Other material non-cash items:				
Fair value loss on an investment property	**–**	**–**	**18,345**	**18,345**
Impairment loss on available-for-sale financial assets	**–**	**–**	**25,600**	**25,600**
Gain on disposal of a subsidiary holding an investment property	**–**	**–**	**6,356**	**6,356**
Gain on license rights contract amendment	**–**	**16,369**	**–**	**16,369**
Additions to segment non-current assets	**6,417**	**30**	**1,150**	**7,597**
As at 31 December 2016				
Segment assets	**444,403**	**54,977**	**342,119**	**841,499**
Segment liabilities	**238,888**	**55,585**	**2,093**	**296,566**
Investment in a joint venture	**–**	**–**	**–**	**–**

	EMS	Distribution of Communications Products	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2015			
Revenue from external customers	917,271	91,290	1,008,561
Intersegment revenue	47,260	–	47,260
Segment profit/(loss)	62,405	(17,441)	44,964
Interest revenue	1,762	–	1,762
Interest expense	1,510	4,571	6,081
Depreciation and amortisation	18,360	3,487	21,847
Other material non-cash items:			
Impairment loss on intangible asset	–	3,500	3,500
Additions to segment non-current assets	21,523	95	21,618
As at 31 December 2015			
Segment assets	784,052	87,201	871,253
Segment liabilities	233,866	92,568	326,434
Investment in a joint venture	–	–	–

3. SEGMENT INFORMATION (CONT'D)

(b) Reconciliations of segment revenue and profit or loss, assets and liabilities from continuing operations:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**786,195**	1,055,821
Elimination of intersegment revenue	**(37,446)**	(47,260)
Consolidated revenue from continuing operations	**748,749**	1,008,561

	2016	2015
	HK$'000	*HK$'000*
Profit or loss		
Total (loss)/profit of reportable segments	**(55,151)**	44,964
Intersegment elimination	**662**	348
Unallocated amounts:		
Imputed interest on non-interest bearing loans from a substantial shareholder	**(992)**	–
Interest on loans from an independent third party	**(755)**	–
Other unallocated head office and corporate expenses	**(19,728)**	–
Impairment loss on amount due from a joint venture	**–**	(1,279)
Share of loss of a joint venture	**–**	(117)
Consolidated (loss)/profit before tax from continuing operations	**(75,964)**	43,916

Reconciliations of segment assets and liabilities:

	2016	2015
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**841,499**	871,253
Elimination of intersegment assets	**(46,070)**	(29,018)
Elimination of unrealised profits	**(2,172)**	(2,833)
Unallocated amounts:		
Prepayments	**1,200**	–
Deferred tax assets	**5,827**	14,046
Consolidated total assets	**800,284**	853,448

3. **SEGMENT INFORMATION (CONT'D)**

(b) **Reconciliations of segment revenue and profit or loss, assets and liabilities from continuing operations: (Continued)**

	2016	2015
	HK$'000	*HK$'000*
Liabilities		
Total liabilities of reportable segments	**296,566**	326,434
Elimination of intersegment liabilities	**(46,070)**	(29,018)
Unallocated amounts:		
Accruals and other payables	**2,676**	–
Borrowings	**79,712**	–
Deferred tax liabilities	**3,763**	8,030
Consolidated total liabilities	**336,647**	305,446

(c) **Geographical information:**

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location are detailed below:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
The People's Republic of China (the "**PRC**") (including Hong Kong)	**88,032**	213,234
The United States of America (the "**U.S.A.**")	**176,187**	181,904
Switzerland	**141,471**	176,839
France	**63,717**	104,511
Poland	**18,902**	76,916
United Kingdom	**43,299**	53,008
Others	**217,141**	202,149
Consolidated total revenue	**748,749**	1,008,561

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
The PRC (including Hong Kong)	**63,280**	75,335
The U.S.A.	**52**	6,204
Consolidated total non-current assets	**63,332**	81,539

3. **SEGMENT INFORMATION (CONT'D)**

(d) **Revenue from major customers:**

An analysis of revenue from major customers which account for 10 percent or more of the Group's revenue is as follows:

	2016	2015
	HK$'000	*HK$'000*
EMS segment		
Customer A	**201,260**	269,136
Customer B	**125,574**	145,832

