中國自動化集團有限公司

China Automation Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 569)

Apply Tomorrow's Technology
Safeguard Security Today

Annual Report 2017


吴忠仪表有限责任公司
Wuzhong Instrument Co., Ltd
中国石油
“油气管道关键设备国产
调压装置关键阀门（安全切断阀

CONTENTS

COMPANY **PROFILE**

China Automation Group Limited (the "Company") was established in 1999 and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2007. The Company and its subsidiaries (collectively referred to as the "Group") specialise in providing safety and critical control systems and control valves mainly for the petrochemical industries. The Group is the largest integrated solution provider of safety and critical control systems in the petrochemical industry as well as the largest domestic manufacturer of control valves in the People's Republic of China (the "PRC").

In view of the promising prospect of the healthcare services industry in China, the Group had acquired 60% of the total issued share capital of Etern Group Limited, an investment holding company holding 98% equity interest in Yongding Hospital Company Limited, which is principally engaged in hospital business in Suzhou, China in July 2017.

In order to further enhance growth potential of the Group and maximise shareholders' value, the Group may consider making further investments in the healthcare services sector should suitable opportunities arise.

Xuan Ruiguo
Chairman

CHAIRMAN'S **STATEMENT**

We are dedicated to providing high-tech products and services to the highest standard for petrochemical industries ensuring a safe and comfortable environment for our people.

The Group may consider further investment in the healthcare services should suitable opportunities arise.

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of the Company, I am pleased to report the audited annual results of the Group for the year ended 31 December 2017.

During the year under review, the PRC achieved steady expansion in its economy with a 6.9% year-on-year growth in the country's gross domestic product, establishing a stable and improving trend while strengthening the stability and the momentum for better-coordinated and sustainable development.

PETROCHEMICAL AND COAL CHEMICAL BUSINESSES

The Ministry of Industry and Information Technology (MIIT) of the PRC released "The Petrochemical and Chemical Industry Development Plan (2016-2020)" in 2016, which stipulated that priorities would be given to eight areas in the five consecutive years: promoting innovation; facilitating transformation and upgrade of traditional industries; developing new chemical materials; promoting integration of the petrochemical and chemical industries; strengthening safety of hazardous chemicals; regulating establishment of industrial parks/zones; promoting construction of major projects; and expanding international cooperation.

These prioritization initiatives prescribe that market demand for petrochemical and chemical products will maintain growth during the "13th Five-Year" period (2016-2020), with the annual increase of the industry growth rate to maintain at 8% on average with modest improvements in profit margin, reaching 4.9% by 2020.

Meanwhile, the growth in demand for high-end petrochemical and chemical products which are green, safe and cost-effective will outstrip the traditional products. The safety standards for the petrochemical industry will continue to trend higher, encouraging applications of advanced safety control technologies and equipment. The industry will continue to see an ongoing localization trend on both the demand and supply fronts.

Insofar as the coal chemical industry in the PRC is concerned, during the 13th Five-Year period, the industry will conduct demonstration projects for technology innovation in areas including energy efficiency, environmental protection, water conservation, and the localization of equipment and technology. Future development should focus on the quality, instead of the pace of growth. Modern coal chemical industry focusing on clean coal technologies will embrace rapid development in the future.

As such, the petrochemical and coal chemical industries will continue to embrace exceedingly intense competition, dwarfing the revenue, margin and profitability prospects.

In 2017, revenue generated from the petrochemical segment of the Group shrank 2.9% to RMB1,031.8 million (2016: RMB1,062.1 million). Of this, revenue generated from system sales and engineering design services in relation to the petrochemical industries decreased by 19.8% to RMB386.6 million (2016: RMB482.1 million). Revenue generated from provision of engineering and maintenance services decreased slightly by 6.4% to RMB111.9 million (2016: RMB119.6 million).

CONTROL VALVES BUSINESS

For control valves, in terms of downstream enterprises, the scale of production lines in oil and gas, metallurgical, chemical, pharmaceuticals became larger and more complicated, stimulating demand for sensitive actuators. With quickening industrialization and advances in science and technology, the control valves available can no longer fulfill the market's demand. Therefore, intelligent control valves equipped with auto-control technologies attracted more attention. Thus, the intelligent valves industry in the PRC is ushering into a rapid development stage. The localization trend for high-end control valves is escalating.

In 2017, the Group's has successfully developed special and high-end control valves, such as spray and temperature-lowering valves for use in power plants and steam valves with multi-stage pressure regulator. Revenue from the Group's control valve business increased by 36.5% to RMB533.3 million (2016: RMB390.8 million).

HEALTHCARE SERVICES BUSINESS

The PRC is the most populous country in the world. In recent years, residents' average lifespan has been prolonging. Besides, with the increase in GDP per capita, the expenditure on healthcare grows while demand for healthcare treatments increases. As the population grows, lifespan prolongs and personal income increases, demand for healthcare services is being promoted and will grow in tandem.

According to China National Health and Family Planning Development Statistical Bulletin, the total healthcare expenditure in the PRC in 2016 amounted to RMB4,634.49 billion, representing an increase of 13.1% from RMB4,097.46 billion in 2015. The total healthcare expenditure in 2016 accounted for 6.2% of the GDP for the same year. The ratio is still lagging behind when compared to middle- and high-income countries.

The aging population in the PRC, the growing disposable income of residents as well as initiatives and objectives developed under Regulation Plan for Deepening Medical and Health System Reformation for the PRC during the 13th Five-Year Plan Period will boost healthcare demand of residents.

In July 2017, the Group completed the acquisition of a 60% interest in Etern Group, which indirectly owns a 98% interest in Yongding Hospital located in Jiangsu Province, the PRC. The Group has thereby successfully diversified its businesses into the fast-growing healthcare services market in the PRC through this acquisition.

Revenue generated from the healthcare services for the five months 31 December 2017 amounted to RMB191.2 million, of which pharmaceuticals and healthcare services accounted for RMB96.4 million and RMB94.8 million respectively.

In 2017, at Yongding Hospital, internal refurbishment and enhancement works have been proceeding steadily as planned, while construction of phase II of the in-patient building was successfully completed as scheduled and the wards have been gradually put into use. On the other hand, the hospital has been actively participating in and initiating cultural activities, and fulfilled its social responsibilities, striving to enhance its overall image.

PROSPECTS AND OUTLOOK

The Group has completed a detailed strategic review aiming at developing business plans and strategies for its future business development. It has decided on implementing adjustments deem appropriate or feasible to optimize its businesses.

For the petrochemical segment, the Group will continue its efforts in business development of control valves so as to further enhance its overall competitive advantages in production capability, sales and marketing, and internal operational efficiency. To capture opportunities emerged from localization of industrial products in the PRC, the Group will continue its efforts in research and development to develop high-end and diversified control valves. Meanwhile, the Group will seek to increase revenue contribution from its recurring engineering and maintenance services by its enhanced service teams and through provision of more value-added services.

As far as the newly acquired hospital business is concerned, the Group will strengthen and improve management and operation of Yongding Hospital, enhance the quality of service of the hospital, and offer services of enhanced quality to local residents; implement various measures under the Group's talent nurturing strategies, including establishing and strengthening cooperation with medical schools; focus on staff training and provide more learning and exchange opportunities; introduce medical and management talents who are able to contribute to the Group's development strategies; carry out diversified cooperation in order to collaborate with the government's classified treatment planning. In the meantime, to expand the scope of the Group's healthcare services by establishing community services centers and improving the distribution of medical resources; establish and optimize a standardized management and quality control system for comprehensive hospitals; develop regional medical service centers, and to offer better quality and more convenient medical services to residents in the respective regions.

Given the promising prospect of the healthcare services sector in the PRC and the track record of profitability of the acquired healthcare business, the Group considers that the healthcare business should help broaden its income source and enhance its financial stability, shielding it from unpredicted market pressure for its existing core businesses.

In order to further enhance its growth potential and maximize shareholder value, the Group may consider making further investments in the healthcare services sector and disposing of the whole petrochemical segment (especially for the loss-making companies in the petrochemical segment) which is embracing exceedingly intense competition with its profitability prospects being dwarfed, should suitable opportunities arise, so as to improve the overall profitability of the Group and increase the relative contribution from the healthcare business segment.

Leveraging our unique competencies, distinguished development strategies and experienced professional management team, the Group will continue to maximize returns for our shareholders and achieve remarkable results.

Xuan Ruiguo
Chairman

Hong Kong
22 March 2018

OPERATION AND BUSINESS REVIEW

In 2017, the Group maintained a leading position in its two core businesses in petrochemical industry in China. The Group is the largest integrated solution provider of safety and critical control systems in the petrochemical and coal chemical industries as well as the largest domestic manufacturer of control valves in China.

In 2017, the Group continued to undertake various measures to streamline and enhance its operations. The Group implemented a stringent budgetary planning and control system and cost-control measures with an aim to lower its sales and marketing costs as well as operational costs.

The Group has also undertaken aggressive measures to scale back or even dispose of those business units which have been sustaining losses over the past years. As such, the Group has disposed of its railway traction and auxiliary power supply systems business as it was considered exceedingly competitive and it would be difficult to improve or sustain profitability. At the moment, the Group has disposed of the whole railway segment.

Meanwhile, the Group has considered the prospect of healthcare services sector in China is extremely promising. As such, the Group has actively researched and looked into the investment opportunities in healthcare services industry.

In July 2017, the Group has completed the acquisition of a 60% equity interest in Etern Group, an investment holding company holding a 98% equity interest in Yongding Hospital Company Limited ("Yongding Hospital"), which is principally engaged in hospital business in Suzhou, China. Given the promising prospect in the healthcare services sector in China and the historical profitability of acquired hospital business, the Group considers the hospital business would broaden the income source and enhance financial stability to the Group which may help shield the Group from the impact of market pressure on its existing core businesses.

PETROCHEMICAL INDUSTRY

In 2017, the Group's safety and critical control related business experienced a recovery and maintained its market share and leading position in the market, echoing the improving trends in the petrochemical industry in China. As at 31 December 2017, the Group successfully completed and delivered approximately 284 sets of systems, bringing the cumulative count of systems delivered to approximately 4,266 sets. During the year, the Group continued to secure large-scale projects from renowned petrochemical and coal-chemical related companies, including China National Petroleum Corporation ("CNPC") and Yanchang Petroleum, etc. In addition, as a qualified vender for GE Oil & Gas, MAN Turbo, Hitachi, Air Product, Air Liquide, Siemens, Atlas Copco, Mitsubishi, Dresser Rand and Elliot, the Group continued to win new contracts in 2017 from these corporations.

Moreover, the Group has upgraded its self-developed proprietary products namely, iMEC, iSOM and OTS systems, providing energy-saving and more complete solutions for turbine and compressor control systems. The Group has won several contracts in optimizing the existing control system for refinery and ethylene projects, and has successfully upgraded the safety and critical control systems for Ningbo Zhongjin, Shijiazhuang Sinopec, etc in 2017. In addition, the Group had been named "Beijing Engineering Laboratory for Safety and Critical Control System of Petrochemical Industry" by Beijing Municipal Commission of Development and Reform in 2017. This endorsement represents the government level recognition of the Group's efforts in achieving independent innovations, nurturing talents and developing technologies.

With persistent efforts in research and development, production, sales and marketing, and improving internal operation, the Group had protected its market positioning in the control valve business in 2017. The Group's unparalleled capability in the provision of engineering and maintenance services constitutes a core competitive advantage in its control valve business. Leveraging years of experiences in this area, the Group's control valve engineering and maintenance services team can undertake plant-wide control valve engineering and maintenance services projects for both its own products and the products supplied by other corporations, including first-tier multi-national corporations. Not only had the maintenance services made significant contribution to the Group's overall profit, they also helped secure new orders in connection with replacement of control valves manufactured by other producers.

The Group continued to invest in research and development. In 2017, the Group's has successfully developed special and high-end control valves, such as spray and temperature-lowering valves for use in power plants and steam valves with multi-stage pressure regulator. Meanwhile, the large-size diameter control valve developed by the Group has been successfully applied for projects of CNPC and Huizhou Refinery.

HEALTHCARE SERVICES BUSINESS

In July 2017, the Group completed the acquisition of a 60% equity interest in Etern Group, which indirectly owns 98% interest in Yongding Hospital based in Jiangsu Province, China. The Group has thereby diversified its businesses into the fast-growing healthcare services market in China through this acquisition.

According to China National Health and Family Planning Development Statistical Bulletin, the total healthcare expenditure in China in 2016 amounted to RMB4,634.49 billion, representing an increase of 13.1% from the RMB4,097.46 billion in 2015. The total healthcare expenditure in China for 2016 accounted for 6.2% of the country's GDP for the same year. At this level, the ratio is still lagging behind those of the middle- and high-income countries. Meanwhile, considering the aging population in China, the growing disposable income of residents as well as initiatives and objectives developed under Regulation Plan for Deepening Medical and Health System Reformation for China during the 13th Five-Year Plan Period, the Group believes in bright prospects for the healthcare services industry in the country.

2017 marked the first year that the Group started to engage in the healthcare services industry. After completing the acquisition of equity interest in July 2017, the Company has been adhering to the principle of "stable transition, steady growth" and achieved a smooth and successful transfer of management rights, kicking off a good start for the Group's long-term business development.

Since the completion of the acquisition, Yongding Hospital has been maintaining good development momentum for its operation. On the one hand, internal works of the hospital has been proceeding steadily as planned, while construction of phase II of the in-patient building was successfully completed as scheduled and the wards are gradually being put into use. Compared with that of the end of 2016, the number of open beds in the hospital increased by 88, reaching a total of 568 open beds as at 31 December 2017. On the other hand, Yongding Hospital has been actively participating in and initiating its cultural movements, and fulfilling its social responsibilities, striving to enhance its overall image.

Looking ahead, the Group will tap fully opportunities afforded by rapid development of the healthcare services industry in China, and will further expand and strengthen its healthcare services business by adopting the following strategies:

- Strengthening and improving management and operation of Yongding Hospital, enhancing quality of service of the hospital, and offering higher quality services to local residents;
- Implementing various measures under the Group's talent nurturing strategies, which specifically include: establishing and strengthening its cooperation with medical institutions, focusing on staff training with more learning and exchange opportunities, and introducing medical and management talents in line with its development strategies, etc.;
- Carrying out diversified cooperation, adhering to the government's hierarchical medical system, and at the same time, expanding the Group's scope of services, establishing community service centers and improving distribution of medical resources;
- Striving to establish and optimize a standardized management system and a quality control system for integrated hospitals; and
- Building regional medical service centers, offering better quality and more convenient medical services to the residents in the respective regions, and actively considering to increase the Group's further investments in the healthcare services industry at appropriate timing.

FINANCIAL REVIEW

CONTINUING OPERATIONS

REVENUE

For the year ended 31 December 2017, revenue of the Group increased by 15.1% to RMB1,223.0 million (2016: RMB1,062.1 million).

Revenue generated from the petrochemical segment shrank 2.9% to RMB1,031.8 million (2016: RMB1,062.1 million), whereas revenue generated from the newly acquired healthcare services segment recorded at RMB191.2 million for the year ended 31 December 2017.

