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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 2017

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 2017 (the "**Year**"), together with the comparative figures of 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	**662,208**	748,749
Cost of sales		**(497,793)**	(598,835)
Gross profit		**164,415**	149,914
Other income	*5*	**19,524**	34,419
Selling and distribution expenses		**(45,578)**	(49,943)
Administrative expenses		**(151,934)**	(131,420)
Other operating expenses		**(94,789)**	(74,637)
Loss from operations		**(108,362)**	(71,667)
Finance costs	*6*	**(13,049)**	(4,297)
Loss before tax		**(121,411)**	(75,964)
Income tax expense	*7*	**(9,898)**	(11,074)
Loss for the year		**(131,309)**	(87,038)
Attributable to:			
Owners of the Company		**(128,428)**	(82,646)
Non-controlling interests		**(2,881)**	(4,392)
		(131,309)	(87,038)
Loss per share	*9*		
Basic (cents per share)		**(2.508)**	(1.668)
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year	**(131,309)**	(87,038)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Gain on property revaluation	**3,752**	668
Deferred tax (charge)/credit from gain on property revaluation	**(445)**	66
	3,307	734
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**266**	(1,284)
Exchange difference reclassified to the profit or loss on disposal of foreign operations	**(429)**	–
Fair value changes of available-for-sale financial assets	**(40,427)**	(33,657)
Reclassification adjustment for loss recognised in respect of available-for-sale financial assets		
— Loss on disposal	**20,339**	–
— Impairment loss	**28,145**	25,600
	7,894	(9,341)
Other comprehensive income for the year, net of tax	**11,201**	(8,607)
Total comprehensive income for the year	**(120,108)**	(95,645)
Attributable to:		
Owners of the Company	**(117,302)**	(91,253)
Non-controlling interests	**(2,806)**	(4,392)
	(120,108)	(95,645)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**57,876**	60,900
Investment properties		**30,000**	–
Prepaid lease payments		**2,034**	2,432
Goodwill		**18,814**	–
Intangible assets		**–**	–
Investment in a joint venture		**–**	–
Rental deposits		**2,235**	–
Deferred tax assets		**2,032**	5,827
Total non-current assets		**112,991**	69,159
Current assets			
Inventories		**85,164**	100,865
Trade receivables	*10(i)*	**116,806**	117,442
Receivables for factoring business	*10(ii)*	**–**	14,551
Prepayments, deposits, other receivables and other assets		**55,730**	154,883
Loans to employee and other parties		**94,993**	–
Loan to a non-controlling shareholder of a subsidiary		**120**	–
Amount due from a related company		**1,257**	–
Available-for-sale financial assets		**11,958**	130,224
Current tax assets		**340**	4,867
Pledged bank deposits		**1,850**	–
Bank and cash balances		**479,379**	208,293
Total current assets		**847,597**	731,125
TOTAL ASSETS		**960,588**	800,284
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**5,945**	4,955
Reserves		**648,600**	469,892
		654,545	474,847
Non-controlling interests		**(543)**	(11,210)
Total equity		**654,002**	463,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
As at 31 December 2017

	Note	**2017** **HK$'000**	2016 *HK$'000*
LIABILITIES			
Non-current liabilities			
License rights payable		**–**	2,095
Deferred tax liabilities		**4,198**	3,763
Total non-current liabilities		**4,198**	5,858
Current liabilities			
Trade payables	*11*	**74,829**	81,452
Accruals and other payables		**169,169**	159,072
Amount due to a joint venture		**–**	67
Amount due to a non-controlling shareholder of a subsidiary		**535**	327
Borrowings		**43,139**	79,712
License rights payable		**6,184**	4,904
Product warranty provisions		**3,336**	3,800
Current tax liabilities		**5,196**	1,455
Total current liabilities		**302,388**	330,789
TOTAL EQUITY AND LIABILITIES		**960,588**	800,284

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 (the "**Listing Rule**") 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.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group recorded operating cash outflow of HK$36,214,000 for the year ended 31 December 2017. The Group has contracted to acquire 84.11% equity interests of Lanzhou Scisky Healthcare Science and Technology Company Limited (the "**Target Company**") with a consideration of approximately RMB258.9 million (approximately HK$319 million) with expected completion in the foreseeable future, subject to the fulfillment of certain conditions precedent. Should the acquisition be completed successfully, the Group shall assume the Target Company's capital commitments of approximately RMB278.5 million (approximately HK$343.2 million) as at 30 September 2017 which were contracted but not provided for acquisition of property, plant and equipment. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance and availability of financial support from a substantial shareholder of the Company, show that the Group should be able to operate with its own internal resources and debt financing. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further information on the Group's acquisition of the Target Company is given in the circular of the Company dated 15 February 2018.