4. **REVENUE**

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

	2016	2015
	HK$'000	*HK$'000*
Sales of goods	**752,366**	1,017,604
Net sales return arising from product warranty	**(3,800)**	(9,043)
	748,566	1,008,561
Factoring interest income	**183**	–
	748,749	1,008,561

5. **OTHER INCOME**

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**206**	1,762
Consultancy fee	**1,140**	54
Commission income	**1,182**	–
Tooling income	**1,123**	–
Gain on disposal of property, plant and equipment	**50**	–
Gain on derivative financial assets	**–**	7,062
Gain on disposal of a subsidiary holding an investment property	**6,356**	–
Gain on disposal of available-for-sale financial assets	**4,741**	–
Gain on license rights contract amendment	**16,369**	–
Government subsidy	**129**	960
Research and development service income	**–**	782
Sales of scrap materials	**406**	492
Others	**2,717**	2,575
	34,419	13,687

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Bank loans interest	**–**	802
Interest on import/export loans	**–**	708
Imputed interest on non-interest bearing loans from a substantial shareholder	**992**	–
Interest on loans from an independent third party	**755**	–
Other interest expenses	**2,550**	4,571
	4,297	6,081

7. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as follows:

	2016	2015
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**5,839**	10,110
Over-provision in prior years	**(622)**	(32)
	5,217	10,078
Current tax — Overseas		
Provision for the year	**1,839**	516
Under-provision in prior years	**–**	9
	1,839	525
Deferred tax	**4,018**	(5,054)
	11,074	5,549

Hong Kong Profits Tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year ended 31 December 2016.

PRC Enterprises Income Tax has been provided at a rate of 25% (2015: 25%).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

7. INCOME TAX EXPENSE (CONT'D)

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit before tax (from continuing operations)	**(75,964)**	43,916
Tax at the Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	**(12,534)**	7,246
Tax effect of income that is not taxable	**(2,242)**	(633)
Tax effect of expenses that are not deductible	**18,229**	6,605
Tax effect of temporary differences not recognised	**1,031**	(2,506)
Tax effect of tax concession	**(3,873)**	(5,922)
Over-provision in prior years	**(622)**	(23)
Over-provision of deferred tax in prior years	**(1,879)**	–
Tax effect of utilisation of tax losses not previously recognised	**(368)**	–
Tax effect of tax losses not recognised	**9,112**	1,714
Effect of different tax rates of subsidiaries	**3,899**	(828)
Others	**321**	(104)
Income tax expense (relating to continuing operations)	**11,074**	5,549

8. DISCONTINUED OPERATIONS

On 22 May 2015, the Company entered into the disposal agreement (as supplemented on 7 August 2015), pursuant to which the Company has agreed to sell the equity interests of a group of subsidiaries and associates to Dragon Fortune International Limited, a former controlling shareholder of the Company, at a consideration of HK$169,800,000 (the "**Disposal**"). The Disposal was completed on 7 October 2015.

	2016	2015
	HK$'000	*HK$'000*
Loss for the year from discontinued operations:		
Revenue	–	380,512
Cost of goods sold	–	(326,404)
Gross profit	–	54,108
Other income	–	15,187
Selling and distribution expenses	–	(47,401)
Administrative expenses	–	(80,294)
Other operating expenses	–	(18,676)
Loss from operations	–	(77,076)
Finance costs	–	(4,801)
Share of profit of an associate	–	29
	–	(81,848)
Loss on disposal of subsidiaries	–	(2,071)
Income tax credit	–	4,487
Loss for the year from discontinued operations	–	(79,432)
Loss for the year from discontinued operations include the following:		
Depreciation and amortisation	–	10,935
Auditor's remuneration	–	2,278
Cash flows from discontinued operations:		
Net cash outflows from operating activities	–	(13,909)
Net cash outflows from investing activities	–	(4,314)
Net cash outflows from financing activities	–	(787)
Net cash outflows	–	(19,010)

9. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
2014 Final of HK$0.015 per ordinary share	–	6,176

10. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share is based on the following:

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	**(82,646)**	(1,844)