TURNOVER ANALYSIS BY OPERATING SEGMENT

	For the year ended 31 December				
	2017		2016		Change
	(RMB' million)	**%**	(RMB' million)	%	(%)
Petrochemical	**1,031.8**	**84.4**	1,062.1	100.0	-2.9
Healthcare services	**191.2**	**15.6**	–	–	N/A
	1,223.0	**100.0**	1,062.1	100.0	+15.1

TURNOVER ANALYSIS BY TYPES OF GOODS SUPPLIED AND SERVICES RENDERED

	Year ended 31 December				
	2017		2016		
	(RMB million)	**Proportion (%)**	(RMB million)	Proportion (%)	Change (%)
Petrochemical					
– Safety systems	**386.6**	**31.6**	482.1	45.4	-19.8
– Control valves (note)	**533.3**	**43.6**	390.8	36.8	+36.5
– Provision of engineering and maintenance services	**111.9**	**9.2**	119.6	11.3	-6.4
– Distribution of equipment	**–**	**–**	69.6	6.5	N/A
Sub-total	**1,031.8**	**84.4**	1,062.1	100.0	-2.9
Healthcare					
– Healthcare services	**191.2**	**15.6**	–	–	–
Total	**1,223.0**	**100.0**	1,062.1	100.0	+15.1

Note: Control valve system sales included related service income

SYSTEM SALES AND RELATED SERVICES TO THE PETROCHEMICAL INDUSTRIES

SAFETY SYSTEMS AND ENGINEERING DESIGN SERVICES

For the year ended 31 December 2017, revenue generated from system sales and engineering design services in relation to the petrochemical industries decreased by 19.8% to RMB386.6 million (2016: RMB482.1 million). Notwithstanding the rebound in crude oil prices, the Group's revenue from safety systems sales and engineering design services business declined. The decline was primarily attributable to the Group's new strategy to shift its focus and efforts from low-margin contracts to contracts with higher margins and better cashflow terms.

CONTROL VALVE

Revenue from the Group's control valve business increased by 36.5% to RMB533.3 million (2016: RMB390.8 million). Such increase was attributable to: (i) more large orders won from the pharmaceutical industry; and (ii) restarting during the year of project delayed due to plant relocation in the last quarter of 2016.

PROVISION OF ENGINEERING AND MAINTENANCE SERVICES

For the year ended 31 December 2017, revenue generated from provision of engineering and maintenance services decreased slightly by 6.4% to RMB111.9 million (2016: RMB119.6 million).

DISTRIBUTION OF EQUIPMENT

For the year ended 31 December 2017, the Group did not record any revenue in relation to equipment distribution business (2016: RMB69.6 million).

THE HEALTHCARE SERVICES INDUSTRY

HEALTHCARE SERVICES

The Group completed the acquisition of Etern Group on 26 July 2017. Revenue generated from the healthcare services for the five months 31 December 2017 amounted to RMB191.2 million, of which pharmaceuticals and healthcare services accounted for RMB96.4 million and RMB94.8 million respectively.

In addition, in terms of operating segment, 84.4% (2016: 100.0%) of the Group's revenue was generated from the petrochemical segment and 15.6% (2016: N/A) from the healthcare services segment.

GROSS PROFIT

Gross profit for the year ended 31 December 2017 amounted to RMB192.4 million (2016: RMB123.5 million), representing an increase by 55.8% as compared with that of the previous year.

The overall gross profit margin for the year ended 31 December 2017 widened by 4.1% percentage points to 15.7% (2016: 11.6%).

GROSS PROFIT ANALYSIS BY TYPES OF GOODS SUPPLIED AND SERVICES RENDERED

	For the year ended 31 December		
	2017	2016	Change
	(%)	(%)	(%) Point
Petrochemical			
– safety systems	**5.6**	4.0	+1.6
– control valves	**18.4**	16.7	+1.7
– Provision of engineering and maintenance services	**17.7**	25.2	-7.5
– Distribution of equipment	**N/A**	12.4	N/A
Sub-total	**13.5**	11.6	+1.9
Healthcare			
– Healthcare services	**27.8**	N/A	27.8
Total	**15.7**	11.6	+4.1

GROSS PROFIT MARGIN OF SYSTEM SALES AND RELATED SERVICES TO THE PETROCHEMICAL INDUSTRIES

GROSS PROFIT MARGIN OF SYSTEM SALES AND ENGINEERING DESIGN SERVICES

The gross profit margin of safety system sales and engineering design services stayed low at 5.6% (2016: 4.0%) mainly due to continuing lower output levels.

GROSS PROFIT MARGIN OF CONTROL VALVE

The gross profit margin marginally improved by 1.7% percentage points to 18.4% (2016: 16.7%). In 2017, the Group changed its strategy and shifted its focus from the low-margin contracts to the higher-margin contracts.

GROSS PROFIT MARGIN OF PROVISION OF ENGINEERING AND MAINTENANCE SERVICES

The gross profit margin of provision of engineering and maintenance services was 17.7% (2016: 25.2%).

GROSS PROFIT MARGIN OF HEALTHCARE SERVICES

For the year ended 31 December 2017, the gross profit margin of the healthcare services business was 27.8%.

OTHER INCOME

For the year ended 31 December 2017, other income decreased by RMB26.1 million to RMB44.8 million (2016: RMB70.9 million). The decline was primarily due to recognition of the net relocation compensation amounted to RMB43.7 million in connection with the Wuzhong Instrument's plant relocation for the control valve business in 2016 but there was no such compensation in 2017.

OTHER GAINS AND LOSSES

For the year ended 31 December 2017, other gains amounted to RMB25.9 million (2016: other losses of RMB138.4 million). Other gains were mainly due to: (i) a gain of RMB71.3 million resulted from the change in fair value of convertible bonds issued on 26 July 2017; (ii) the decrease in allowance for bad and doubtful debts from RMB92.5 million of previous year to RMB48.0 million for the year ended 31 December 2017; and (iii) a gain of RMB29.0 million on disposal of property, plant and equipment upon relocation of the Wuzhong Plant.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the year ended 31 December 2017 increased by 11.4% to RMB110.8 million (2016: RMB99.5 million).

Such increase was mainly attributable to: (i) higher travelling expenses and cargo charges; (ii) higher technical services fees. These increases were owing to increased business activities.

Selling and distribution expenses as a percentage of the Group's full year revenue was 9.1% (2016: 9.4%).

ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2017 amounted to RMB198.9 million (2016: RMB188.4 million), representing an increase of 5.6% year-on-year. The increase was due to the consolidation of the newly acquired healthcare services business starting from July 2017.

Administrative expenses as a percentage of the Group's full year revenue was 16.3% (2016: 17.7%).

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the year ended 31 December 2017 were RMB62.1 million (2016: RMB71.4 million). The research and development projects undertaken were mainly related to development of: (i) high-end control valves in response to the preferential policies regarding localization enacted by the Chinese Government; and (ii) hardware for the turbine machinery control system business.

FINANCE COSTS

Finance costs for the year ended 31 December 2017 increased by 33.7% to RMB60.7 million (2016: RMB45.4 million). However, it should be pointed out that borrowing costs of RMB11.1 million in connection with construction of Wuzhong Plant was capitalised in 2016 but no such capitalisation in 2017.

INCOME TAX EXPENSES

Income tax expenses for the year ended 31 December 2017 amounted to RMB17.4 million (2016: Income tax credit of RMB8.7 million).

LOSS FOR THE YEAR

As a result of the foregoing, the Group recorded at RMB192.3 million in loss for the year ended 31 December 2017 (2016: RMB346.8 million).

DISCONTINUED OPERATIONS

The discontinued operations incurred losses of RMB15.3 million (2016: losses of RMB68.1 million) for the year ended 31 December 2017.

On 25 January 2017, the Group completed the disposal of entire equity interest in Beijing Consen Transportation Technology Company Limited. The Group also completed the disposal of 100% equity interests of Beijing Consen Process Control Technology Company Limited ("Consen Process Control") on 11 July 2017 and the disposal of 100% equity interests of Beijing Liboyuan Investment Management Company Limited ("Liboyuan Investment") on 27 September 2017. Consen Process Control holds 51% equity interest of Nanjing Huashi Electronic Scientific Company Limited ("Nanjing Huashi Electronic") and Liboyuan Investment holds 51% equity interest of Nanjing Huashi Power Equipment Company Limited ("Nanjing Power Equipment"). Nanjing Huashi Electronic and Nanjing Power Equipment engage in the design, production and sale of railway traction control and auxiliary electricity supply systems in the PRC. At the moment, the Group has already disposed the whole railway segment.

LOSS FOR THE PERIOD (FROM CONTINUING AND DISCONTINUED OPERATIONS)

The Group recorded loss amounting to RMB207.6 million for the year ended 31 December 2017 (2016: RMB414.9 million).

LOSS PER SHARE

Loss per share (from both continuing and discontinued operations) for the year ended 31 December 2017 was RMB20.29 cents (2016: RMB38.08 cents).

Loss per share (from continuing operations) for the year ended 31 December 2017 was RMB19.64 cents (2016: RMB33.83 cents).

DIVIDEND

The Board had resolved not to recommend distribution of a final dividend (2016: Nil) in respect of the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net cash generated from the Group's operating activities for the year ended 31 December 2017 amounted to RMB111.5 million (2016: RMB119.7 million). The Group has adopted a prudent working capital management strategy. As such, the Group had been able to generate positive operating cashflow due to: (i) the decrease in trade and bills receivables; (ii) the decrease in inventories; and (iii) the increase in other payables and accruals.

Net cash generated from investing activities of the Group for the year ended 31 December 2017 amounted to RMB129.1 million (2016: net cash used in investing activities amounted to RMB249.2 million).

This was primarily due to (i) the net cash inflow from the disposal of subsidiaries (as elaborated in the "Discontinued Operations" section) amounted to RMB67.9 million; and (ii) receipts of government grants amounted to RMB44.9 million.

Net cash used in financing activities for the year ended 31 December 2017 decreased by RMB188.1 million to RMB108.0 million (2016: RMB296.1 million). This was mainly attributable to the partial repayment of the 2018 Guaranteed Notes amounted to RMB40.4 million.

As at 31 December 2017, cash and bank balances (including pledged bank deposits of RMB38.4 million) amounted to RMB347.3 million (31 December 2016: RMB230.9 million (including pledged bank deposits of RMB62.3 million)).

GEARING POSITION

The net gearing (total borrowings less cash over total equity) ratio was at 76.8% as at 31 December 2017 (31 December 2016: at 51.1%).

As at 31 December 2017, total borrowings of the Group amounted to RMB1,398.7 million (31 December 2016: RMB1,003.3 million), of which the convertible bonds amounted to RMB560.6 million, the guaranteed notes due 2018 amounted to US$24 million (equivalent to approximately RMB155.5 million) and the corporate bonds due 2019 amounted to RMB196.7 million.

SIGNIFICANT INVESTMENTS, MERGERS AND ACQUISITIONS

On 26 July 2017, the Group completed the acquisition of 60% equity interest of Etern Group Limited by way of issuance of the convertible bonds of the Company in the principal amount equal to the consideration of RMB675.6 million. Etern Group Limited is an investment holding company holding 98% equity interest in Yongding Hospital, which is principally engaged in hospital business in Suzhou, the PRC.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities.

FUTURE OUTLOOK

The Group has undertaken a detailed strategic review of the Group for the purpose of developing business plans and strategies for its business development in the future, and determining whether any change would be appropriate or desirable in order to optimise its business. The Group has also rolled out an internal restructuring program to dispose of the non-profit making business units. As a result, the Group has disposed of its railway traction and auxiliary power supply system businesses which were operating in an exceedingly competitive environment with escalating difficulties to deliver improvement or to sustain profitability. During the reporting year, the Group has already disposed of its whole railway segment.

For the petrochemical segment, the Group will continue to its efforts in business development of control valves so as to further enhance its overall competitive advantages in production capability, sales and marketing, and internal operational efficiency. To capture opportunities emerged from localisation of industrial products in China, the Group will continue its efforts in research and development to develop high-end and diversified control valves. Meanwhile, the Group will seek to increase the revenue contribution from its recurring engineering and maintenance services by its enhanced service teams and through provision of more value-added services.

In July 2017, the Group completed an acquisition of 60% equity interest in Etern Group Limited, an investment holding company holding 98% interest in Yongding Hospital, which is principally engaged in hospital business in Suzhou, China. Given the promising prospects in the healthcare services sector in China and the profitability track record of acquired hospital business, the board of directors of the Company (the "Board") considers that the hospital business will broaden the income source and enhance the financial stability of the Group, helping shield it from market pressure on its existing core businesses.

In order to further enhance its growth potential and maximise value for shareholders, the Group may consider making further investments in the healthcare services sector and disposing of the loss-making companies in the petrochemical segment should suitable opportunities arise so as to improve the overall earnings of the Group and increase the relative contribution from the healthcare business segment.

In the year of 2017, the Group continued to adopt a proactive and open approach while taking effective cost control measures to conduct most extensive information exchanges and communication with investors, so that they could have better knowledge and understanding of the Group's future development strategy, operational situation and financial performance. Such efforts enhanced the transparency of the Group in the capital market and offered strong support to the Group's investors to make informed and reasonable investment decisions.

On the basis of fair disclosure, the Group has maintained sincere and timely communication with investors through various channels to report the Group's latest development:

- Interim and annual results announcement
- Publicity through the mass media
- Continually arranging meetings between senior management and investors and site visits to the Group's facilities and customer sites
- Prompt response to investor enquiries
- The Group's website

In 2017, the Group has hosted site visits for investors in Hong Kong and Beijing during the period, during which visitors could witness the Group's stable development with their own eyes. The Group's top management and IR team meet with investors, so as to inform and update them about the Group's latest developments.

In 2018 and onwards, the Group will continuously enhance investor relations. The senior management of the Group will consistently support investor relations, and the Group will persistently make transparent disclosures.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xuan Rui Guo (宣瑞國), aged 49, the Group's founder, Executive Director and Chairman, is mainly responsible for the overall strategy, financial planning and long-term development. Mr. Xuan is a director of both Araco Investment Limited and Brightex Enterprises Limited (The two companies are all the Group's main shareholders subject to Part XV of the Securities and Futures Ordinance). Mr. Xuan is also one of the winners of Ernst & Young Entrepreneur of The Year 2009 China. He is an incumbent director of Yabuli Entrepreneur Association and Deputy Chairman of China Instrument and Control Society. Mr. Xuan is also a director and deputy chairman of Guangdong Kaiping Chunhui Company Limited (廣東開平春暉股份有限公司), which is listed on the Shenzhen Stock Exchange (Stock Code: 000976). Mr. Xuan graduated from Renmin University of China (中國人民大學) with a bachelor's degree in international politics. He has extensive experience in management, administration and business development in different industries including industrial automation, biotechnology, telecommunication and trading in the PRC. He previously served as General Manager of Boda Telecommunication and Electronics Company Limited in Yunnan, China; manager of Beijing Invention Biology Company Limited (北京瑞寧生物技術開發有限責任公司) and General Manager of Beijing Consen Automation Control Company Limited, (北京康吉森自動化設備技術有限責任公司) ("Beijing Consen"), etc.