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

(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 2017. None of these impact on the accounting policies of the Group.

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

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.

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

(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 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKAS 40 Investment Property: Transfers of investment property	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	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. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

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

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

HKFRS 9 Financial Instruments (Continued)

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

The Group expects to irrevocably designate those listed equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on equity securities will no longer be recognised in profit or loss but rather in other comprehensive income.

(b) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would have no material change as compared with that recognised under HKAS 39.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the provision of catering services is recognised over time, whereas revenue from the sale of manufactured goods is generally recognised when the risks and rewards of ownership have passed to the customers.

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

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

(a) Timing of revenue recognition (Continued)

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of catering services.

For contracts with customers in which the sale of manufactured goods is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have significant impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Warranty obligations

The Group generally provides for warranties for repairs to any defective electrical products and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under HKFRS 15, which will continue to be accounted for under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

(c) Consideration payable to customers

The Group is required to pay marketing support fees to certain customers for products sold in their stores, and such fees are not related to distinct services provided by those customers. Adoption of HKFRS 15 is expected to bring such fees formerly recorded as selling expenses as reduction of transaction price of each sale contract, hence reducing the reported revenue.

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

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

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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office properties and staff quarters 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 and staff quarters amounted to HK$51,612,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

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

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, impairment loss on amount due from a joint venture and income tax. Segment assets do not include investment in a joint venture, other unallocated assets and deferred tax assets. Segment liabilities do not include borrowings, other unallocated liabilities 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.

(a) Information about reportable segment profit or loss, assets and liabilities:

	EMS *HK$'000*	Distribution of Communications Products *HK$'000*	Securities and Other Assets Investment *HK$'000*	Total *HK$'000*
Year ended 31 December 2017				
Revenue from external customers	**576,580**	**71,117**	**14,511**	**662,208**
Intersegment revenue	**34,723**	**–**	**–**	**34,723**
Segment profit/(loss)	**13,792**	**(1,271)**	**(95,301)**	**(82,780)**
Interest revenue	**898**	**14**	**29**	**941**
Interest expense	**–**	**633**	**736**	**1,369**
Depreciation	**14,942**	**47**	**786**	**15,775**
Other material non-cash items:				
Fair value gain on investment properties *(note 5)*	**–**	**–**	**2,157**	**2,157**
Impairment loss on available-for-sale financial assets	**–**	**–**	**28,145**	**28,145**
Loss on disposal of available-for-sale financial assets	**–**	**–**	**20,339**	**20,339**
Gain on bargain purchase from business combination *(note 5)*	**–**	**–**	**2,354**	**2,354**
Impairment loss on receivables for factoring business	**–**	**–**	**15**	**15**
Loss/(gain) on disposal of subsidiaries	**19,217**	**–**	**(4,388)**	**14,829**
Additions to segment non-current assets	**4,765**	**–**	**47,899**	**52,664**
As at 31 December 2017				
Segment assets	**469,422**	**30,501**	**365,581**	**865,504**
Segment liabilities	**240,970**	**32,630**	**31,697**	**305,297**

3. SEGMENT INFORMATION (CONT'D)

(a) Information about reportable segment profit or loss, assets and liabilities: (Continued)

	EMS *HK$'000*	Distribution of Communications Products *HK$'000*	Securities and Other Assets Investment *HK$'000*	Total *HK$'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

3. SEGMENT INFORMATION (CONT'D)

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

	2017 *HK$'000*	2016 *HK$'000*
Revenue		
Total revenue of reportable segments	**696,931**	786,195
Elimination of intersegment revenue	**(34,723)**	(37,446)
Consolidated revenue	**662,208**	748,749