Number of shares — Basic

	2016	2015
		(Restated*)
Issued ordinary shares 1 January	**495,531,140**	411,714,000
Effect of exercise of share options	**–**	8,798,272
Effect of issue from placing	**–**	74,241,096
Effect of share subdivision	**4,459,780,260**	4,459,780,260
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**4,955,311,400**	4,954,533,628

Number of shares — Diluted

	2016	2015
		(Restated*)
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**4,955,311,400**	4,954,533,628
Effect of dilutive potential ordinary shares arising from share options issued by the Company	**–**	20,127,240
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**4,955,311,400**	4,974,660,868

No diluted loss per share from continuing and discontinued operations are presented in 2016 as the Company did not have any dilutive potential ordinary shares during the Year.

* The weighted average number of ordinary shares of both years for the purposes of basic and diluted (loss)/earnings per share has been adjusted to reflect the effect of share-subdivision, as if the share-subdivision had occurred on 1 January 2015.

10. (LOSS)/EARNINGS PER SHARE (CONT'D)

From continuing operations

The calculation of the basic and diluted (loss)/earnings per share from continuing operations is based on the following:

	2016	2015
	HK$'000	*HK$'000*
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share from continuing operations	**(82,646)**	40,520

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted (loss)/earnings per share are the same as set out above.

No diluted (loss)/earnings per share from continuing operations are presented in 2016 as the Company did not have any dilutive potential ordinary shares during the Year.

From discontinued operations

Basic loss per share from discontinued operations in 2015 is HK0.855 cents. Basic loss per share calculation is based on the loss in 2015 from discontinued operations attributable to the owners of the Company of approximately HK$42,364,000 and the denominators used are the same as those detailed above.

Diluted loss per share from discontinued operations in 2015 is HK0.852 cents. Diluted loss per share calculation is based on the loss for 2015 from discontinued operations attributable to the owners of the Company of approximately HK$42,364,000 and the denominator used are the same as those detailed above.

11. TRADE RECEIVABLES AND RECEIVABLES FOR FACTORING BUSINESS

		2016	2015
		HK$'000	*HK$'000*
Trade receivables	(i)	**122,639**	173,936
Allowance for trade receivables		**(5,197)**	(4,614)
		117,442	169,322
Receivables for factoring business	(ii)	**14,551**	–
		131,993	169,322

(i) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

11. TRADE RECEIVABLES AND RECEIVABLES FOR FACTORING BUSINESS (CONT'D)

(i) Trade receivables (Continued)

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2016 *HK$'000*	2015 *HK$'000*
0 to 90 days	**109,777**	157,997
91 to 180 days	**4,426**	10,132
181 to 365 days	**682**	210
Over 365 days	**2,557**	983
	117,442	169,322

Reconciliation of allowance for trade receivables:

	2016 *HK$'000*	2015 *HK$'000*
At 1 January	**4,614**	3,314
Allowance for the year	**583**	4,966
Disposal of subsidiaries	**–**	(1,054)
Bad debts written off	**–**	(2,612)
At 31 December	**5,197**	4,614

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in payments and the receivables are not expected to be recovered.

As of 31 December 2016, trade receivables of approximately HK$20,303,000 (2015: HK$30,318,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An aging analysis of these trade receivables is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Up to 3 months	**17,003**	28,048
Over 3 months	**3,300**	2,270
	20,303	30,318

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2016 *HK$'000*	2015 *HK$'000*
United States dollar ("**USD**")	**114,893**	168,393
Hong Kong dollar ("**HKD**")	**26**	73
Renminbi ("**RMB**")	**2,519**	856
Others	**4**	–
Total	**117,442**	169,322

11. TRADE RECEIVABLES AND RECEIVABLES FOR FACTORING BUSINESS (CONT'D)

(ii) Receivables for factoring business

At the end of reporting period, all receivables for factoring business were repayable within one year and denominated in RMB.

The Group has a credit risk assessment team to approve the maximum limit of factoring facility granted to each customer. The Group also strictly monitor the interest repayment and credit quality of the receivables until maturity. There was no overdue receivables as at end of reporting period. No impairment allowance is necessary in respect of these receivables as there has not been a significant change in credit quality.