Mr. Wang Chuen Sheng (王春生), aged 58, is an Executive Director since August 2016. Mr. Wang obtained his Bachelor of Engineering degree in hydraulic and offshore oil construction engineering from Tianjin University (天津大學) in 1981. From 1982 to 1985, he served as a teaching assistant in Tianjin University, and subsequently joined the Shenzhen branch office of Eastman Christensen (subsequently acquired by Baker Hughes Incorporated) in 1985 and worked as a technical manager till 1987. Mr. Wang obtained his Master of Engineering in petroleum engineering from the University of Alaska Fairbanks in 1990, and subsequently joined Sperry-Sun Drilling Services (subsequently acquired by Halliborton Company) in the United States of America and served as a technical manager till 1997. Mr. Wang was the Chairman of Hayden Inc. in the United States of America from 1997 to 2000, and has been the Chairman of Beijing Haidun New Technology Company Limited (北京海頓新科技術有限公司) since 2000.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Wang Tai Wen (王泰文), aged 71, is an Independent Non-executive Director of the Group since January 2008 while serving as External Director of China National Foreign Trade Transportation (Group) Corporation. Mr. Wang is also an independent director of Guangdong Kaiping Chunhui Company Limited (廣東開平春暉股份有限公司), which is listed on the Shenzhen Stock Exchange (Stock Code: 000976). He had also held various managerial positions in Ziyang Internal Combustion Locomotive Plant; served as Chairman, General Manager and Secretary to Communist Party Committee of China National Railway Locomotive Corporation; and as Chairman and Secretary to Communist Party Committee of China Southern Locomotive Industrial Group Corporation (中國南方機車車輛工業集團). In November 2006, Mr. Wang joined China Railway Engineering Group Company Limited (中國鐵路工程總公司) as External Director. According to "Notice on Board of Directors of Wholly State-Owned Companies" issued by State-owned Assets Supervision and Administration Commission of the State Council, as External Director of China Railway Engineering Group Company Limited, Mr. Wang's main responsibilities are to attend meetings of its board of directors and to make decision in his capacity as a director. He did not participate in any daily operation at both China Railway Engineering Group Company Limited, and companies under the group. He graduated from Dalian Railway Institute (中國大連鐵道學院), China, majoring in machinery and manufacturing.

Mr. Zhang Xin Zhi (張新志), aged 74, is an Independent Non-executive Director since August 2016. Mr. Zhang is a senior engineer and has more than 40 years of experience in the petrochemical industry. Mr. Zhang graduated from the University of Science and Technology of China in 1967. From 1967 to 1989, he served in various positions in the No. 3 Fushun Petroleum Factory (撫順石油三廠), as a technical officer, engineer, vice-manager in engineer's office and deputy plant manager. Mr. Zhang joined PetroChina Corporation in 1999, and served as a director of the refinery and chemical department, as well as a vice president of PetroChina Holdings, the general manager of the chemical and sales branch and a deputy director of the consulting centre of PetroChina Corporation. Mr. Zhang retired in 2004. Mr. Zhang has been engaged since 2003 as a part-time instructor for doctoral students by the Dalian Institute of Chemistry and Physics, the Beijing Institute of Chemistry and the Qingdao Institute of Bioenergy and Bioprocess Technology, Chinese Academy of Sciences. From 2006 to 2012, Mr. Zhang was appointed as the independent non-executive director of China BlueChemical Ltd., a company whose shares are listed on the Stock Exchange (Stock Code: 3983). From 2010 to 2015, Mr. Zhang was appointed as the chief engineer of Xuyang Chemical Industry Group Company Limited and the chief engineer of its research institute. Mr. Zhang has been appointed as the independent non-executive director of Danhua Chemical Technology Co. Ltd., (丹化化工科技股份有限公司) a company whose shares are listed on the Shanghai Stock Exchange (Stock Codes: 600844 (A Shares) and 900921 (B Shares)) since 2013. In 2015, Mr. Zhang was appointed as the independent non-executive director of Gansu Lanpec Technologies Limited (甘肅藍科石化高新裝備股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (Stock Code: 601798).

Mr. Ng Wing Fai (吳榮輝), aged 59, is an Independent Non-executive Director since June 2007. He has over 15 years of experience in audit, taxation and consultancy in government and non-government institutes. Mr. Ng holds a bachelor's of arts degree in accountancy and a master's degree of arts in international accounting from City University of Hong Kong. He also holds a bachelor of laws degree from The Manchester Metropolitan University. He is a fellow member of Hong Kong Institute of Certified Public Accountants, an associate member of Institute of Chartered Accountants in England and Wales, a past president of Society of Chinese Accountants & Auditors (2011), and a member of Hong Kong Securities Institute. Mr. Ng is also an independent non-executive director of Evergreen International Holdings Limited, a company listed on the Stock Exchange (Stock Code: 238) since June 2016 and an independent non-executive director of Honworld Group Limited (老恒和釀造有限公司), a company listed on the Stock Exchange (Stock Code: 2226) since June 2017.

SENIOR MANAGEMENT

Mr. Zhou Zheng Qiang (周政強), aged 52, President of the Group and Chairman of Beijing Consen, is primarily responsible for daily operation of the Group. Mr. Zhou graduated with a bachelor's degree in process automation from the Department of Chemical Engineering in Zhejiang University (浙江大學) and also holds a Certificate of Senior Automation Engineer in China. He had served as deputy chief engineer in China Hua Lu Engineering Company (中國華路工程設計有限責任公司) from 1988 to 2002. From April 2002 to January 2006, he was the General Manager of Xi'an Lan Xi Control System Engineering Company Limited (西安市藍溪控制系統工程有限責任公司). He joined the Group in February 2006.

Mr. Ma Yu Shan (馬玉山), aged 49, is Vice President of the Group and Chairman of Wuzhong Instrument Company Limited. In 2009, Mr. Ma graduated from Xi'an University of Technology (西安理工大學), majoring in instrumentation, and earned a PhD in engineering and Special State Allowance Scholar. In 2001, he was named a National Youth Station Expert. In 2002, he won the National Youth Creativity and Efficiency Award. In 2011, he received a national science and technology prize in the 11th Five year Plan of China for his outstanding contributions. In 2013, he was named a China youth science and technology innovation talent. From 1991 to 2001, Mr. Ma was a technician and Director of the technology department in Wuzhong Instrument Company Limited. During the period between 2001 and 2006, he served as Deputy General Manager of Wuzhong Instrument Company Limited and the period between 2006 and 2016, he served as General Manager of Wuzhong Instrument Company Limited.

Ms. Dong Yan (董艷), aged 50, is Vice President of the Group. Ms. Dong joined the Group in September 2003. She graduated from Tsinghua University with a bachelor's degree in chemical engineering. From 1990 to 1993, Ms. Dong was a production planning officer of Beijing Chemical Industry Group. From 1993 to 2003, she served at Beijing Chemical Group Import and Export Company Limited as a department manager. In China Automation Group Company Limited, Ms. Dong is in charge of secretarial matters of the Board of Directors, investing activities, legal issues as well as administration management.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Ms. Wang Qiu Ping (王秋萍), aged 38, is Chief Financial Officer of the Group. She is primarily responsible for overseeing the Group's financial planning, accounting and financial affairs. She joined the Group in December 2001. Prior to being appointed to the position of Chief Financial Officer of the Group, she served as a department manager of Beijing Consen, Financial Controller of Beijing Jiaoda Microunion Technology Company Limited and Financial Controller of the Group consecutively. Ms. Wang graduated from University of Science & Technology Beijing with a specialization in accountancy. She also obtained a master's degree in business administration from Beijing Jiaotong University, majoring in financial management. She earned a title of intermediate accountant, and is a member of China Merger & Acquisition Association as well as a Certified Dealmaker.

Mr. Chen Yong (陳勇), aged 50, is Vice President of the Group. He is primarily responsible for marketing and supply chain management of the Group. Prior to joining the Group in 2003, Mr. Chen worked in manufacturing management and sales at Shanghai Foxboro Company Limited (上海福克斯波羅有限公司). From 1990 to 1992, he worked in a textile mill in Shanghai. He graduated from Shanghai Technology College of Metallurgy (上海冶金高等專科學校) with a specialization in computer applications, and from University of Science and Technology Beijing (北京科技大學) with a specialization in engineering management.

Mr. Duan Min (段民), aged 51, is Vice president of the Group. He is primarily responsible for infrastructure management of the Group. He graduated with a bachelor's degree in automation of chemical engineering in Dalian University of Technology (大連理工大學). He has over 16 years of experiences working in the automation systems and instruments industry in China. He joined the Group in May 1999.

Ms. Wang Yan Mei (王彥梅), aged 77, is Chairman and General Manager of the Beijing Haidian ZhongJing Engineering Software Technologies Limited. (北京海澱中京工程設計軟體技術有限公司) She graduated from the mechanical engineering department at Beijing Institute of Petroleum in 1964, majoring in oil storage and transportation. Then she served in a position of Beijing Design Institute, the Ministry of Petroleum Industry. From 1973 to 1998, she served as Vice President of Beijing Design Institute of China Petrochemical Corporation. She has been Chairman of National Survey and Design Industry Computer Applications Association under the Ministry of Construction (建設部中國勘察設計協會全國勘察設計行業計算機應用協會) since 1985.

Mr. Ji Jun (季俊), aged 48, is General Manager of Beijing Consen Automation Control Company Limited, primarily responsible for overall operation and management. He is graduated from Zhejiang University, majoring in production process automation. Mr. Ji joined Beijing Consen since 2001, and served as project manager of engineering department, manager of after-sales service department, manager of engineering department as well as vice general manager of Beijing Consen. From 2014 to 2017, he served as general manager of Beijing Consen Technology Company and general manager of Beijing Consen since 2017.

Mr. Yang Zhan Fu (楊占富), aged 49, is General Manager of Wuzhong Instrument Company Limited since December 2016. He is responsible for overall operation and management of the company. Mr. Yang graduated from Xi'an Technological University (西安工業學院), majoring in mechanical manufacturing and equipment. He joined Wuzhong Instrument in 1989, and being vice general manager from 2008 to 2016.

Mr. William Erik Barkovitz, aged 47, is President of the Group's US operations, Inovex Corporation. He graduated from University of California, Irvine in 1993 with a bachelor's degree in applied physics. Upon graduation, he started his career in control and automation. From 1994 to 2005, Mr. Barkovitz worked for Triconex Corporation, a division of Invensys. Triconex is a global leading supplier of safety, critical control, and turbomachinery systems for the process industries. He served as sales director of Northern Asia Pacific, based in Singapore from 1995-1998, general sales manager of Europe, Middle East, and Africa from 1998-2001, based in the UK. In 2001, Mr. Barkovitz moved to the Triconex corporate headquarters in Irvine, California to assume the position of Vice President of Marketing. He moved to a start-up company in 2005, ORYXE Energy International, as Vice President of Marketing. ORYXE Energy develops emissions reduction chemical technologies for oil refiners and fuel distributors. In 2007, he left ORYXE Energy and formed the first US corporate entity of China Automation Group called Inovex.

Mr. Chow Chiu Chi (周昭智), aged 59, is the Group's Financial Controller and Company Secretary. He joined the Group in June 2006. He graduated from Hong Kong Polytechnic University with a bachelor's degree of arts in Accountancy. He is a fellow member of Hong Kong Institute of Certified Public Accountants. He has over 30 years of experiences in finance, accounting and internal audit.

The directors of the Company (the "Directors") are pleased to present their report together with the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSES OF OPERATIONS

The Company is an investment holding company. The Group is engaged in the provision of safety and critical control system and control valves specialized for petrochemical industries, along with related maintenance and engineering services. In July 2017, the Group completed an acquisition of 60% equity interest in Etern Group Limited, an investment holding company holding 98% interest in Yongding Hospital Company Limited (蘇州永鼎醫院有限公司), which is principally engaged in hospital business in Suzhou, the People's Republic of China (the "PRC")

The activities of the Group are mainly based in the PRC. Analyses of the Group's revenue and contribution to operating results by principal activities and by principal markets are set out in notes 5 and 6 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group as at 31 December 2017 is set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 8 and pages 9 to 16 of this annual report respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46 of this annual report.

KEY RISKS AND UNCERTAINTIES

PETROCHEMICAL BUSINESS SEGMENT

Reliance on the overall demand of various processing industries

The business of the Group is largely dependent on the development of various processing industries in the PRC including petrochemical, coal chemical, oil and gas as well as iron and steel industries. The sale of safety and critical control systems used in various processing industries may be affected by the investment, profitability and overall demand generated from those industries. Although the Group's major products are used in these industries that are encouraged by the PRC government, if existing government policies change to the disadvantage of these industries, the Group's sales relating to such industries may be adversely affected.

Changes in economic development in the PRC or a downturn in the economy in the PRC may adversely affect the Group's business

The Group mainly conducts its business through its operating subsidiaries in the PRC. Therefore, the Group's results of operations and financial positions will continue to be affected, to a large extent, by economic development in the PRC.

The growth of the Chinese economy has been uneven across different geographic regions and various economic sectors. The effect on the Group's business, financial position or results of operations brought about by future economic trends or the growth of gross domestic product cannot be accurately predicted and hence increase the uncertainties of the Group's future development. Since the Group mainly derives its sales from the PRC, the Group's continued growth depends heavily on the general economic conditions in the PRC. A downturn or slowdown in the PRC's economic growth may have material adverse effect on the Group's operational and financial results.

A prolonged decline in oil prices could adversely affect the demand for our products in the petrochemical and coal chemical industries

The demand for our products in the petrochemical and coal chemical industries is influenced by current and anticipated oil prices and the level of capital expenditures in these industries, which is in turn affected by oil prices. Oil prices are largely affected by global general demand for energy, which in turn affects the coal industry and coal chemical industry. A reduction or prolonged decline in oil prices could have a material adverse impact on the demand for our products for the coal chemical industry.

Producers generally react to the decline in oil prices by reducing expenditures which may have an adverse effect on our business in the future and it would be hard to predict the future oil prices or the level of activity for the oil industry. A prolonged low level of activity in the oil and gas industry will adversely affect both the demand for petrochemical and coal chemical industry products, and our financial positions and results of operations.

Our results may be affected by the depth, breadth and progress of mixed ownership reforms of state-owned enterprises in the PRC

In recent years, the PRC has implemented various measures to emphasize mixed ownership reforms for state-owned enterprises. These reforms may not be applied uniformly across various industries or regions in the PRC. As a result, some of these reforms may affect the industries which we engage in. Results of our operations may be adversely affected by the pace of mixed ownership reforms of state-owned enterprises.

HEALTHCARE SERVICES BUSINESS SEGMENT

Human Resources Risks

As our hospital operations continue to expand, we are required to increase the number of qualified medical staff, according to applicable laws and regulations of the PRC. If we are unable to recruit, train and maintain adequate medical staff and management staff, the hospital operations could be materially and adversely affected.

Reputation and Medical Safety Risks

Service quality and patient safety are paramount to the reputation of a hospital. Hospitals are highly regulated and hospital licenses are subject to renewal by the regulatory authorities. Any material medical incidents or malpractice may subject the hospital to severe penalties or even suspension of licenses required for operation of the hospital.

DIVIDEND

The Board did not recommend the distribution of final dividend (2016: Nil) for the year ended 31 December 2017.

CLOSURES OF REGISTER OF MEMBERS

In order to qualify for attending and voting at the forthcoming annual general meeting, the register of members of the Company will be closed from Wednesday, 23 May 2018 to Tuesday, 29 May 2018 (both dates inclusive), during such period no transfer of shares of the Company will be registered. For determining the entitlement to attend and vote at the annual general meeting, the unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday 21 May 2018.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2017 are set out on page 136 of this annual report. The summaries are for comparative purposes only, and do not form integral parts of the audited financial statements.

DISTRIBUTABLE RESERVES

Movements in the reserves of the Group during the year ended 31 December 2017 are set out on page 50 of this annual report. As at the balance sheet date, the Company's distributable reserves amounted to RMB749,888,000 (2016: RMB714,595,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to share option scheme, no equity-linked agreements were entered into during the year ended 31 December 2017 or subsisted at the end of the year.

SHARE CAPITAL

Details of movements of share capital of the Company during the year ended 31 December 2017 are set out in note 39 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

The Group did not make any charitable contribution for the year ended 31 December 2017 (2016: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2017 are set out in note 52 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total of 2,218 employees (31 December 2016: 1,936), of which 1,449 employees were related to petrochemical business segment whereas 769 employees were related to healthcare business segment.

The healthcare business segment (the newly acquired Etern Group Limited in July 2017) had a total of 769 employees, of which 643 were either doctors, medical technicians or nurses.