	2017 *HK$'000*	2016 *HK$'000*
Profit or loss		
Total loss of reportable segments	**(82,780)**	(55,151)
Intersegment elimination	**851**	662
Unallocated amounts:		
Interest income on loans to other parties	**3,630**	–
Imputed interest on non-interest bearing loans from a substantial shareholder	**(10,288)**	(992)
Interest on loans from independent third parties/party	**(1,392)**	(755)
Other unallocated head office and corporate expenses	**(31,432)**	(19,728)
Consolidated loss before tax	**(121,411)**	(75,964)

Reconciliation of segment assets and liabilities:

	2017 *HK$'000*	2016 *HK$'000*
Assets		
Total assets of reportable segments	**865,504**	841,499
Elimination of intersegment assets	**(25,805)**	(46,070)
Elimination of unrealised profits	**(1,321)**	(2,172)
Unallocated amounts:		
Bank and cash balances	**3**	–
Prepayments, deposits, other receivables and other assets	**28,545**	1,200
Loans to other parties	**91,630**	–
Deferred tax assets	**2,032**	5,827
Consolidated total assets	**960,588**	800,284

3. SEGMENT INFORMATION (CONT'D)

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

	2017	2016
	HK$'000	*HK$'000*
Liabilities		
Total liabilities of reportable segments	**305,297**	296,566
Elimination of intersegment liabilities	**(25,805)**	(46,070)
Unallocated amounts:		
Accruals and other payables	**2,896**	2,676
Borrowings	**20,000**	79,712
Deferred tax liabilities	**4,198**	3,763
Consolidated total liabilities	**306,586**	336,647

(c) Geographical information:

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
The People's Republic of China (the "**PRC**") (including Hong Kong)	**97,535**	88,032
The United States of America (the "**U.S.A.**")	**155,821**	176,187
Switzerland	**133,096**	141,471
France	**39,173**	63,717
Poland	**7,431**	18,902
United Kingdom	**26,684**	43,299
Others	**202,468**	217,141
Consolidated total	**662,208**	748,749

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
The PRC (including Hong Kong)	**110,954**	63,280
The U.S.A.	**5**	52
Consolidated total	**110,959**	63,332

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:

	2017	2016
	HK$'000	*HK$'000*
EMS segment		
Customer A	**200,020**	201,260
Customer B	**102,487**	125,574

4. **REVENUE**

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

	2017	2016
	HK$'000	*HK$'000*
Sales of goods	**658,351**	752,366
Net sales return arising from product warranty	**(3,336)**	(3,800)
	655,015	748,566
Factoring interest income	**484**	183
Internet financial services income	**92**	–
Provision of catering service	**6,617**	–
	662,208	748,749

5. **OTHER INCOME**

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**246**	206
Bank fixed deposit interest income	**695**	–
Consultancy fee income	**–**	1,140
Commission income	**1,137**	1,182
Exchange gains	**1,838**	–
Fair value gain on investment properties	**2,157**	–
Interest income on loans to employee and other parties	**3,659**	–
Tooling income	**372**	1,123
Gain on bargain purchase from business combination	**2,354**	–
Gain on disposal of property, plant and equipment	**–**	50
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
Gain on disposal of subsidiaries	**4,402**	–
Government subsidy	**93**	129
Sales of scrap materials	**286**	406
Others	**2,285**	2,717
	19,524	34,419

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Imputed interest on non-interest bearing loans from a substantial shareholder	**10,288**	992
Interest on loans from independent third parties/party	**1,392**	755
Interest on loans from a related company	**736**	–
Other interest expenses	**633**	2,550
	13,049	4,297

7. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	2017	2016
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**5,302**	5,839
Over-provision in prior years	**–**	(622)
	5,302	5,217
Current tax — Overseas		
Provision for the year	**804**	1,839
Under-provision in prior years	**93**	–
	897	1,839
Deferred tax	**3,699**	4,018
	9,898	11,074

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year ended 31 December 2017.