12. TRADE PAYABLES

The aging analysis of trade payables, based on invoice date, is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 to 90 days	**78,605**	113,546
91 to 180 days	**1,360**	393
181 to 365 days	**711**	811
Over 365 days	**776**	1,778
	81,452	116,528

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2016	2015
	HK$'000	*HK$'000*
USD	**9,886**	28,984
HKD	**17,846**	75,018
RMB	**53,672**	11,860
Euro ("**EUR**")	**48**	666
Total	**81,452**	116,528

SCOPE OF WORK OF RSM HONG KONG

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 the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong 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 RSM Hong Kong on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the past year, the slowdown in the growth of the Chinese economy and depreciation of the RMB continued, and followed by the unexpected results of the Brexit referendum and the election and inauguration of a new president in the U.S.A., brought about unstable global economic conditions and an uncertain macroeconomic environment to the market. As a result, the Group's business development was challenged.

Despite the challenging operational situation, the Group has made efforts to chart a new course of development in order to pursue fresh opportunities in the market. Supported by the solid foundation of the EMS and Distribution of Communications Products, the Group's business strategy has expanded its reach to the medical and healthcare industry on one hand and to improve its capital efficiency on the other . Hence, the Securities and Other Assets Investment, a new reporting segment, was formed during the Year, so as to effectively carry out the financial management function.

For the year ended 31 December 2016, the Group recorded revenue of approximately HK$748.7 million (2015: HK$1,008.6 million from the continuing operations). Gross profit amounted to HK$149.9 million (2015: HK$212.1 million from the continuing operations), while loss attributable to owners of the Company was HK$82.6 million (2015: HK$1.8 million).

The Group continued to maintain a healthy financial position. As at 31 December 2016, it had bank and cash balances of HK$208.3 million (2015: HK$441.2 million).

REVIEW OF OPERATIONS

The EMS and Distribution of Communications Products business

Revenue from the EMS and Distribution of Communications Products business was HK$669.0 million (2015: HK$917.3 million) and HK$79.6 million (2015: HK$91.3 million), respectively. The decline was due to the challenging global economic environment and weakened sales performance of customers leading to the decrease in sales orders. Additionally, the internal restructuring of business and the organisation impacted the growth. Nevertheless, the Group's ongoing and successful efforts on cost control and the completion of the disposal of loss-making subsidiaries in the second half of 2015 partially mitigated the shortfall.

Securities and Other Assets Investment

The Group set up the Securities and Other Assets Investment segment in the current year in order to identify suitable opportunities globally to enhance its utilisation of capital and tap the healthcare and medical industry.

While the Securities and Other Assets Investment segment is at start-up stage, the revenue generated for this segment is therefore relatively modest, amounting to approximately HK$0.2 million. However, the Group has reserved sufficient financial resources so as to grasp opportunity when it arises.

Although this segment is still at the development stage, the Group will step up efforts to cooperate with companies and authorities in China in view of significant room for growth in the PRC's healthcare sector, with the aim of seizing business opportunities in the growing healthcare sector and driving new profit streams in the long term.

Geographical Analysis

Regarding the geographic markets of the three segments, the major European countries (the United Kingdom, Switzerland, Poland and France) represented the largest market for the Group with the revenue amounting to HK$267.4 million (2015: HK$411.3 million from the continuing operations), accounting for 35.7% of the Group's total revenue for the year ended 31 December 2016 (2015: 41%). The U.S.A. market contributed HK$176.2 million (2015: HK$181.9 million from the continuing operations) in revenue, and accounted for 23.5% of the Group's total revenue (2015: 18%). The PRC (including Hong Kong) and other countries accounted for HK$88.0 million and HK$217.1 million respectively, representing 11.8% and 29.0% of the Group's total revenue (2015: HK$213.2 million and HK$202.1 million from the continuing operations respectively).

FINANCIAL INFORMATION

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the Group recorded total revenue of HK$748.7 million (2015: HK$1,008.6 million from the continuing operations).

The Group's reporting segments are strategic business units that offer different products and services. There are three broad groups of business units for segment accounting purpose, EMS, Distribution of Communications Products and the new reporting segment, the Securities and Other Assets Investment. In EMS segment, there are also two main groups of products, namely communication and non-communications products whereas non-communication products mainly include appliances and appliances control products and multimedia products. Distribution of Communications Products segment represents the marketing and distribution of communications products. The function of the Securities and Other Assets Investment segment is to carry out effective financial management.