The emoluments payable to the employees of the Group are determined by their responsibilities, qualifications, performance and experience, and relevant industrial practices.

DIRECTORS

The Directors during the year and as at the date of this report were:

EXECUTIVE DIRECTORS

Mr. Xuan Rui Guo
Mr. Wang Chuensheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Tai Wen
Mr. Ng Wing Fai
Mr. Zhang Xin Zhi

Pursuant to articles 86 and 87 of the articles of association of the Company, Mr. Xuan Rui Guo and Mr. Wang Tai Wen shall retire from office by rotation at the annual general meeting and shall be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

The emoluments payable to the Directors are based on the terms of their respective service contracts with the Company. The Directors' fee payable is subject to annual assessment and approval by the Board and shareholders of the Company at annual general meetings. Details of the emoluments paid and payable to the Directors for the year ended 31 December 2017 are set out in note 13 to the consolidated financial statements.

The contributions to pension schemes for the Directors for the year ended 31 December 2017 are disclosed in note 13 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 18 to 20 of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company, its holding company, its fellow subsidiaries or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2017 or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option scheme of the Company as disclosed in note 41 to the consolidated financial statements, at no time during the year ended 31 December 2017 was the Company or its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

The articles of association of the Company provides that for the time being acting in relation to any of the affairs of the Company, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of duties of his/her office or otherwise in relation thereto.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Company and its subsidiaries.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Hong Kong Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Capacity/nature of interest	No. of shares interested (Note 1)	Approximate percentage of shareholding in the Company
Mr. Xuan Rui Guo	Beneficial owner	1,000,000 (L)	0.10%
	Interest of controlled corporation (Note 2)	515,696,164 (L)	50.25%

Save as disclosed above and disclosed under the paragraph headed "Share Option Scheme" below, as at 31 December 2017, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive were taken or deemed to have under the provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, to the best knowledge of the Directors, the following persons, other than the Directors and chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

		Shares		Underlying Shares	
Name of substantial shareholder	**Capacity/nature of interest**	**No. of Shares interested** (Note 1)	**Approximate percentage of shareholding in the Company**	**No. of underlying Shares interested** (Note 1)	**Approximate percentage of shareholding in the Company**
Araco Investment Limited (Note 2)	Beneficial owner	515,696,164 (L)	50.25%	–	–
Brightex Enterprises Limited (Note 2)	Interest of controlled corporation	515,696,164 (L)	50.25%	–	–
Ascendent Automation (Cayman) Limited (Note 4)	Beneficial owner	248,235,132 (L)	24.19%	–	–
Ascendent Capital Partners II, L.P. (Note 4)	Interest of controlled corporation	248,235,132 (L)	24.19%	–	–
Ascendent Capital Partners II, GP, L.P. (Note 4)	Interest of controlled corporation	248,235,132 (L)	24.19%	–	–
Ascendent Capital Partners II GP Limited (Note 4)	Interest of controlled corporation	248,235,132 (L)	24.19%	–	–
Ascendent Healthcare (Cayman) Limited (Notes 3, 5)	Beneficial owner	–	–	634,951,127 (L)	61.87%
Ascendent Capital Partners I, L.P. (Notes 3, 5)	Interest of controlled corporation	–	–	634,951,127 (L)	61.87%
Ascendent Capital Partners I, GP, L.P. (Notes 3, 5)	Interest of controlled corporation	–	–	634,951,127 (L)	61.87%
Ascendent Capital Partners I GP Limited (Notes 3, 5)	Interest of controlled corporation	–	–	634,951,127 (L)	61.87%
Mr. Meng Liang (Notes 3, 4, 5)	Interest of controlled corporation	248,235,132 (L)	24.19%	634,951,127 (L)	61.87%
Mr. Zhang Yi Kevin (Notes 3, 4, 5)	Interest of controlled corporation	248,235,132 (L)	24.19%	634,951,127 (L)	61.87%

Notes:

1. The letter "L" denotes the person's long position in the shares of the Company (the "Shares") and underlying Shares.

2. Araco Investment Limited ("Araco") is a wholly-owned subsidiary of Brightex Enterprises Limited ("Brightex") which is in turn is wholly-owned by Mr. Xuan Rui Guo ("Mr. Xuan"). By virtue of the SFO, Brightex and Mr. Xuan are deemed to be interested in 515,696,164 Shares in which Araco is interested.

3. On 26 July 2017, the Company issued convertible bonds ("Convertible Bonds") to Ascendent Healthcare (Cayman) Ltd. ("Ascendent Healthcare") in the principal amount of RMB675,588,000 in settlement of the consideration for the acquisition of 60% equity interest in Etern Group Ltd., an investment holding company holding 98% equity interest in a company principally engaged in hospital business in the PRC (the "Acquisition"). Upon full conversion of the Convertible Bonds based on the initial conversion price of RMB1.0640 per conversion share (subject to adjustments), 634,951,127 Shares will be allotted and issued to Ascendent Healthcare. Further details of the Acquisition and the Convertible Bonds are set out in the circular of the Company dated 23 June 2017.

4. AACL is a wholly-owned subsidiary of Ascendent Capital Partners II, L.P. ("ACP II"). The general partner of ACP II is Ascendent Capital Partners II GP, L.P. ("ACP GP II") and its general partner is Ascendent Capital Partners II GP Limited ("ACP GP Ltd II"). Each of Mr. Meng Liang ("Mr. Meng") and Mr. Zhang Yi Kevin ("Mr. Zhang") owns 50% of ACP GP II and ACP GP Ltd II respectively. By virtue of the SFO, ACP II, ACP GP II, ACP GP Ltd II, Mr. Meng and Mr. Zhang are deemed to be interested in 248,235,132 Shares in which AACL is interested.

5. Ascendent Healthcare is a wholly-owned subsidiary of Ascendent Capital Partners I, L.P. ("ACP I"). The general partner of ACP I is Ascendent Capital Partners I GP, L.P. ("ACP GP I") and its general partner is Ascendent Capital Partners I GP Limited ("ACP GP Ltd I"). Each of Mr. Meng and Mr. Zhang owns 50% of ACP GP I and ACP GP Ltd I respectively. By virtue of the SFO, ACP I, ACP GP I, ACP GP Ltd I, Mr. Meng and Mr. Zhang are deemed to be interested in 634,951,127 underlying Shares in which Ascendent Healthcare is interested.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any persons, other than a Director or a chief executive of the Company, who had or were deemed or taken to have interests or short positions in shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the registered kept by the Company under the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 16 June 2007. The Scheme had remained valid for a period of ten years commencing on 16 June 2007 and expired on 15 June 2017. There was no share option granted during the year ended 31 December 2017 and no share options remained outstanding as at 31 December 2017. The Company is proposing a new share option scheme for approval at the forthcoming annual general meeting. For details, please refer to the circular dated 25 April 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

No provisions for pre-emptive rights exist in the laws of the Cayman Islands in respect of the Company's share capital.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and revenue for the year ended 31 December 2017 attributable to the Group's major suppliers and customers respectively are as follows:

	2017	2016
	%	%
Purchases		
– the largest supplier	**14.1**	20.3
– the five largest suppliers combined	**25.7**	30.9
Revenue		
– the largest customer	**7.1**	10.5
– the five largest customers combined	**19.8**	25.1

None of the Directors, their associates, or shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) held any interests in the five largest suppliers or customers noted above.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND INVESTORS

The Company recognizes that our employees, customers and business associates are key to our sustainability journey. We strive to achieve corporate sustainability through engaging our employees, providing quality services for our customers, collaborating with business partners and supporting our community.

RELATIONSHIP WITH EMPLOYEES

The Company places significant emphasis on human capital. The Company provides a fair workplace, promotes non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. The Company administers its employee health and safety management system and ensures the adoption of proper principles across the Group. The Company provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organizations.

RELATIONSHIP WITH CUSTOMERS

To enhance customer satisfaction and promote a customer-oriented culture within the Company, we value feedbacks from customers through daily communications, regular visits and customers dialogues. We treat receiving feedbacks as an opportunity to improve our relationships with customers, and to address their concerns in a timely manner and in accordance with conventional standards.

Most of the customers of the Group's petrochemical business are sizable and reputable companies in the PRC. The sizable and reputable customers of the Group not only provide the Group with a stable demand for its products and services but also lower the risk of default. The Group has a strong marketing team that is responsible for organizing regular meetings and seminars to maintain good relationships with customers, understand customers' needs and to keep abreast of latest market trends and developments. The Group provides quality after-sales services and maintains close relationships with customers, which help the Group to secure more business in system upgrading and maintenance service as well as gathering information on potential new projects.

Customers of the Group's healthcare service business are typically individual patients. The Group values patients' satisfaction and adheres to the provision of comprehensive, high-quality and patient-oriented healthcare services. We provide every patient with experienced medical staff and advanced technologies and facilities for diagnosis and treatment to best satisfy the medical needs of our customers. Moreover, we strive to apply technologies to improve customer experience by allowing our patients to make appointments on the hospitals' website or WeChat official account. Meanwhile, to ensure and improve our service quality, we carry out regular management meetings and conduct patient surveys to seek feedback from patients and assess customer satisfaction level. We have also setup a customer service hotline to respond to any feedback or complaints our customers may have.

RELATIONSHIP WITH SUPPLIERS

We believe that our suppliers (including contractors) are equally important in driving quality delivery of both our engineering services and healthcare services. Suppliers are carefully selected and are generally required to possess requisite licenses and qualifications (such as the requirement to possess GMP and/or GSP certificates for suppliers of the Group's healthcare service business). We proactively collaborate with our business partners (including suppliers and contractors) to deliver quality sustainable products and services. To communicate with contractors on sustainability issues, we have developed proper codes of conducts for suppliers and included associated requirements in supplier contracts. These requirements relate to the areas of regulatory compliance, labor practices, anti-corruption, environmental measures, green procurement, occupational safety and health and other business ethics. We assure the performance of our suppliers through supplier approval process and by conducting factory audits/site visits and laboratory tests by accredited laboratories in the PRC on the delivered services during the contractual periods.

RELATIONSHIP WITH INVESTORS

The advice we receive from investors provides strong support to our business improvement. We believe effective communications and accurate information disclosure help nurture investor confidence, and also facilitate the flow of constructive feedback and ideas that are beneficial for our investor relations and future corporate development. Besides regular results announcements and corporate disclosures, we facilitate our communications with investors by explaining financial and operational information through conference calls, meetings and roadshows.

SUBSEQUENT EVENT

Details of the subsequent event are disclosed in note 53 to the consolidated financial statements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and considers the independent non-executive Directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, it is confirmed that there is sufficient public float of the Company's issued shares in the market as required under the Listing Rules.

AUDIT COMMITTEE

The Company has set up an audit committee in accordance with the requirements of Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The consolidated financial statements of the Group for the six months ended 30 June 2017 and the year ended 31 December 2017 and the related disclosures have been reviewed and approved by the audit committee.

AUDITORS

The consolidated financial statements have been audited by Deloitte Touche Tohmatsu Certified Public Accountants who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Xuan Rui Guo
Chairman
Hong Kong, 22 March 2018

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures which serves as an important element of risk management throughout the growth and expansion of the Company. The Company emphasizes on maintaining and carrying out sound, solid and effective corporate governance principles and structures.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2017, save and except for the following deviations:

Code provision A.6.7 stipulates that, among others, the independent non-executive Directors and other non-executive Directors should attend general meetings of the Company. Mr. Zhang Xin Zhi, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 29 May 2017 ("2017 AGM") due to other business commitment.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. On 14 September 2016, Mr. Xuan Rui Guo, the Chairman and executive Director of the Company, was appointed as the Chief Executive Officer of the Company. The Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer by the same person can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which currently consists of two executive Directors and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all the Directors, and all of them had confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2017.

BOARD OF DIRECTORS

The overall management of the Company's business is vested in the Board. The Board has delegated the day-to-day management of the Company's business to the executive management team, and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders. Major responsibilities of the Board include approving the Company's overall business, financial and technical strategies, setting key performance targets, approving budgets and overseeing the performance of management.

As at the date of this annual report, the Board comprises five members, consisting of two executive Directors, namely Mr. Xuan Rui Guo (the Chairman and the Chief Executive Officer) and Mr. Wang Chuensheng; and three independent non-executive Directors, namely Mr. Wang Tai Wen, Mr. Zhang Xin Zhi and Mr. Ng Wing Fai.

Non-executive Directors have a term of office of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws. The profile of all the Directors are set out on pages 18 to 20 of this annual report. The relationship among members of the Board (including financial, business, family or other material or relevant relationships, if any) are also disclosed.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers all of the independent non-executive Directors to be independent.

Ten Board meetings were held during the year ended 31 December 2017. Directors actively participated in each meeting in person or via telephone conferencing. Directors received reports on the activities of the operating divisions and present papers supporting decisions which required the Board's approval. The Board's consents were given by vote at the Board meetings.

If a Director has a conflict of interest in a transaction or proposal to be considered by the Board and which the Board has determined to be material, the individual Director concerned must declare his interest and is required to abstain from voting. The matter is considered at a Board meeting attended by independent non-executive Directors who have no material interest in the transaction.

Details of the attendance of Directors at these Board meetings, committee meetings (the Audit Committee, the Remuneration Committee and the Nomination Committee) and general meetings in the Relevant Period are set out in the following table:

	Number of meetings attended/Number of meetings held (during Director's tenure)				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**AGM**
Executive Directors					
Mr. Xuan Rui Guo	6/6	N/A	1/1	1/1	1/1
Mr. Wang Chuensheng	6/6	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Wang Tai Wen	6/6	2/2	1/1	1/1	1/1
Mr. Ng Wing Fai	6/6	2/2	1/1	1/1	1/1
Mr. Zhang Xin Zhi	6/6	2/2	1/1	1/1	0/1

Minutes of Board meetings are taken by the company secretary and, together with any supporting documents, are available to all the Directors. Draft and final versions of the minutes are sent to all the Directors for their comment and record respectively.

The company secretary regularly updates the Board on governance and regulatory matters.

Whenever the Board appoints a new Director, such new Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure proper understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. The Directors confirmed that they have complied with the code provision A.6.5 of the Code on Directors' training. The participation by individual Directors in the continuous professional development program with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2017 is recorded in the table below.

Name of Directors	Reading regulatory updates	Attending external seminars/ programmes
Executive Directors		
Mr. Xuan Rui Guo	✓	✓
Mr. Wang Chuensheng	✓	✓
Independent non-executive Directors		
Mr. Wang Tai Wen	✓	✓
Mr. Ng Wing Fai	✓	✓
Mr. Zhang Xin Zhi	✓	✓

AUDIT COMMITTEE

The Audit Committee was established in June 2007 and its current members include:

Mr. Ng Wing Fai *(Committee Chairman)*
Mr. Wang Tai Wen
Mr. Zhang Xin Zhi

The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in legal, business and accounting on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Audit Committee were approved and adopted on 30 March 2012 to conform to the provisions of the Code and the Listing Rules, a copy of which is posted on the Company's website.

The Audit Committee meets regularly to review the Group's financial reporting and other information provided to shareholders, the system of internal control, risk management, and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

Two Audit Committee meetings were held during the Relevant Period to review and discuss risk management, internal control and financial reporting matters including a review of the financial statements for the six months ended 30 June 2017 and the year ended 31 December 2017.

REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2007 and its current members include:

Mr. Wang Tai Wen *(Committee Chairman)*
Mr. Zhang Xin Zhi
Mr. Ng Wing Fai
Mr. Xuan Rui Guo

The Remuneration Committee advises and makes recommendations to the Board on the Group's overall policy and structure for the remuneration of Directors and senior management. The Remuneration Committee ensures that no Director or any of his associate is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee were approved and adopted on 30 March 2012 to conform to the provisions of the Code, a copy of which is posted on the Company's website.