PRC Enterprises Income Tax has been provided at a rate of 25% (2016: 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 before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(121,411)**	(75,964)
Tax at the Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	**(20,033)**	(12,534)
Tax effect of income that is not taxable	**(2,410)**	(2,242)
Tax effect of expenses that are not deductible	**21,359**	18,229
Tax effect of temporary differences not recognised	**421**	1,031
Tax effect of tax concession	**(4,101)**	(3,873)
Under/(over)-provision in prior years	**93**	(622)
Over-provision of deferred tax in prior years	**–**	(1,879)
Tax effect of utilisation of tax losses not previously recognised	**(545)**	(368)
Tax effect of tax losses not recognised	**19,096**	9,112
Effect of different tax rates of subsidiaries	**(3,973)**	3,899
Others	**(9)**	321
Income tax expense	**9,898**	11,074

8. DIVIDENDS

No dividends have been paid or proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

9. LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	**(128,428)**	(82,646)

(a) Basic loss per share

Number of shares — Basic

	2017	2016
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**5,120,763,455**	4,955,311,400

(b) Diluted loss per share

No diluted loss per share was presented as the Company did not have any diluted potential ordinary shares for the years ended 31 December 2017 and 2016.

10. TRADE RECEIVABLES AND RECEIVABLES FOR FACTORING BUSINESS

		2017	2016
		HK$'000	*HK$'000*
Trade receivables		**119,633**	122,639
Allowance for trade receivables		**(2,827)**	(5,197)
	(i)	**116,806**	117,442
Receivables for factoring business	*(ii)*	**–**	14,551
		116,806	131,993

(i) 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.

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

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**104,863**	109,777
91 to 180 days	**10,469**	4,426
181 to 365 days	**816**	682
Over 365 days	**658**	2,557
	116,806	117,442

Reconciliation of allowance for trade receivables:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**5,197**	4,614
Allowance for the year	**2,827**	583
Bad debts written off	**(5,197)**	–
At 31 December	**2,827**	5,197

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.

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

(i) (Continued)

As of 31 December 2017, trade receivables of approximately HK$21,004,000 (2016: HK$20,303,000) 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:

	2017	2016
	HK$'000	*HK$'000*
Up to 3 months	**15,799**	17,003
Over 3 months	**5,205**	3,300
	21,004	20,303

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

	2017	2016
	HK$'000	*HK$'000*
United States dollar **("USD")**	**110,235**	114,893
Hong Kong dollar **("HKD")**	**947**	26
Renminbi **("RMB")**	**5,624**	2,519
Others	**–**	4
Total	**116,806**	117,442

(ii) Receivables for factoring business

In 2016, 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 2016. No impairment allowance is necessary in respect of these receivables as there has not been a significant change in credit quality.

In 2017, the factoring business was disposed.

11. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**73,028**	78,605
91 to 180 days	**568**	1,360
181 to 365 days	**354**	711
Over 365 days	**879**	776
	74,829	81,452

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

	2017	2016
	HK$'000	*HK$'000*
USD	**9,749**	9,886
HKD	**24,890**	17,846
RMB	**40,190**	53,672
Euro (**"EUR"**)	**–**	48
Total	**74,829**	81,452

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 2017 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 Year, the Group has continued to place efforts on bolstering its core business, specifically EMS and Distribution of Communications Products. While strengthening this business foundation, the management has at the same time sought to advance the Group's presence in the burgeoning healthcare and medical industry in the PRC. Consistent with this objective, the Group has continued to develop the Securities and Other Assets Investment segment, the principal objective of which is to best utilise the Group's resources and which enables it to tap the aforementioned healthcare and medical industry.

As at the financial year ended 31 December 2017, the Group generated total revenue of approximately HK$662.2 million (2016: HK$748.7 million). A gross profit of HK$164.4 million was recorded (2016: HK$149.9 million), while loss attributable to owners of the Company amounted to HK$128.4 million (2016: HK$82.6 million).

As at 31 December 2017, the Group had bank and cash balances totalling HK$479.4 million (2016: HK$208.3 million), hence it has maintained a healthy financial position.

REVIEW OF OPERATIONS

The EMS and Distribution of Communications Products businesses

Though global economic activity has picked up during the past year, the Group has been refining its product mix which impacted on demand level. As a consequence, revenue from the EMS and Distribution of Communications Products businesses were HK$576.6 million (2016: HK$669.0 million) and HK$71.1 million (2016: HK$79.6 million) respectively.

Securities and Other Assets Investment

Established in 2016, the Securities and Other Assets Investment business was created with the goal of judiciously using the Group's capital to identify and capitalise on opportunities pertaining to the healthcare and medical industry. The development of this business has been progressing at a moderate pace, as reflected by total segment revenue of approximately HK$14.5 million generated for the year. That being said, this prudent approach has not inhibited its ability to explore business opportunities, and in October 2017 entered into an acquisition agreement with a company engaged in the manufacturing and selling of polyurethane condoms. It is of the management's opinion that the target company possesses good potential and aligns with the Group's business objective.