For the year ended 31 December 2016, the revenue from EMS segment decreased by 27.1% to HK$669.0 million (2015: HK$917.3 million), whereas the revenue from Distribution of Communications Products segment decreased by 12.8% to HK$79.6 million (2015: HK$91.3 million). The Securities and Other Assets Investment segment contributed modest revenue of approximately HK$0.2 million.

The decrease in the revenue of EMS segment was resulted mainly from the decrease in sales of appliances & appliances control products of HK$150.2 million and gaming products of HK$39.0 million.

Cost of Sales

Cost of sales decreased by 24.8% from HK$796.5 million in 2015 to HK$598.8 million in 2016 corresponded to the level of revenue of the Year.

Gross Profit

Gross profit decreased by 29.3% from HK$212.1 million to HK$149.9 million, while the gross profit margin remained stable at 20.0% (2015: 21.0%). Apart from the slight gross loss of HK$1.0 million resulted from Securities and Other Assets Investment segment, the gross profit of HK$150.9 million was apportioned between EMS segment and Distribution of Communications Products segment at 87.2% (2015: 88.2%) and 12.8% (2015: 11.8%), respectively.

Other income

The other income increased from HK$13.7 million to HK$34.4 million comparing with last year. The major components of the other income are represented by the gain of HK$16.4 million arising from the amendment of the terms of a licensing agreement under the Distribution of Communications Products segment.

Selling and distribution expenses

Selling and distribution expenses of HK$49.9 million (2015: HK$55.4 million) accounted for approximately 6.7% in 2016 and 5.5% in 2015 of the Group's revenue. The decrease is mainly caused by the decrease in commission expenses of HK$1.2 million and reduced direct distribution cost of HK$2.4 million comparing with last year.

Administrative expenses

Administrative expenses of HK$131.4 million (2015: HK$76.6 million) marked an increment of HK$54.8 million, mainly contributed by the increase in legal and professional fees of HK$37.7 million and increase in human resources cost of HK$11.6 million. The administrative expenses accounted for approximately 17.6% in 2016 and 7.6% in 2015 of the Group's revenue.

Other operating expenses

Other operating expenses increased by 70.7% from HK$43.7 million in 2015 to HK$74.6 million in 2016. The increase was mainly attributable to the impairment loss on available-for-sale financial assets of HK$25.6 million and fair value loss on an investment property of HK$18.3 million, offset by the reduction in the level of bad debt written off of HK$5.5 million and the decrease in research & development expenses of HK$3.8 million.

Finance costs

The Group's finance costs mainly comprise interest expenses on loans from an independent third party, the imputed interest on loans from a substantial shareholder and amortized interest on license fee. The Group's finance costs were approximately HK$4.3 million in 2016 and HK$6.1 million in 2015, representing approximately 0.6% of the revenue in each of 2016 and 2015.

Income tax expense

The Group's income tax expense represents amounts of income tax paid by the Group, at the applicable tax rates in accordance with the relevant laws and regulations in Hong Kong, PRC and U.S.A.. The Group had no tax payable in other jurisdictions during the years ended 31 December 2016 and 2015.

Discontinued operations

On 22 May 2015, the Company entered into the disposal agreement (as supplemented on 7 August 2015) with Dragon Fortune International Limited, a former controlling shareholder of the Company in respect of the Disposal. The Disposal was completed on 7 October 2015. The loss from the discontinued operations for the year ended 31 December 2015 was of HK$79.4 million.

Loss attributable to owners of the Company

The loss attributable to owners of the Company is of HK$82.6 million (2015: HK$1.8 million). The Group's net loss margin attributable to owners of the Company for the year ended 31 December 2016 was -11.0% (2015: -0.1%).

Loss for the year attributable to non-controlling interests

Loss for the year attributable to non-controlling interests amounted to HK$4.4 million for the year ended 31 December 2016 (2015: HK$39.2 million). The decrease in loss was mainly caused by the disposal of major loss making distribution business units during the last year.