In determining the emolument payable to Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.

The Remuneration Committee meets regularly to determine the policy for the remuneration of Directors and assess performance of executive Directors and certain senior management. One Remuneration Committee meeting was held during the Relevant Period and all members have attended the meeting.

NOMINATION COMMITTEE

The Nomination Committee was established in June 2007 and its current members include:

Mr. Zhang Xin Zhi *(Committee Chairman)*
Mr. Ng Wing Fai
Mr. Wang Tai Wen
Mr. Xuan Rui Guo

The written terms of reference which describe the authority and duties of the Nomination Committee were approved and adopted on 30 March 2012 to conform to the provisions of the Code and the Listing Rules, a copy of which is posted on the Company's website.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors.

The Nomination Committee reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. One Nomination Committee meeting was held during the Relevant Period and all members have attended the meeting.

The Board adopted a board diversity policy ("Board Diversity Policy") for the Company in August 2013 which stipulates that for selection of candidates to become Directors, the Nomination Committee should take into consideration a range of diversity perspectives, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how. The Board Diversity Policy is available on the Company's website. The Committee will review the policy to ensure its effectiveness.

Pursuant to articles 86 and 87 of the articles of association of the Company, Mr. Xuan Rui Guo, and Mr. Wang Tai Wen shall retire from office by rotation at the annual general meeting and shall be eligible for re-election.

AUDITORS' REMUNERATION

For the year ended 31 December 2017, the fees charged by the Company's auditors in respect of audit (including interim review) and non-audit (taxation) services amounted to approximately RMB4,200,000 for the year ended (2016: RMB2,615,000) and RMB200,000 for the year ended (2016: RMB440,000) respectively.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as follows:

(i) to develop, review and update the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors;

(v) to review the Company's compliance with the code of corporate governance and disclosure in the Corporate Governance Report; and

(vi) to perform such other corporate governance duties and functions set out in the code of corporate governance (as amended from time to time) for which the Board are responsible.

COMPANY SECRETARY

Mr. Chow Chiu Chi ("Mr. Chow") is the company secretary of the Company. Mr. Chow is a fellow member of the Hong Kong Institute of Certified Public Accountants. In compliance with Rule 3.29 of the Listing Rules, Mr. Chow had undertaken no less than 15 hours of relevant professional training during the Relevant Period.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Directors are responsible for the preparation of accounts which give a true and fair view of the state of affairs and of the results and cash flows of the Group on a going concern basis. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently and that judgments and estimates made are prudent and reasonable. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. The responsibilities of the auditors for the accounts are set out in the Independent Auditor's Report on page 41 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for implementation and maintenance of the Group's systems of risk management and internal control for the smooth running of its business. In this connection, the management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; ensuring the maintenance of proper accounting records for internal use or for publication; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. The Company has an internal audit function and the risk management and internal control systems of the Group are reviewed on an annual basis. The Board has reviewed the Group's risk management and internal control systems for the year ended 31 December 2017 and considered the systems to be effective and adequate.

COMMUNICATION WITH SHAREHOLDERS

The Group believes that effective communication with investors is essential in developing its business. Since the listing of the Company in July 2007, it has devoted itself to strengthen good communication with all shareholders, investors, analysts and public media all the time in order to enhance the level of corporate governance.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are printed and sent to all shareholders. Press releases are posted on the Company's website at www.cag.com.hk, which is constantly being updated in a timely manner, and so contains additional information on the Group's business activities.

The Directors have been continuing to put their utmost effort to develop direct communication channels with all investors to deepen their understanding in the business, strategies and future development of the Group.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Under article 58 of the articles of association of the Company, any one or more of the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of the deposit of such written requisition the Board fails to proceed to convene such general meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

To put forward a proposal at the general meeting of the Company (the "Proposal"), a shareholder should lodge at the head office and principal place of business of the Company in Hong Kong at Unit 3205B-3206, 32nd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, a written notice setting out (i) information of the shareholder and his/her/its contact details and (ii) details of the Proposal and relevant supporting documents.

MAKING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries, either by post or by facsimiles, together with his/her contact details, such as postal address, fax or email, addressing either to (i) the principal place of business of the Company in Hong Kong at Unit 3205B-3206, 32nd Floor, Office Tower, Convention Plaza, 1, Harbour Road, Wan Chai, Hong Kong or facsimile number (852) 2598 6633; or (ii) the principal place of business and head office of the Company in Beijing, the PRC at No. 7, Anxiang Street, Area B, Tianzhu Airport Economic Development Zone, Shunyi District, Beijing, China, 101318 or facsimile number (86) 10 8046 9966.

INVESTOR RELATIONS

AMENDMENT OF THE COMPANY'S CONSTITUTIONAL DOCUMENTS

There have been no changes to the Company's constitutional documents during the year ended 31 December 2017.

Apart from the Environmental, Social and Governance ("ESG") Reporting Guide issued by The Stock Exchange of Hong Kong Limited, we have adopted the Integrated Reporting Framework published by the International Integrated Reporting Council to answer stakeholders' needs. As part of our commitment to achieve continuous improvement, this ESG report makes further disclosure on matters relating to the ESG strategy of China Automation Group Limited (the "Company" and together with its subsidiaries, the "Group"), priority and the concepts that drives sustainable development of our businesses.

Sustaining the Group's businesses through our operations requires a clear vision, and the balancing of the interests of our stakeholders while determining and executing our strategies.

While our visions remain consistent, the dynamic nature of stakeholders' preferences requires us to carry out regular review and refinement of our strategies and risk management procedures to ensure stakeholders' ever changing needs are fulfilled.

It is an on-going journey for the Group to align all aspects of our business processes and organizational performance measures to our visions.

STAKEHOLDERS ENGAGEMENT

Our goal is to create long-term and sustainable value for shareholders who are the ultimate owners of the Company. We engage and interact with our stakeholders about our activities and identify any potential impacts such activities may have on the environment, workforce or communities. At corporate and working levels, and through our environmental and social impact assessment processes, we communicate with a range of stakeholders to ensure that we understand their concerns.

Representatives of the auditor of the Company also attended the annual general meeting to answer questions about the consolidated financial statements of the Group for the year ended 31 December 2016. The 2017 AGM was conducted to discuss and approve 2016 accounts. The Board meets regularly to discuss the overall strategies, monitor financial performance, evaluate operation performances and discuss other significant matters.

Shareholders will expect the quality of the information they receive and the Group's commitment to the on-going delivery of sustainable value for shareholders are supported by strong and comprehensive systems and processes. In our Annual Report, particular effort is made to address an extensive description of the performance and outlook for our businesses. For example, the Chairman's Statement focuses on the recent review of the Group's operation strategy and changes, an overview of the Group's performance in 2017 and an outline of our key plans in the coming years.

The Company will update our shareholders and the investment community through various channels, including but not limited to investor meeting, conference call and investment conference. In 2017, physical meetings and conference calls were held frequently with the investment community which included analysts, fund managers, rating agencies and other investors, to keep them abreast of the operations and development trends of the Company.

In order to further enhance communication with the shareholders of the Company and enable the Company's shareholders to have timely and updated information of the Group, the Group has set up its own website at http://www.cag.com.hk where corporate governance principles and practices, interim and annual reports, announcements, circulars, corporate business development and other information of the Company can be accessed by the public.

CORPORATE CULTURE

Inspiring our staff towards excellence is one of our core strategies to fulfil our mission of promoting a people-oriented culture. This goal is achieved through the recognition of our priority subjects, identification of the relevant strategies and management approach, as well as through management of related risks.

The group has 8 sales offices and 6 service centers in China as at 31 December 2017, enabling us to deliver our products and services to different locations in China where we operate.

Respect is an important value for the Company that reflects our attitude towards both internal and external stakeholders. We see respect as a core strength that must reside at the heart of our Group and include all our stakeholders.

We believe that in an increasingly complex and fast changing business environment, respecting stakeholders' diversity helps us to understand and cater to the needs of different stakeholders with varying perspectives and also helps us stay sensitive to different opportunities and risks.

WORKPLACE QUALITY

The Company implements a set of policies, operating manuals, handbooks and protocols to build a workplace where our colleagues can feel respected in a diverse and fair working environment, enabling everyone to deliver their performances unrelentingly and prosper in their preferred career paths.

The Company is committed in promoting occupational health and safety by providing a safe working environment and safety equipment for the staff and ensuring that safety measures are in place in order to achieve zero accident rate.

We endeavored more resources in monitoring and minimising the potential occupational health and safety risk in the workplace, improving the safety equipment and facilities and maintaining insurance policies, with the ultimate goal of creating a safe workplace for the staff. There were zero case of fatality due to workplace accidents in 2017. There were zero case of work related injuries in 2017.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

In accordance with the requirements under the international managements standards – OHSAS 18001 (Occupational Health and Safety Management Systems) and the Group's own environmental and occupational health safety management policy, we identified sources of danger and compiled preventive measures to reduce risks.

Our occupational health and safety system is regularly audited by both internal and external parties to ensure its effectiveness and that compliance is achieved. With our occupational health and safety system in place throughout the year, there had been no observed incidence of non-compliance with the relevant laws and regulations that have had a significant impact on the Group.

Safe, effective and congenial workplace and policies are important in the operation of the Group and we comply with labour standards and laws of the People's Republic of China, where the Group operates its principle businesses in. All of the Group's key business units have set up internal guidelines and systems specific to their industries to protect and ensure the health and safety of the employees. They have teams dedicated to workplace safety, tools and equipment sourcing, and provide trainings to employees in order ensure that they can discharge their duties safely.

STAFF DEVELOPMENT AND TRAINING

The Group recognises the importance of skilled and professionally trained employees to its business's development and future success and aspires to provide inspiring career paths for our staff.

The Group established a fair and equitable mechanism to manage staff's remunerations and provides performance incentives that enable staff to grow with the Group. Apart from statutory packages, the Group also offers meal allowances, holiday gifts and gold medals for long service.

We also provide employees with paid leave, offer dispatched employees and marketing employees family visit leave. The Group also pays salaries to employees on time and in full, and makes required contributions to the statutory social insurance, housing provident fund and personal accident insurance in accordance with the law. The Group also provides prenatal leave, breast-feeding leave and annual gynecological examinations for female staff.

The Group encourages staff to undertake training to enhance their job-related skills and knowledge through various channels, including in-house training, external seminar, management trainee program and apprenticeship, etc. to promote safety production, sales skills, customer services, etc.

During the year, over 130 hours of in-house training were delivered to staff at the management level and over 120 hours were delivered to staff at the operation levels by our training department.

WORKFORCE

The Group strives to offer equal and fair job opportunities to all qualified candidates regardless of age, nationality, race, religion, sexual orientation, gender, marital status, pregnancy, disability and political stance. Meanwhile, we offer employees competitive remuneration and benefits and strictly complies with the labour laws and regulations in which businesses are operated.

As at 31 December 2017, the Group had a total of 2,218 employees.

The Group prohibits and does not employ child or forced labour. The Group reviews its employment policies from time to time to ensure that all relevant laws and regulations on preventing child or forced labour throughout the reporting period are complied with and we are not aware of any non-compliance case.

ENVIRONMENTAL PROTECTION

The Group is committed to avoiding developing at the expense of the environment, and has complied with international and national environmental standards and implemented green production policies to raise energy efficiency and minimise energy consumption and the discharge of pollutants.

ENVIRONMENT MANAGEMENT

In order to fulfill requirements under relevant internationally recognized environment management systems and the Group's own environment management policy, we conducted identification and assessment of environment factors faced by each business unit. We identified within each of them key environment factors and established objectives, targets and control measures and enhanced our procedural document and management systems.

Over the years, the Group continued its energy saving improvements. Most of the Group's business units had plans and metrics to reduce pollution and emissions throughout 2017.

AIR AND GREENHOUSE GASES ("GHG") EMISSIONS

The Group's greenhouse gas emissions mainly come from the indirect energy emission and direct emission from our official gasoline vehicles.

Types of greenhouse gas emissions	Emission sources Energy type (unit)	Emission volume of carbon dioxide (tons) Current volume*
Indirect energy emission	Electricity consumption in production and office area (kwh)	15,706
Direct energy emission	Official gasoline vehicles (l)	159

Note: According to the energy conversion data, emissions in Northern China is calculated by allocating 50% to EFgrid,OM,y and EFgrid,BM,y respectively for 1.0416 tons and 0.4780 tons of carbon dioxide produced from electricity consumption for each megawatt hour, and emissions in Eastern China is calculated by allocating 50% to EFgrid,OM,y and EFgrid,BM,y respectively for 0.8112 ton and 0.5945 ton of carbon dioxide produced from electricity consumption for each megawatt hour. Carbon dioxide emissions volume for fossil fuel are calculated according to 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

The Group has adopted measures to reduce air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the year. We give due consideration to carbon emissions issues in decision-making processes, and actively seek to reduce, whenever practicable, the impact of our operations on the environment. The Group promote the use of recyclable materials, minimise the use of paper and dispose of wastes in a socially responsible manner. We encourage the use of eco-friendly products and services and keep on improving our emissions management practices. In the meantime, the Group promote awareness amongst staff, customers and business partners to manage environmental and social risks and support community activities in relation to environmental protection and sustainability. During the year, there was no violation of any emissions laws and regulations that had a significant impact on the Group known to the directors relating to air and greenhouse gas emissions.

SEWAGE DISPOSAL

Beijing Consen generates most sewage from livelihood activities which is disposed of via the city government's sewage channels. Examinations were conducted regularly.

Wuzhong Instrument centralizes its collection of oil-containing sewage for production and hands them over to Ningxia Dangerous Goods and Medical Waste Disposal Centre for safe treatment and disposal. The sewage from the production facilities was mostly livelihood sewage that met the relevant sewage disposal standards according to tests conducted by the Wu Zhong City Environment Monitoring Station.

NOISE CONTROL

Key noise sources of our business units are maintained and utilized in strict adherence to relevant requirements and had effectively kept noise pollution under effective control. Every year, we invite officials from the relevant government authorities to conduct noise emission assessments and the results were positive.

SOLID WASTE DISPOSAL

The Group's business units classify and collect solid wastes in accordance with "List of Hazardous waste of China" and its own "Electronic Waste Management Protocol", to be transferred to eligible treatment contractors for safety disposal via the property managers. Waste with recycling or resale values, such as packing paperboards, from various departments and production workrooms, are collected and centralized for delivery to recyclable waste storage stations, where they are taken care of in accordance with relevant laws and regulations.

HAZARDOUS WASTE DISPOSAL

The Group's business units comply with requirements from the environment protection departments of the city governments and their own hazardous waste management systems and have established storages for hazardous wastes with proper logistics records that track wastes coming in and going out of the storage including the departments that are responsible for generating the wastes, the types the quantities and the entry and exit records.

MEDICAL WASTE DISPOSAL

The healthcare service business units comply with the Regulations on Administration of Medical Waste ("醫療廢物管理條例") and the Implementation Measures of the administration of Medical Waste for Healthcare Institutions ("醫療衛生機構醫療廢物管理辦法"), and in addition, Yongding Hospital has its internal policies to formulate the treatments on medical wastes, including (i) medical wastes to be categorized separately and collected in yellow cases or plastic bags, followed by anticorrosion treatment if required; (ii) medical wastes to be centralized in a designated location and delivered to an independent company with authorized qualifications to dispose such medical wastes; and (iii) medical wastes to be conveyed in specialized vehicles, which are required to be cleared and sterilized each day.