Geographical Analysis

Revenue contributions from the major European countries (the United Kingdom, Switzerland, Poland and France) totalled HK$206.4 million (2016: HK$267.4 million), and accounted for 31.2% (2016: 35.7%) of the Group's total revenue for the year ended 31 December 2017. The U.S.A. market contributed HK$155.8 million (2016: HK$176.2 million) in revenue and accounted for 23.5% (2016: 23.5%) of the Group's total revenue. The PRC (including Hong Kong) and other countries accounted for HK$97.5 million and HK$202.5 million respectively, representing 14.7% and 30.6% of the Group's total revenue (2016: HK$88.0 million and HK$217.1 million respectively).

FINANCIAL INFORMATION

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group recorded total revenue of HK$662.2 million (2016: HK$748.7 million).

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 Securities and Other Assets Investment. In EMS segment, there are also two main groups of products, namely communications and non-communications products whereas non-communications 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 2017, the revenue from EMS segment decreased by 13.8% to HK$576.6 million (2016: HK$669.0 million), whereas the revenue from Distribution of Communications Products segment decreased by 10.7% to HK$71.1 million (2016: HK$79.6 million). The Securities and Other Assets Investment segment contributed revenue of approximately HK$14.5 million (2016: HK$0.2 million).

The decrease in the revenue of EMS segment was resulted mainly from the decrease in the business of communications products of HK$45.2 million and beauty care equipment of HK$30.5 million. The decrease in revenue of Distribution of Communications Products segment was caused by the decline in overall demand in business phone sector.

Cost of Sales

Cost of sales decreased by 16.9% from HK$598.8 million in 2016 to HK$497.8 million in 2017 corresponded to the level of revenue of the Year.

Gross Profit

Gross profit increased by 9.7% from HK$149.9 million to HK$164.4 million, with gross profit margin of 24.8% (2016: 20.0%). Apart from the slight gross profit of HK$3.7 million resulted from Securities and Other Assets Investment segment, the gross profit of HK$160.7 million was apportioned between EMS segment and Distribution of Communications Products segment at 86.2% (2016: 87.2%) and 13.8% (2016: 12.8%), respectively.

Other income

The other income decreased from HK$34.4 million to HK$19.5 million comparing with last year. The major components of the other income are represented by the gain on bargain purchase of HK$2.4 million, gain on disposal of subsidiaries of HK$4.4 million, fair value gain on investment properties of HK$2.2 million and interest income on loans to employee and other parties of HK$3.7 million.

Selling and distribution expenses

Selling and distribution expenses of HK$45.6 million (2016: HK$49.9 million) accounted for approximately 6.9% in 2017 and 6.7% in 2016 of the Group's revenue. The decrease is mainly caused by the decrease in staff cost of HK$4.2 million comparing with last year.

Administrative expenses

Administrative expenses of HK$151.9 million (2016: HK$131.4 million) marked an increment of HK$20.5 million, mainly contributed by the increase in human resources cost of HK$27.1 million offset by the decline in legal and professional fees of HK$8.5 million. The administrative expenses accounted for approximately 22.9% in 2017 and 17.6% in 2016 of the Group's revenue.

Other operating expenses

Other operating expenses increased by 27.1% from HK$74.6 million in 2016 to HK$94.8 million in 2017. The increase was mainly attributable to the loss on disposal of available-for-sale financial assets of HK$20.3 million as well as the loss on disposal of subsidiaries of HK$19.2 million, offset by the absence of fair value loss on investment properties of HK$18.3 million emerged in prior year.

Finance costs

The Group's finance costs mainly comprise the imputed interest on loans from a substantial shareholder. The Group's finance costs were approximately HK$13.0 million in 2017 and HK$4.3 million in 2016, representing approximately 2.0% and 0.6% of the revenue in 2017 and 2016, respectively. The increment is largely due to increase in the imputed interest on loans from a substantial shareholder due to repayment, amounting to HK$9.3 million.

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 2017 and 2016.