LIQUIDITY AND CAPITAL RESOURCES

The Group generally finances its operations and capital expenditure by internally generated cashflows, the proceeds from the Company's initial public offering in January 2011 and borrowings.

As at 31 December 2016, the bank and cash balances amounted to HK$208.3 million (2015: HK$441.2 million), representing an decrease of HK$232.9 million from 2015. Respective sum of 9.0%, 56.9% and 34.0% of the bank and cash balances was denominated in RMB, USD and HKD respectively whilst the remaining 0.1% was denominated in various currencies.

The Group's current ratio remains in a healthy position at 2.21 times (2015: 2.66 times).

As at 31 December 2016, the carrying amounts of the interest-bearing loans from an independent third party and non-interest bearing loans from a substantial shareholder amounted to HK$20.0 million and HK$59.7 million, respectively. There is no borrowing as at 31 December 2015.

Cash flow

In 2016, HK$6.4 million was used in the operating activities, whilst HK$20.8 million and HK$90.0 million were generated from investing activities and financing activities respectively. The cash inflow from financing activities was related to the proceeds from other borrowings and loans from a substantial shareholder. Net cash inflow from investing activities was mainly arising from the net proceeds from disposal of available-for-sale financial assets amounting to HK$127.9 million and decrease in cash in margin account of a brokerage firm of HK$333.9 million offset by the use of proceeds in purchasing available-for-sale financial assets amounting to HK$287.0 million as well as the refundable deposit of HK$140.0 million paid for the proposed acquisition of a target group.

Exchange risk exposure

The Group mitigates its foreign exchange rate risk through the use of derivative financial instruments. The Group primarily enters into foreign currency forward contracts to reduce the effects of fluctuating foreign currency exchange rates, in particular, the exchange rate between EUR and HKD as well as exchange rate between USD and RMB. The Group categorises these instruments as being entered into for purposes other than trading.

As at 31 December 2016, the Group had no outstanding forwards contacts (2015: fair value of approximately HK$0.8 million. The contract amount of the forward contracts is HKD equivalent of 26.2 million (equivalent to EUR3 million)).

Capital expenditure

Capital expenditure for 2016 amounted to HK$7.6 million and capital commitments as at 31 December 2016 amounted to HK$0.8 million. Both the capital expenditure and capital commitments were mainly related to the acquisition of plant and machinery and leasehold improvements to cope with the increase in business volume.

Pledge of assets

As at 31 December 2016 and 2015, none of the Group's assets was pledged.

Contingent liabilities

As at 31 December 2016 and 2015, the Group had an outstanding guarantee (the "**Guarantee**") in favor of a supplier of an oversea subsidiary ("**Disposed Subsidiary**"), which was disposed under the Disposal, for a sum of equivalent to HK$20.3 million (USD2.6 million) representing a trade balance under dispute between the Disposed Subsidiary and that supplier. The Disposed Subsidiary had issued counter guarantee to the Company to indemnify the Company for any loss in relation to the Guarantee. Apart from the above, the Group and Company did not have any significant contingent liabilities.

Significant investments

As at 31 December 2016, the Group was holding listed equity investments at a fair value of approximately HK$130.2 million, which were classified as available-for-sale financial assets of the Group. Due to downward movement of the share prices, impairment loss and net unrealised loss in respect of these investments of approximately HK$25.6 million and HK$8.1 million, was recorded in profit or loss and other comprehensive income for the year ended 31 December 2016, respectively.

Apart from the aforesaid transactions, there was no other material investment by the Group that should be notified to the shareholders of the Company.

Human resources

As at 31 December 2016, the Group had approximately 1,840 employees in various operating units located in Hong Kong, U.S.A. and PRC. In order to attract and retain high quality talents to ensure smooth operation and cater for the Group's constant expansion, it offers competitive remuneration packages, with reference to market conditions and individual qualifications and experience.

There is no outstanding share option as at 31 December 2016 and 2015. In addition, no share option was granted, cancelled or lapsed during the year ended 31 December 2016.

Prospects

Looking ahead, the management remains cautiously optimistic about the Group's development prospects in view of the challenging global economy and political uncertainties in some of the world's major countries. The Group will keep implementing its development strategy, strengthening the foundation of its EMS and Distribution of Communications Products business while grasping business opportunities in the medical and healthcare industry.