In 2017, a total of 75.6 tons of hazardous waste and 12,595 tons of nonhazardous waste were generated in the Group.*

MATERIAL USE

The Group is committed to providing environmentally responsible packaging materials for its products and has streamlined the production process in order to reduce the packaging materials. For office administration, we strengthen the control on the use of office paper for photocopying and printing. For example, internal use or unofficial documents are requested to print on both sides. Also, we strictly control the procurement, management and use of office supplies and consumables to avoid waste.

During the year, we consumed a total of 938 tons of packaging materials.*

WATER

The water consumed mainly represents water used during the manufacturing process and as daily water in office area, which has no major impact on the water source. Water conservation is one of our key performance indicators for performance assessment — we monitor our water consumption and encourage our employees to save water. We serve reminders by affixing conspicuous "save water" and "protect our natural environment" labels near water taps. We notify the responsible personnel of any leaking water taps or pipes for repair to avoid wastage of water. We appoint staff to inspect the water supply system on a regular basis to ensure no leakage.

In 2017, we consumed a total of 420,000 m^3 freshwater in production and office area which is approximately 175 m^3 per employee.*

ENERGY SAVING AND CONSUMPTION MANAGEMENT

The Group promotes various cost saving and efficiency enhancement initiatives to enhance staff awareness on this, including: switch off unneeded lights, electrical appliances and office equipment (such as printers, copiers, shredders, computers and monitors) when not in use; whenever practicable, turn them off completely during non-operating hours; serve reminders by affixing conspicuous "save energy" labels near the power switches of printing equipment and information and communications technology equipment, and designate staff to monitor the situation periodically; carry out regular checking and cleaning of office equipment; where necessary, arrange for maintenance and procure timely replacement of deteriorated/aged parts to reduce power loss due to equipment malfunction and component failure; Switch off all unnecessary power supply before leaving the office, and remind the staff remaining in the office to do so. Resources were consumed on need basis.

Beijing Consen utilizes the centralized thermal heat supply from the city government and thereby effectively saved energy and other resources. We persistently improved product design and processing craftsmanship to enhance material utilization.

Wuzhong Instrument accomplished energy saving through improvements in craftsmanship, material utilization and various measures.

In 2017, we consumed a total of 21,124 million kWh electricity in production and office area which is approximately 8.82 million kWh per employee. The Group consumed a total of 635,900 m3 natural gas and 895,400 tons motor gasoline in 2017.*

* The number of Yongding Hospital included in the above ENVIRONMENTAL PROTECTION section was calculated by 12 months for the year ended December 31, 2017

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

The Group developed a comprehensive internal procurement system. It strictly adheres to relevant laws and regulations of each of the countries from which it sources materials and supplies. International best practices are implemented and fair and unbiased tender processes are conducted. Steps are also taken to ensure that our partners and suppliers do not employ child labour or abuse human rights.

Steel plates, steel components, electrical and electronic components are major raw materials for the Group's production line, and for healthcare business units, the supplies required mainly include pharmaceuticals, medical consumables and medical equipment. In the process of procurement, the Group applies a fair procurement principle and adopts a low-carbon and green supply chain standard and the highest priority is given to suppliers who have obtained relevant certifications, in addition to the requisite licenses and qualifications, such as GMP and/or GSP certificates for healthcare business. In 2017, the Company procured its steel plates and steel components mainly from domestic suppliers in Jiangsu, Zhejiang, Tianjin, Shanghai, Hebei, Shanxi, Lanzhou, Xi'an, Sichuan and Ningxia; electrical and electronic components mainly from both domestic suppliers in China and overseas suppliers; and medical-related suppliers mainly in Jiangsu. The Company strives to emphasize the quality of the products and services we provided, and in the meanwhile to minimize the impact of procurement on the environment and help maintain an ecological balance.

Furthermore, the Company conducts annual reviews on its suppliers based on specific national and industry specific standards of the People's Republic of China and of other jurisdictions where our suppliers are based to ensure that they comply with environmental requirements and hygiene standards and that the ecosystem and consumers' rights to safe products are protected.

PRODUCT RESPONSIBILITY

Protecting our clients and safe-guarding their proprietary and confidential information are some of our top priorities. In addition to guidelines and handbooks, the group issues periodic reminders and runs workshops for our client relationship managers to continuously remind them of the importance of protecting confidential information. In addition, we have been maintaining adequate customer communications so that feedbacks can be taken note of and complaints can be handled efficiently. Customer complaints are thoroughly investigated and root causes are identified and acted upon.

ANTI-CORRUPTION/ANTI-MONEY LAUNDERING

The Group has established a strong internal control framework, put in place a set of stringent policies and procedures, and has instituted a vigorous enforcement regime for preventing corruption, fraud and anti-money laundering in order to achieve a zero-tolerance stance on corruption and fraud which emphasize on our values of integrity, fairness, transparency and accountability is evident.

In addition, our strong stance against corruption and fraud is communicated to all our employees, and requisite provisions are incorporated into our contracts with third party suppliers to ensure that they are fully aware of our position. These measures are further bolstered by independent audits conducted by the Company's internal audit function.

Furthermore, incidents or suspected incidents of corruption and fraud are immediately investigated by the business units concerned, and will be reported to the Audit Committee and executive management and scrutinised by the Company's internal audit function as and when appropriate.

A whistleblowing policy has also been adopted by the Group to allow anonymous reporting of improprieties, of which zero case of suspected or actual irregularities or misdeeds have been reported to us via this route in 2017.

During the year, there were no legal case regarding corruption or money laundering brought against the Group or its employees and no whistle-blowing concerning criminal offence or misconduct was reported to the Group. We would cooperate fully with any investigation conducted by law enforcement agencies.

The Group keeps itself familiar with the ever-changing landscape of corruption and fraud, and is relentlessly searching for more effective measures to combat them. Trends and transaction analyses are carried out and incidents are dissected to ascertain the cause, course and remedies of the underlying issues, and periodic sessions are held within the Company to share knowledge, skills and experience.

COMMUNITY INVOLVEMENT

The Group is passionate about charity. It extends its reach to the disadvantaged students, the elderly and the physically impaired. The Group has a volunteer team and encourages its employees to serve the community by participating in community and charity works.

The Group has developed programs to promote voluntary activities and encourage more volunteers to participate in community service and visit those in need and the underprivileged groups. The total number of participants and hours of service in all activities of the Group's volunteer team throughout 2017 were 180 and 2,880.

In addition, the Group's community involvement extends to locations in China where it operates. As members of the community that we cherish, the Group takes responsibility of seeing to its well-being seriously. We will continue to take a region-specific approach and develop tailor-made programmes to address the needs and expectations of the local communities we serve.

Deloitte. 德勤

TO THE MEMBERS OF CHINA AUTOMATION GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Automation Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 135, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS – CONTINUED

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
We identified impairment of trade receivables as a key audit matter due to the significance of trade receivables on the consolidated statement of financial position, and the impairment loss, determination of which involves management's significant judgment. At 31 December, 2017 the Group has recorded trade receivables, net of impairment losses, amounting to RMB742,080,000. A net impairment loss on trade receivables amounting to RMB47,586,000 was recognised for the year ended 31 December 2017. Details of the trade receivables and the estimation uncertainty on impairment of trade receivables are set out, respectively, in Notes 27 and 4 to the consolidated financial statements.	Our procedures in relation to impairment of trade receivables included: • Evaluating management's assumptions and judgement used in calculating impairment on trade receivables with reference to the aged analysis, historical payment patterns of selected receivables and their subsequent settlement; • Testing, on sample basis, the appropriateness of the aged classification in the aged analysis of the trade receivables; and • Arranging direct confirmations for receivables, especially those with significant overdue balances for which no impairment was provided.
Fair value determination of operating license acquired in the acquisition of a subsidiary	
We identified the determination of fair value of operating license acquired in the acquisition of a subsidiary named Etern Group Ltd. ("Etern Group") as a key audit matter due to its significance to the consolidated statement of financial position and the significant management estimate in respect of discount rate and the financial forecast involved in determining the fair value of the license. As disclosed in Notes 19 and 43 to the consolidated financial statements, the fair value of the operating license acquired in the acquisition of Etern Group of RMB98,733,000 was recorded by the Group.	Our procedures in relation to the fair value determination of the operating license acquired in the acquisition of Etern Group included: • Evaluating the independent external valuer's competence, objectivity and qualification; • Evaluating, with the assistance of our internal valuation specialists, the appropriateness of the valuation methodology and assumptions of discount rate used in valuing the operating license, based on market available data and specific risks of the Company; and • Comparing key assumptions and inputs, including the financial forecast, to historical information and market data.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Cheng Pak Chuen, Patrick.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated) (Note 12)
Continuing operations			
Revenue	5	1,223,022	1,062,132
Cost of sales		(1,030,607)	(938,591)
Gross profit		192,415	123,541
Other income	7	44,771	70,893
Other gains and losses	8	25,893	(138,351)
Selling and distribution expenses		(110,757)	(99,523)
Administrative expenses		(198,938)	(188,360)
Research and development expenses		(62,143)	(71,398)
Other expenses		(5,519)	(4,437)
Finance costs	9	(60,747)	(45,371)
Share of results of associates		173	(2,507)
Loss before taxation		(174,852)	(355,513)
Income tax (expense) credit	10	(17,403)	8,701
Loss for the year from continuing operations	11	(192,255)	(346,812)
Discontinued operations			
Loss for the year from discontinued operations	12	(15,295)	(68,085)
Loss for the year		(207,550)	(414,897)
Other comprehensive income for the year (net of tax)			
Items that maybe subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		964	2,536
Share of translation reserve of a joint venture		–	527
Reclassification adjustment for the cumulative share of translation reserve upon disposal of a joint venture		–	230
		964	3,293
Total comprehensive expense for the year		(206,586)	(411,604)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated) (Note 12)
(Loss) profit for the year attributable to:			
Owners of the Company			
– from continuing operations		**(201,550)**	(390,757)
– from discontinued operations		**(6,634)**	–
		(208,184)	(390,757)
Non-controlling interests			
– from continuing operations		**9,295**	(24,140)
– from discontinued operations		**(8,661)**	–
		634	(24,140)
		(207,550)	(414,897)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(207,220)**	(387,464)
Non-controlling interests		**634**	(24,140)
		(206,586)	(411,604)
Loss per share	16		
From continuing and discontinued operations			
Basic (RMB cents)		**(20.29)**	(38.08)
Diluted (RMB cents)		**(21.45)**	(38.08)
From continuing operations			
Basic (RMB cents)		**(19.64)**	(33.83)
Diluted (RMB cents)		**(20.94)**	(33.83)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current Assets			
Property, plant and equipment	17	**923,516**	883,918
Deposit for acquisition of property, plant and equipment		**30,937**	40,303
Prepaid lease payments – non-current portion	18	**256,998**	271,119
Intangible assets	19	**249,136**	69,273
Goodwill	20	**445,500**	8,890
Interests in associates	22	**19,336**	20,585
Pledged bank deposits	29	**119**	405
Deferred tax assets	23	**79,689**	66,486
Available-for-sale ("AFS") financial assets	24	**26,953**	41,170
		2,032,184	1,402,149
Current Assets			
Prepaid lease payments – current portion	18	**6,804**	6,314
Inventories	26	**425,992**	481,724
Trade and bills receivables	27	**1,022,907**	1,420,321
Other receivables and prepayments	28	**165,766**	145,330
AFS financial assets	25	**31,000**	–
Pledged bank deposits	29	**38,284**	61,934
Bank balances and cash	30	**308,932**	168,538
		1,999,685	2,284,161
Assets classified as held for sale ("HFS")	31	**–**	50,487
		1,999,685	2,334,648
Current Liabilities			
Trade and bills payables	32	**492,441**	485,228
Other payables, deposits received and accruals	33	**337,514**	342,528
Dividend payable		**2,305**	6
Income tax payable		**45,898**	23,159
Bank borrowings – due within one year	34	**304,947**	333,803
Guaranteed notes – due within one year	35	**155,549**	–
		1,338,654	1,184,724
Liabilities directly associated with assets classified as HFS	31	**–**	39,177
		1,338,654	1,223,901
Net Current Assets		**661,031**	1,110,747
Total Assets less Current Liabilities		**2,693,215**	2,512,896

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Capital and Reserves			
Share capital	39	**9,548**	9,548
Share premium and reserves	40	**1,170,872**	1,378,092
Equity attributable to owners of the Company		**1,180,420**	1,387,640
Non-controlling interests		**188,179**	125,031
Total Equity		**1,368,599**	1,512,671
Non-current Liabilities			
Deferred tax liabilities	23	**66,056**	16,640
Bank borrowings – due after one year	34	**110,000**	200,000
Guaranteed notes – due after one year	35	**–**	205,567
Corporate bonds	36	**196,697**	195,679
Convertible bonds	37	**560,556**	–
Other non-current liabilities	38	**391,307**	382,339
		1,324,616	1,000,225
Total Equity and Non-current Liabilities		**2,693,215**	2,512,896

The consolidated financial statements on pages 46 to 135 were approved and authorised for issue by the board of directors on 22 March 2018 and are signed on its behalf by:

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000 (Note 40(i))	Other reserve RMB'000 (Note 40(ii))	Statutory surplus reserves RMB'000 (Note 40(iii))	Contribution from owners RMB'000	Translation reserve RMB'000	Share options reserve RMB'000 (Note 40(iv))	Retained profits RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	9,548	648,367	34,666	182,499	619	10,014	4,911	882,386	1,773,010	148,171	1,921,181
Loss for the year	–	–	–	–	–	–	–	(390,757)	(390,757)	(24,140)	(414,897)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	2,536	–	–	2,536	–	2,536
Share of translation reserve of a joint venture	–	–	–	–	–	527	–	–	527	–	527
Reclassification adjustment for the cumulative share of translation reserve upon disposal of a joint venture	–	–	–	–	–	230	–	–	230	–	230
Total comprehensive income (expense) for the year	–	–	–	–	–	3,293	–	(390,757)	(387,464)	(24,140)	(411,604)
Appropriations to reserves	–	–	–	93,674	–	–	–	(93,674)	–	–	–
Capital contributions from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	1,000	1,000
Recognition of equity-settled share-based payments (Note 41)	–	–	–	–	–	–	2,094	–	2,094	–	2,094
Effect of share options cancellation (Note 41)	–	–	–	–	884	–	(7,005)	6,121	–	–	–
At 31 December 2016	9,548	648,367	34,666	276,173	1,503	13,307	–	404,076	1,387,640	125,031	1,512,671
(Loss) Profit for the year	–	–	–	–	–	–	–	(208,184)	(208,184)	634	(207,550)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	964	–	–	964	–	964
Total comprehensive income (expense) for the year	–	–	–	–	–	964	–	(208,184)	(207,220)	634	(206,586)
Appropriations to reserves	–	–	–	168	–	–	–	(168)	–	–	–
Acquisition of a subsidiary (Note 43)	–	–	–	–	–	–	–	–	–	135,917	135,917
Derecognised on disposal of a subsidiary (Note 44)	–	–	–	–	–	–	–	–	–	(72,203)	(72,203)
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(1,200)	(1,200)
At 31 December 2017	**9,548**	**648,367**	**34,666**	**276,341**	**1,503**	**14,271**	**–**	**195,724**	**1,180,420**	**188,179**	**1,368,599**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES			
Loss for the year		(207,550)	(414,897)
Adjustments for:			
Income tax expense (credit) for:			
Continuing operations		17,403	(8,701)
Discontinued operations		–	756
Share of results of associates		(173)	2,507
Share of results of a joint venture		–	(1,597)
Finance costs/Redemption Loss		63,792	50,789
Early redemption premium of guaranteed notes		–	5,342
Depreciation of property, plant and equipment		56,959	47,836
Prepaid lease payments released		6,588	5,894
Amortisation of intangible assets		14,314	12,537
Deferred income released to profit or loss		(10,158)	(3,540)
Change in fair value of convertible bonds		(71,305)	–
Gain on relocation		(28,987)	–
Loss (gain) on disposal of property, plant and equipment		26,522	(80)
Loss on disposal of a joint venture		–	233
Loss on disposal of an associate	22	222	–
Gain on disposal of subsidiaries	12	(3,742)	–
Gain on disposal of a subsidiary classified as HFS	12	(190)	–
Loss on disposal of AFS financial assets	8	1,780	–
Allowance on bad and doubtful debts		47,965	111,626
Impairment losses on AFS financial assets		3,373	23,047
Interest income		(820)	(1,248)
Dividends received from AFS investments		(2,008)	–
Acquisition-related costs		(4,719)	–
Foreign exchange losses		(7,030)	22,175
Share-based payments expenses		–	2,094
Operating cash flows before movements in working capital		(97,764)	(145,227)
Decrease in inventories		26,210	135,739
Decrease in trade and bills receivables		239,623	49,970
(Increase) decrease in other receivables and prepayments		(31,742)	29,217
Increase in trade and bills payables		34,690	5,169
Increase (decrease) in deferred income		3,120	(26,987)
Increase in other payables and accruals		44,877	136
(Decrease) increase in discounted bills receivables		(86,740)	88,107
Cash generated from operations		132,274	136,124
Income tax paid		(20,757)	(18,847)
Income tax refunded		–	2,385
Net cash generated from operating activities		111,517	119,662