Loss attributable to owners of the Company

The loss attributable to owners of the Company is of HK$128.4 million (2016: HK$82.6 million). The Group's net loss margin attributable to owners of the Company for the year ended 31 December 2017 was -19.4% (2016: -11.0%).

Loss for the year attributable to non-controlling interests

Loss for the year attributable to non-controlling interests amounted to HK$2.9 million for the year ended 31 December 2017 (2016: HK$4.4 million). The decrease in loss was mainly caused by the disposal of major loss making distribution business units during the 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 2017, the bank and cash balances amounted to HK$479.4 million (2016: HK$208.3 million), representing an increase of HK$271.1 million from 2016. Respective sum of 5.0%, 31.2% and 63.7% 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 2.8 times (2016: 2.21 times).

As at 31 December 2017, the carrying amounts of the loans from related companies and loan from an independent third party are HK$23.1 million and HK$20.0 million, respectively. As at 31 December 2016, the borrowings represented the loans from a substantial shareholder and loans from an independent third party of HK$59.7 million and HK$20.0 million, respectively.

Subscription of new shares under general mandate ("Share Subscription")

On 13 October 2017, the Company entered into the subscription agreement ("**Subscription Agreement**") with Keywan Global Limited (the "**Subscriber**") pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue a total of 990,000,000 subscription shares ("**Subscription Shares**") at a price of HK$0.3 ("**Subscription Price**") per subscription share. The Subscription Price is equal to the closing price of the shares as at the date of the Subscription Agreement and a premium of approximately 70.65% to the average closing price of the shares for the last five consecutive trading days prior to the date of the Subscription Agreement.

All conditions precedent of the Subscription Agreement have been fulfilled and completion took place on 1 November 2017. Pursuant to the Subscription Agreement, an aggregate of 990,000,000 Subscription Shares have been allotted and issued to the Subscriber at the Subscription Price of HK$0.3 per subscription share. The Subscription Shares had been issued under the General Mandate. The net proceeds of the Share Subscription, approximately HK$297 million have been reserved for the Company to finance the proposed acquisition of a polyurethane condom business as detailed in the circular dated 15 February 2018 and/or the general working capital of the Group.

Further details of the Share Subscription are set out in the announcements dated 13 October 2017 and 1 November 2017.

Cash flow

In 2017, HK$36.2 million was used in the operating activities, whilst HK$79.0 million and HK$228.9 million were generated from investing activities and financing activities respectively. The cash inflow from financing activities was mainly related to the proceeds from share subscription offset by the net borrowings repayment. Net cash inflow from investing activities was mainly sourced from the refund of deposit for proposed acquisition of a target group of HK$140.0 million, net proceeds from disposal of available-for-sale financial assets of HK$77.8 million and being offset by the acquisition of subsidiaries of HK$20.8 million, purchase of investment properties of HK$27.8 million and the loans to employee and other parties of HK$91.4 million.

Exchange risk exposure

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC and Hong Kong denominated in RMB and USD respectively. As at 31 December 2017, the Group had minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currencies, i.e. RMB and USD, used by the respective group entities, or in USD for the respective group entities with HKD being the functional currency. As HKD is pegged to USD, the Group considers the risk of movements in exchange rates between HKD and USD to be insignificant for transactions denominated in USD. The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2017, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

Capital expenditure

Capital expenditure for 2017 amounted to HK$33.8 million and capital commitments as at 31 December 2017 amounted to HK$8.2 million. Both the capital expenditure and capital commitments were mainly related to the acquisition of plant and machinery, leasehold improvements and investment properties.

Pledge of assets

As at 31 December 2017, bank deposits of HK$1.9 million were pledged to banks for securing banking facilities. As at 31 December 2016, none of the Group's assets was pledged.

Contingent liabilities

As at 31 December 2016 and 2017, the Group had an outstanding guarantee ("**the Guarantee**") to one of the suppliers of an overseas subsidiary ("**Disposed Subsidiary**"), which was disposed on 7 October 2015, for payment in relation to a sum of USD2.6 million (equivalent to approximately HK$20.3 million) representing a trade balance under dispute between the Disposed Subsidiary and the supplier. The supplier subsequently sold the trade balance to a third party.