Given the diversified clientele, the Group remains committed to solidifying its market share of EMS and Distribution of Communications Products business in different countries by addressing the needs of prominent international consumer electronic brands. Meanwhile, the development of other health care electronic products is at the final stage. Testing by and registration with government authorities are expected to be completed in the next year. These moves complement our EMS and Distribution of Communications Products business in order to enhance marketing and sales competencies and extend its market presence.

The PRC's healthcare sector is actively growing with enormous potential to develop in the coming decades. The management believes the reforms and policies implemented by the PRC government underpinned by an aging population, rising disposable incomes and expanding government insurance coverage should continue to drive demand for quality healthcare products and services in the market.

Recently, the State Council released a blueprint for health reforms for the next four years, whereby it plans to intensify medical reforms during the 13th Five-Year Plan while the National Health and Family Planning Commission has issued a notice to implement the Two-Invoice system across all public healthcare service providers nationwide. It is believed that both policy initiatives can help promote the positive development of the medical and healthcare industry in the mid-to-long term.

Through leveraging the resources and strengths that have underpinned its development over the years, the Group remains well-positioned to seize new business opportunities as they arise. The Group is committed to strive for profitability by continuing to explore and identify suitable targets in the medical and healthcare industry in order to generate better returns for shareholders in the future.

Advance to the entity

Pursuant to Rule 13.13 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, a disclosure obligation arises where an advance to an entity exceeds 8% of the total assets of the Group. Pursuant to Rule 13.20 of the Listing Rules, details of the advance as defined under Rule 13.15 of the Listing Rules which remained outstanding as at 31 December 2016 were set out below.

On 29 June 2016, the Group paid a refundable amount of HK$140 million as earnest money (the "**Refundable Deposit**") after signing of the memorandum of understanding for the proposed acquisition of a target group from a vendor (the "**Vendor**") on 22 June 2016 (the "**MOU**"). Details can be found from the Company's announcements dated 22 June 2016 and 29 June 2016.

OTHER INFORMATION

Dividends

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

Purchase, Sale or Redemption of Listed Securities of the Company

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of the subsidiaries during the year ended 31 December 2016.

Event After Reporting Period

(a) The Group has already repaid the non-interest bearing loans from a substantial shareholder at principal amount of HK$70,000,000 after the end of reporting period in full.

(b) The MOU has lapsed pursuant to the terms of the MOU and the Refundable Deposit has been returned by the Vendor to the Group after the end of reporting period.

Code on Corporate Governance Practices

The corporate governance practices are based on the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2016, the Company has applied the principles and complied with all the applicable code provisions set out in the Code, except for the deviation from code provision A.2.1 of the Code as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer" and this is deviated from the code provision A.2.1 of the Code.

Mr. Gong Shaoxiang, who acts as the Chairman and an executive Director of the Company since 4 November 2015, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 and will continue to consider the feasibility to comply with the said code provision. If compliance with the said provision is determined, appropriate persons will be nominated to assume the different roles of chairman and chief executive officer.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the directors. All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

Audit Committee and Review of Accounts

The Audit Committee currently has three members comprising Mr.Wong Chun Hung (Chairman), Mr. Bao Jinqiao and Mr. Leung Pok Man, all being independent non-executive Directors. The primary duties of the Audit Committee are mainly to review and supervise the financial reporting process and internal control system of the Group.

There is no disagreement between the Board and the Audit Committee during the year. The annual results of the Company have been reviewed by the Audit Committee.

Publication of Annual Report on the website of the Stock Exchange

The annual report for the year ended 31 December 2016 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and copies will be dispatched to shareholders of the Company in due course.

By Order of the Board
CHINA HEALTHCARE ENTERPRISE GROUP LIMITED
Gong Shaoxiang
Chairman and Executive Director

Hong Kong, 28 March 2017

As at the date of this announcement, the Board comprises Mr. Gong Shaoxiang (Chairman) and Mr. Lee Chi Hwa Joshua as executive Directors, Mr. Cao Yuyun and Mr. Chan Kin Sang as non-executive Directors and Mr. Bao Jinqiao, Mr. Wong Chun Hung and Mr. Leung Pok Man as independent non-executive Directors.