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Interest received		820	1,248
Dividends received from AFS investments		2,008	–
Proceeds on disposal of AFS assets	24	7,832	–
Proceeds on disposal of a joint venture		–	5,059
Proceeds from disposal of an associate	22	1,200	–
Proceeds from relocation	38	100,000	–
Purchases of property, plant and equipment and deposits for acquisition of property, plant and equipment		(111,734)	(263,791)
Increase in prepaid lease payment		–	(143,578)
Development costs paid		(20,593)	–
Proceeds from disposal of property, plant and equipment		1,912	1,661
Dividend received from a joint venture		–	2,495
Net cash inflow on acquisition of subsidiaries	43	12,379	–
Acquisition cost paid		4,719	–
Net cash inflow on completed disposal of a subsidiary classified as HFS	31	925	–
Net cash inflow on disposal of subsidiaries	44	67,877	–
Transaction cost paid for disposal of subsidiaries	44	(3,000)	(5,237)
Receipts of government grants		44,875	137,569
Purchase of short-term investments		(800,780)	–
Redemption of short-term investments		830,012	–
Placement of pledged bank deposits		(36,101)	(26,197)
Withdrawal of pledged bank deposits		26,713	41,566
Net cash generated from (used in) investing activities		129,064	(249,205)
FINANCING ACTIVITIES			
Bank borrowings raised		345,844	610,769
Repayment of bank borrowings		(354,475)	(607,533)
Repayment of guaranteed notes including early redemption premium		(40,393)	(434,291)
Interest paid		(52,870)	(61,115)
Proceeds from issuance of corporate bonds		–	200,000
Transaction costs incurred for issue of corporate bonds		(4,944)	(4,944)
Dividends paid to non-controlling shareholders		(1,200)	–
Capital contributions from non-controlling shareholders		–	1,000
Net cash used in financing activities		(108,038)	(296,114)
Net increase (decrease) in cash and cash equivalents		132,543	(425,657)
Cash and cash equivalents at beginning of the year		179,113	601,241
Effect of foreign exchange rate changes		(2,724)	3,529
Reclassified as HFS		–	(10,575)
Cash and cash equivalents at end of the year		308,932	168,538
Analysis of the balances of cash and cash equivalents: represented by			
Bank balances and cash		308,932	168,538

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its immediate holding company is Araco Investment Limited, incorporated in the British Virgin Islands ("BVI") and its ultimate controlling shareholder is Mr. Xuan Rui Guo ("Mr. Xuan"), the Chairman and an executive director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

The activities of its subsidiaries are set out in Note 52.

The consolidated financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board ("IASB") for the first time in current year.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12	*As part of the Annual Improvements to IFRSs 2014-2016 Cycle*

Except as described below, the application of the above amendments to IFRSs in the current reporting period has had no material impact on the Group's financial performance and positions for the current and prior reporting periods and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current reporting period. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchanges rates; (iv) changes in fair value; and (v) other changes.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – CONTINUED

Amendments to IAS 7 *Disclosure Initiative* – continued

A reconciliation between the opening and closing balances of these items is provided in Note 50.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior reporting period. Apart from the additional disclosure in Note 50, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

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

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[4]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 28	*Annual Improvements to IFRS Standards 2014-2016 Cycle*[1]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015-2017 Cycle*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

The directors of the Company anticipate that the application of the new and revised IFRSs, other than those set out below, will have no material impact on the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – CONTINUED

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair values at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attribute to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value though profit or loss is presented in profit or loss.

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

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – CONTINUED

IFRS 9 *Financial Instruments – continued*

Classification and measurement:

- Equity securities classified as AFS investments carried at cost less impairment as disclosed in Note 24: these securities qualified for designation as measured at FVTOCI under IFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve.

- Convertible bonds issued by the Group designated as at fair value through profit and loss ("FVTPL") as disclosed in Note 37: these financial liabilities qualified for designation as measured at FVTPL under IFRS 9, however, the amount of change in the fair value of these financial liabilities that is attributable to changes in the credit risk of those liabilities will be recognised in other comprehensive income with the remaining fair value change recognised in profit or loss. This is different from the current accounting treatment under which the entire change in fair value of the financial liabilities is recognised in profit or loss. The change in fair value attributed to a change in credit risk of these financial liabilities during the current reporting period amounting to RMB318,000 would be recognised in other comprehensive income were IFRS 9 applied.

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model was to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would slightly increase as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – CONTINUED

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligation, principal versus agent consideration, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – CONTINUED

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Lease* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications amongst other. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset for prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB41,342,000 as disclosed in Note 46. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. In addition, the application of new requirements may result changes in measurements, presentation and disclosure as indicated above.

In addition, based on the definition of lease payments under IFRS 16, refundable rental deposits paid by the Group are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advanced lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Business combinations – continued

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represented the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU (or any of the CGU within group of CGUs in which the Group monitors goodwill), the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss be recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments in associates – continued

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Non-current assets HFS

Non-current assets and disposal groups are classified as HFS if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as HFS when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, the investment or the portion of the investment that will be disposed of is classified as HFS when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as HFS from the time when the investment (or a portion of the investment) is classified as HFS.

Non-current assets (and disposal groups) classified as HFS are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed. When the sales contract includes an identifiable amount for warranty service, that amount is deferred and recognised as revenue over the period during which the service is performed. Service fees received in advance are recorded as deferred income and recognised as service fee income when the services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue recognition – continued

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Servicing fees are recognised by reference to the proportion of the total cost of providing the service.

Service income from the provision of healthcare services is recognised when the related services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Contingent rental arising under operating leases are recognised as an expense in the period in which they are incurred. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payment can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes, including state-managed retirement benefits schemes in the People's Republic of China (the "PRC") and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefit

Short-term employee benefits are recognised at the undiscounted amount of the benefits to be paid as and when employees rendered the service. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

When the share options are cancelled or settled during the vesting period, the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately and any payment made to the employee on the cancellation or settlement is accounted for as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation – continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with effects of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production or supply of goods or services, or for administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets other than goodwill below).

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development or from the development phase of an internal project is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets other than goodwill set out below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible with finite useful lives assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset(or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if applicable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets

The Group's financial assets are classified into loans and receivables and AFS financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, of which interest income is included in other income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bill receivables, other receivables, bank balances and cash as well as pledged bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group classified certain unlisted equity and debt securities as AFS financial assets.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment AFS investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the AFS investments revaluation reserve is reclassified to profit or loss.

AFS equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of counterparty; or
- default or delinquency in settlement of receivables; or
- it becoming probable that the debtors will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Convertible bonds

The Group designated the convertible bonds as financial liabilities at FVTPL. The convertible bonds contained one embedded derivative, the convertible option, which will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. IAS 39 permits the entire combined contract to be designated as at FVTPL. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on measurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the "other gains and losses" line item. Fair value is determined in the manner described in Note 49.

Financial liabilities at amortised cost

Financial liabilities including bank borrowings, trade and bills payables, other payables, dividend payable, corporate bonds, guaranteed notes, convertible bonds and long term payable are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference among the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised if the revision affects only that reporting period, or in the reporting period of the revision and future reporting periods if the revision affects both current and future reporting periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated. The recoverable amount based on fair value less costs of disposal requires the Group to prepare a financial forecast which includes estimated further cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise.

As at 31 December 2017, the carrying amount of goodwill was RMB445,500,000 (2016: RMB8,890,000). Details of the recoverable amount calculation are disclosed in Note 21.

Useful life of operating license of a hospital

Included in the intangible assets is operating license of a hospital with carrying value of RMB97,362,000 (2016: nil) and an estimated useful life of 30 years. The useful life of this license will change significantly as a result of change in the PRC government policies in the future. If the useful life of this licence is estimated to be less than previously estimates, the amortisation of this license will increase accordingly.

Indefinite useful life of trademarks

As at 31 December 2017, the carrying amount of trademarks with indefinite useful lives was RMB23,827,000 (2016: RMB23,827,000). Details of the recoverable amount calculation are disclosed in Note 21. The trademarks are classified as indefinite-lived intangible assets and supported by the fact that trademarks are capable of being renewed indefinitely by the PRC government upon its expiration at insignificant cost. Based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely. The Group re-evaluates the useful life of trademarks each year to determine whether events and circumstances continue to support the view of indefinite useful life for these assets.

Estimated impairment of trade and other receivables

In making the estimates on the impairment of trade and other receivables, the Group considered detailed procedures have been in place to monitor this risk. In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible personnel discussed with the relevant customers or debtors and report on the recoverability. When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, where applicable. Where the future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the aggregate carrying amount of trade and other receivables (net of allowance for doubtful debts), was approximately RMB826,954,000 (2016: RMB1,211,586,000). Details of movements of allowance for trade receivables and other receivables are disclosed in Notes 27 and 28 respectively.

5. REVENUE

An analysis of the Group's revenue relating to continuing operations for the current and prior years is as follows:

	2017 RMB'000	2016 RMB'000
Continuing operations		
Sales of goods		
System sales	271,975	337,966
Trading of equipment	–	69,567
Software sales	15,955	41,651
Industrial control valves sales	467,924	325,488
Pharmaceuticals	96,368	–
	852,222	774,672
Provision of service		
Provision of maintenance and engineering services	177,188	184,926
Design and consulting services	98,770	102,534
Healthcare services	94,842	–
	370,800	287,460
	1,223,022	1,062,132

6. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the operating management committee, being the chief operating decision maker (the "CODM"), in order to allocate resources to the segments and to assess their performance.

As a result of the completion of the acquisition of a hospital group as set out in Note 43, the CODM has added hospital services segment, being the provision of medical consultation services and sales of pharmaceuticals, to the segment presentation in July 2017.

As a result of the disposal of the Group's railway operations as set out in Note 44, the CODM has removed the railway segment, being the integration and sales of traction systems, auxiliary electricity supply systems and industrial signaling systems, trading of equipment, provision of maintenance and engineering services for the railway industry, from the segment presentation in September 2017. The comparative figures for the previous reporting period have been restated accordingly.

6. SEGMENT INFORMATION – CONTINUED

The Group's operating segments are identified and relevant information is presented below:

Petrochemical	–	integration and sales of safety and critical control systems, trading of equipment, provision of maintenance and engineering services, design and consulting services and sales of software products for the petrochemical, chemical, oil and gas, biodiesel and coal chemical industries, manufacture of industrial control valves.
Hospital services	–	provision of healthcare services and sales of pharmaceuticals

Segment revenue and results

The details of the segment revenue and results from continuing operations are as follows:

2017

	Petrochemical RMB'000	Hospital services RMB'000	Consolidated RMB'000
Segment revenue	1,031,811	191,211	1,223,022
Segment (loss) profit before taxation	(257,974)	34,098	(223,876)
Income tax expense	(6,716)	(10,687)	(17,403)
Segment (loss) profit	(264,690)	23,411	(241,279)
Unallocated other income			1,989
Unallocated other gains and losses			76,247
Unallocated administrative expenses			(11,176)
Unallocated finance costs			(18,036)
Loss for the year from continuing operations			(192,255)

6. SEGMENT INFORMATION – CONTINUED

Segment revenue and results – continued

2016

	Petrochemical RMB'000	Hospital services RMB'000	Consolidated RMB'000 (Restated)
Segment revenue	1,062,132	–	1,062,132
Segment loss before taxation	(298,676)	–	(298,676)
Income tax credit	8,701	–	8,701
Segment loss	(289,975)	–	(289,975)
Unallocated other income			299
Unallocated other gains and losses			(19,341)
Unallocated administrative expenses			(14,573)
Unallocated finance costs			(23,222)
Loss for the year from continuing operations			(346,812)

All segment revenue reported above is from external customers. There were no inter-segment sales in both reporting periods.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the post-tax profit earned by each segment without allocation of central administrative expenses, other income, other gains and losses, as well as finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION – CONTINUED

Segment assets and liabilities

	2017 RMB'000	2016 RMB'000 (Restated)
Segment assets		
Petrochemical	2,916,893	3,176,338
Hospital services	1,055,708	–
Total segment assets	3,972,601	3,176,338
Other assets	59,268	509,972
Assets classified as HFS	–	50,487
Total consolidated assets	4,031,869	3,736,797
Segment liabilities		
Petrochemical	1,628,140	1,677,024
General hospital services	273,142	–
Total segment liabilities	1,901,282	1,677,024
Guaranteed notes	155,549	205,567
Convertible bonds	560,556	–
Other liabilities	45,883	302,358
Liabilities directly associated with assets classified as HFS	–	39,177
Total consolidated liabilities	2,663,270	2,224,126

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

- all assets are allocated to operating segments other than assets relating to railway operations including the assets classified as HFS and unallocated corporate assets, mainly included certain bank balances and cash, property, plant and equipment and intangible assets.

- all liabilities are allocated to operating segments other than liabilities relating to railway operations including liabilities directly associated with assets classified as HFS and unallocated corporate liabilities, mainly include other payables and dividend payable.

6. SEGMENT INFORMATION – CONTINUED

Other segment information

Amounts included in the measure of segment results or segment assets:

2017

	Petrochemical RMB'000	Hospital services RMB'000	Unallocated RMB'000	Consolidated RMB'000
Addition of non-current assets (Note)	89,011	462,254	–	551,265
Interests in associates	19,336	–	–	19,336
Depreciation and amortisation	(54,928)	(8,307)	–	(63,235)
Release of prepaid lease payments	(5,925)	(368)	–	(6,293)
Loss on disposal of property, plant and equipment	(26,426)	(96)	–	(26,522)
Gain on relocation	28,987	–	–	28,987
Impairment losses on trade and other receivables	(47,965)	–	–	(47,965)
Impairment losses on AFS financial assets	(3,373)	–	–	(3,373)
Share of profit of associates	173	–	–	173
Interest income	492	328	–	820
Finance costs	(40,571)	(2,140)	(18,036)	(60,747)

2016

	Petrochemical RMB'000	Hospital services RMB'000	Unallocated RMB'000	Consolidated RMB'000 (Restated)
Addition of non-current assets (Note)	478,000	–	–	478,000
Interests in associates	20,585	–	–	20,585
Loss on disposal of a joint venture	–	–	233	233
Depreciation and amortisation	(51,603)	–	–	(51,603)
Release of prepaid lease payments	(5,894)	–	–	(5,894)
Gain on disposal of property, plant and equipment	80	–	–	80
Impairment losses on trade receivables	(92,523)	–	–	(92,523)
Impairment losses on AFS financial assets	(23,047)	–	–	(23,047)
Share of loss of associates	(2,507)	–	–	(2,507)
Interest income	479	–	296	775
Finance costs	(22,149)	–	(23,222)	(45,371)

Note: Non-current assets included property, plant and equipment, intangible assets, prepaid lease payments and deposit for acquisition of property, plant and equipment.