During 2017, the Disposed Subsidiary had agreed with the third party for a final settlement by instalment of USD650,000 (equivalent to approximately HK$5.1 million). In this regard, as at 31 December 2017, the Group had an outstanding guarantee of the sum ranged from USD650,000 to USD2.6 million subject to the full payment of the final settlement effected by the Disposed Subsidiary.

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 the Company did not have any significant contingent liabilities.

Significant investments

As at 31 December 2017, the Group had available-for-sale financial assets of HK$12.0 million (2016: HK$130.2 million). All these investments represented equity securities listed on the Stock Exchange. During the year ended 31 December 2017, the Group recognised approximately HK$40.4 million in other comprehensive income, of which HK$28.1 million arising from impairment loss and HK$20.3 million arising from disposal were reclassified from other comprehensive income to profit or loss. No dividend income was received during the year ended 31 December 2017 in respect of these investments.

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

Human resources

As at 31 December 2017, the Group had approximately 1,600 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 2017 and 2016. In addition, no share option was granted, cancelled or lapsed during the year ended 31 December 2017.

PROSPECTS

With the global economy expected to continue making a gradual recovery, the business environment will likely reflect this upturn. Nevertheless, the management will maintain a cautious mindset as it pursues new opportunities while bolstering the Group's existing business operations.

In respect of the EMS business, the management witnessed a rise in enquiries towards year end, thus suggesting a possible upswing in the new financial year. To capture such opportunities, the Group will be introducing new products, including those to replace items nearing obsolescence. While this roll-out period commences, efforts will also be placed on developing new products, particularly smart-home appliances that feature Wi-Fi, Bluetooth and other capabilities. This is representative of the Group's direction with respect to the EMS business, where focus will be placed on delivering integrated solutions to its customers.

With regard to the Securities and Other Assets Investment operation, the management believes that conditions in the PRC are ripe for the healthcare sector to grow in the coming years, and thus present continuous opportunities to the Group. Among the reasons for such belief include steady GDP growth, rising disposable income and an aging population, with approximately 255 million people above 60 by 2020 — accounting for 17.8% of the total population. Concerns about chronic diseases, environmental contamination and food safety will also drive demand for medical services. Still other developments include a government that is actively implementing healthcare reforms which will benefit the general public and enhance the professionalism of the medical and healthcare industries as a whole.

In view of the aforementioned developments, the management will intensify efforts at strengthening the Group's two principal business operations, while at the same time advance its penetration into the PRC healthcare sector. It will also continue to look for business opportunities that can further the Group's growth and facilitate value creation for its investors.

OTHER INFORMATION

Dividends

The Board does not recommend the payment of a dividend for the year ended 31 December 2017 (2016: 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 2017.

Events After Reporting Period

(a) Subsequent to the end of reporting period and up to the date of this announcement, the available-for-sale financial assets that had been impaired during the year suffered a further decline of HK$3,670,000 to market value of HK$8,288,000 as compared to the carrying amount as stated in the statement of financial position as of 31 December 2017.

(b) On 11 October 2017 and 9 February 2018, the Group entered into Sales and Purchase Agreement and Supplemental Agreement with Lanzhou Scisky Investment CMI Holding Company Limited which is an independent third party of the Group, to acquire 84.11% of the entire issued capital of the Target Company with a consideration of approximately RMB258.9 million (approximately HK$319 million) (the "**Acquisition**"), subject to the fulfillment of certain conditions precedent. Details of the Acquisition can be found in the circular of the Company dated 15 February 2018.

The Acquisition was subsequently approved by Extraordinary General Meeting of shareholders on 6 March 2018 and has yet to be completed.

Should the Acquisition be completed successfully, the consideration will be satisfied by the Group's internal resources and debt financing. In addition, the Target Company had capital commitments of approximately RMB278.5 million (approximately HK$333.9 million) as at 30 September 2017 which were contracted but not provided for acquisition of property, plant and equipment.

(c) On 9 March 2018, the Group approved the payment of special bonus of HK$18 million to certain management of EMS segment.

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 2017, 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.1.1 and A.2.1 of the Code as described below.

Under code provision A.1.1 of the Code, the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the Year, only two regular board meetings were held to review and discuss the annual and interim results. The Company does not announce its quarterly results and hence does not consider the holding of quarterly meetings as necessary and this is deviated from the code provision A.1.1 of the Code.

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 2017 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 2018

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