6. SEGMENT INFORMATION – CONTINUED

Geographical information

The Group operates principally in the PRC (including Hong Kong), and overseas countries (mainly including the United States of America (the "USA"), Japan and Singapore).

Information about the Group's revenue from continuing operations from external customers is presented based on the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets (Note)	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**1,119,675**	974,126	**1,901,183**	1,268,298
Overseas countries	**103,347**	88,006	**4,904**	5,205
	1,223,022	1,062,132	**1,906,087**	1,273,503

Note: Non-current assets included property, plant and equipment, intangible assets, prepaid lease payments, deposit for acquisition of property, plant and equipment and goodwill.

Revenue by products and services

The Group's revenue from continuing operations analysed by goods or services are set out in Note 5.

Information about major customers

Revenue from the customer of the corresponding years contributed over 10% of the total revenue from continuing operations of the Group is as follows:

	2017	2016
	RMB'000	RMB'000
Petrochemical – Customer A (Note)	**N/A**	125,330

Note: During the current reporting period, Customer A did not contribute over 10% of the total sale of the Group.

7. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Continuing operations		
Interest income on bank deposits	**820**	775
Value added tax ("VAT") refund (Note i)	**1,790**	5,354
Government grant (Note ii)	**39,451**	19,412
Net relocation compensation (Note 38 ii(c))	**–**	43,734
Dividend income from AFS financial assets	**2,008**	–
Others	**702**	1,618
	44,771	70,893

Notes:

i. The amount represents the VAT refund from local tax bureau in accordance with the preferential policy on VAT of software manufacturers.

ii. Other than the deferred income released to profit or loss as set out in Note 38, government grants also include the government subsidies received by the Company's subsidiaries from relevant government bodies in connection with expenses on technology development. All government grants were recognised at the time the grants are receivable as the corresponding expenses has already been incurred and recognised in profit or loss.

8. OTHER GAINS AND LOSSES

	2017 RMB'000	2016 RMB'000
Continuing operations		
Net foreign exchange gain (loss) (Note i)	**4,565**	(17,286)
Gain (loss) on disposal of property, plant and equipment and prepaid lease payment:		
– Upon on relocation of operations (Note 38 ii(c))	**28,987**	–
– Other disposals	**(26,522)**	80
Increase in fair value of convertible bonds (Note 37)	**71,305**	–
Early redemption premium of guaranteed notes (Note ii)	**–**	(5,342)
Allowance on bad and doubtful debts	**(47,965)**	(92,523)
Loss on disposal of an associate (Note 22)	**(222)**	–
Loss on disposal of a joint venture (Note iii)	**–**	(233)
Loss on AFS financial assets (Note iv)	**(1,780)**	–
Impairment losses recognised on AFS financial assets	**(3,373)**	(23,047)
Others	**898**	–
	25,893	(138,351)

8. OTHER GAINS AND LOSSES – CONTINUED

Notes:

i. The amount includes exchange gain relating to the translation of guaranteed notes from United States Dollar ("US$") to RMB of RMB10,694,000 for the current reporting period (2016: exchange loss of RMB13,167,000) (Note 35).

ii. On 7 January 2016, the Company early redeemed the outstanding principal amount of the guaranteed notes due 2016 (the "2016 Guaranteed Note") of US$42,000,000 (equivalent to approximately RMB275,713,000). The premium of US$813,750 (equivalent to approximately RMB5,342,000) was expensed and included in "other gains and losses".

iii. In November 2016, the Group disposed of its equity interest in CSR (Australia) Rolling Stock Services Company Pty Ltd., the Group's joint venture, to a third party at a consideration of Australian Dollar ("AU$") 980,000 (approximately equivalent to RMB5,059,000). A loss of disposal amounted to RMB233,000 was recognised in 2016.

iv. The amount included the disposal loss of RMB3,012,000 (Note 24) and the gain on investments of unlisted wealth management products of RMB1,232,000.

9. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Continuing operations		
Interest on bank borrowings	20,858	25,418
Interest on guaranteed notes (Note 35)	18,036	23,223
Interest on corporate bonds (Note 36)	17,962	4,042
Interest on long term payable	3,891	3,746
	60,747	56,429
Less: Amount capitalised under construction in progress	–	(11,058)
	60,747	45,371

In prior reporting period, borrowing cost capitalised of RMB11,058,000 arose from bank borrowings and long term payable specifically for the purpose of obtaining qualifying assets with a capitalisation rate of 5.70% per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSE (CREDIT)

	2017 RMB'000	2016 RMB'000
Continuing operations		
Current tax charge from continuing operations comprises:		
PRC enterprise income tax	28,881	22,862
Other jurisdictions	11	10
Underprovision in prior reporting periods (Note)	–	3,460
	28,892	26,332
Deferred tax credit (Note 23)	(11,489)	(35,033)
	17,403	(8,701)

Note: Ningxia Fei Mai Sen Process Control Technology Company Limited ("Ningxia Fei Mai Sen"), a wholly-owned subsidiary, had provided income tax at preferential rate of 12.5% in prior years on the basis that it would be able to enjoy the tax concession applicable to "Software Manufactures" as notified by State Administration of Taxation of Ningxia Hui Autonomous Region Office. In prior reporting period, this tax authority notified Ningxia Fei Mai Sen that the tax concession is not applicable to Ningxia Fei Mai Sen and accordingly Ningxia Fei Mai Sen calculated and recorded the underprovision of income tax in prior reporting periods.

PRC enterprise income tax is calculated at 25% of the estimated assessable profit of the Company's subsidiaries located in the PRC as determined in accordance with relevant tax rules and regulations in the PRC for both years, except for certain subsidiaries which enjoyed tax rate substantially lower than 25% due to relevant incentive policies.

Certain subsidiaries of the Company operating in the PRC are eligible for tax holiday and concession. The tax holiday and concession are in the form of two years tax exemption from the first profit-making year, followed by 50% reduction of the applicable tax rate in the following three years.

Certain subsidiaries of the Company are qualified as "High and New Tech Enterprises", which are subject to PRC enterprise income tax at the preferential rate of 15% of the estimated assessable profit as determined in accordance with relevant tax rules and regulations in the PRC. This preferential rate could be applied for three years and the subsidiaries are eligible to apply the tax concession again upon expiry of the three-year period.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current year. No provision has been made as the Group has no assessable profit for the prior year.

Taxation arising in the jurisdictions other than the PRC and Hong Kong is calculated at rates prevailing in the relevant jurisdictions.

10. INCOME TAX EXPENSE (CREDIT) – CONTINUED

The income tax expense (credit) from continuing operations for the current reporting period can be reconciled to the loss before taxation from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 RMB'000	2016 RMB'000
Loss before taxation from continuing operations	**(174,852)**	(355,513)
Tax at the PRC income tax rate of 25% (2016: 25%)	**(43,713)**	(88,879)
Tax effect of:		
Share of results of associates	**(43)**	627
Dividends received from AFS investments	**(502)**	–
Expenses not deductible for tax purpose	**15,190**	19,814
Income not taxable for tax purpose	**(2,260)**	(9,960)
Tax losses not recognised	**50,397**	63,585
Utilisation of tax losses and temporary differences previously not recognised	**(8,791)**	(3,010)
Deductible temporary differences not recognised	**9,352**	1,446
Different jurisdictions tax rates of subsidiaries	**(288)**	–
Tax benefit granted to certain PRC subsidiaries	**(3,839)**	4,216
Underprovision in respect of prior reporting periods	**–**	3,460
Withholding tax on undistributed profit of a PRC subsidiary	**1,900**	–
Tax expense (credit) for the year from continuing operations	**17,403**	(8,701)

Under the PRC tax law, withholding tax of 10% is imposed on dividends declared to foreign investors in respect of profit earned by the PRC subsidiaries from 1 January 2008 onward. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiaries would be distributed to its foreign investor and as such, deferred tax liability in this respect was provided for accordingly in the consolidated financial statements of the Group for the current year to the extent that such earnings are estimated by the directors of the Company to be distributed in the foreseeable future.

蘇州永鼎醫院有限公司 (transliterated as Suzhou Yongding Hospital Company Limited,"Yongding Hospital"), a PRC subsidiary acquired by the Group in the current reporting period, has recognised withholding tax amounted to RMB1,900,000. Other than Yongding Hospital, the aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately RMB511,039,000 (2016: RMB680,814,000) because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

11. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging the following items:

	2017 RMB'000	2016 RMB'000
Depreciation of property, plant and equipment	51,272	39,066
Amortisation of intangible assets included in		
– Administrative expenses	–	–
– Cost of sales	11,963	12,537
	11,963	12,537
Total depreciation and amortisation	63,235	51,603
Capitalised in inventories	(39,243)	(35,896)
	23,992	15,707
Auditors' remuneration	4,200	1,750
Release of prepaid lease payments	6,293	5,497
Trademark license expense	500	–
Operating leases payments in respect of rented premises	18,002	17,906
Staff costs (including directors' emoluments in Note 13):		
Salaries and other benefits	293,153	242,850
Retirement benefits scheme contributions	16,102	15,775
Equity-settled share-based payments	–	2,094
Total staff cost	309,255	260,719
Capitalised in inventories	(103,227)	(99,373)
	206,028	161,346
Cost of inventories recognised as an expense	999,870	909,423

12. DISCONTINUED OPERATIONS

On 25 January 2017, the Group completed the disposal of Beijing Consen Transportation Technology Company Limited ("Beijing Transportation") at a consideration of RMB11,500,000.

The major classes of assets and liabilities of Beijing Transportation had been classified as HFS and separately presented in the consolidated statement of financial position as at 31 December 2016. Details of the assets classified as HFS and liabilities directly associated with the assets classified as HFS are set out in Note 31.

The Group completed the disposal of 100% equity interests of Beijing Consen Process Control Technology Company Limited ("Consen Process Control") at a cash consideration of RMB64,810,000 on 11 July 2017 and the disposal of 100% equity interests of Beijing Liboyuan Investment Management Company Limited ("Liboyuan Investment") at a cash consideration of RMB14,890,000 on 27 September 2017. Consen Process Control holds 51% equity interest of Nanjing Huashi Electronic Scientific Company Limited ("Nanjing Huashi Electronic") and Liboyuan Investment holds 51% equity interest of Nanjing Huashi Power Equipment Company Limited ("Nanjing Power Equipment"). Nanjing Huashi Electronic and Nanjing Power Equipment engage in the design, production and sale of railway traction control and auxiliary electricity supply systems in the PRC.

The results of the discontinued operations included in losses for the current and prior reporting periods are set out below. The comparative figures have been restated to represent the railway operations as a discontinued operations.

	2017 **RMB'000**	2016 RMB'000 (Restated)
Loss of the discontinued operations for the year	**(19,227)**	(68,085)
Gain on disposal of the discontinued operations (Note)	**3,932**	–
	(15,295)	(68,085)

Note: The amount includes RMB3,742,000 of gain on disposal of Consen Process Control and Liboyuan Investment and RMB190,000 of gain on disposal of Beijing Transportation.

The results of the discontinued operations for the period from 1 January 2017 to the date of disposal of each disposed entity, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

12. DISCONTINUED OPERATIONS – CONTINUED

	From 1 January 2017 to the respective dates of disposals RMB'000	From 1 January 2016 to 31 December 2016 RMB'000 (Restated)
Revenue	61,609	133,127
Cost of sales	(57,036)	(120,116)
Gross profit	4,573	13,011
Other income	708	3,935
Other gains and losses	–	(19,015)
Selling and distribution expenses	(6,203)	(17,967)
Administrative expenses	(9,567)	(28,165)
Research and development expenses	(5,257)	(14,794)
Other expenses	(436)	(513)
Finance costs	(3,045)	(5,418)
Share of results of a joint venture	–	1,597
Loss before taxation	(19,227)	(67,329)
Income tax expense	–	(756)
Loss for the period/year	(19,227)	(68,085)
Gain on disposal of discontinued operations	3,932	–
Loss for the period from discontinued operations	(15,295)	(68,085)
Net cash outflows from operating activities	(13,169)	(12,019)
Net cash (outflows) inflows from investing activities	(11,507)	11,902
Net cash inflows (outflows) from financing activities	19,956	(5,944)
Net cash outflows	(4,720)	(6,061)

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors of the Company and the chief executive were as follows:

	2017					
	Directors' fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Performance related incentive payments RMB'000	Equity-settled share-based payments RMB'000	Total emoluments RMB'000
Executive directors						
Mr. Xuan Rui Guo (Note i)	–	1,664	51	600	–	2,315
Mr. Wang Chuen Sheng (Note iii)	–	865	–	–	–	865
Sub-total	–	2,529	51	600	–	3,180
Independent non-executive directors						
Mr. Wang Tai Wen	156	–	–	–	–	156
Mr. Ng Wing Fai	208	–	–	–	–	208
Mr. Zhang Xin Zhi (Note v)	156	–	–	–	–	156
Sub-total	520	–	–	–	–	520
Total	520	2,529	51	600	–	3,700

	2016					
	Directors' fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Performance related incentive payments RMB'000	Equity-settled share-based payments RMB'000	Total emoluments RMB'000
Executive directors						
Mr. Xuan Rui Guo (Note i)	–	761	47	–	63	871
Mr. Kuang Jian Ping (Note ii)	–	507	16	–	89	612
Mr. Huang Zhi Yong (Note ii)	–	502	10	–	89	601
Mr. Wang Chuen Sheng (Note iii)	–	302	–	–	–	302
Sub-total	–	2,072	73	–	241	2,386
Independent non-executive directors						
Mr. Wang Tai Wen	158	–	–	–	4	162
Mr. Ng Wing Fai	210	–	–	–	4	214
Mr. Sui Yong Bin (Note iv)	103	–	–	–	–	103
Mr. Zhang Xin Zhi (Note v)	54	–	–	–	–	54
Sub-total	525	–	–	–	8	533
Total	525	2,072	73	–	249	2,919

13. DIRECTORS' EMOLUMENTS – CONTINUED

Notes:

i. Mr. Xuan is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered as Chief Executive.

ii. Mr. Kuang Jian Ping and Mr Huang Zhi Yong had resigned as the executive director on 26 August 2016.

iii. Mr. Wang Chuen Sheng had been appointed as the executive director on 26 August 2016.

iv. Mr. Sui Yong Bin has resigned as an independent non-executive director on 26 August 2016.

v. Mr. Zhang Xin Zhi had been appointed as an independent non-executive on 26 August 2016.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The performance related incentive payments are determined by the Company's board of directors and should not be more than 5% of the profit attributable to owners of the Company for the relevant financial year.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During both reporting periods, no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive nor any of the directors of the Company waived any emoluments during either reporting periods.

14. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid employees of the Group during the reporting period included one director (2016: nil), details of whose remuneration are set out in Note 13 above. Details of the remuneration for the reporting period of the remaining four (2016: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries and other benefits	**4,919**	6,077
Contributions to retirement benefits scheme	**210**	271
Performance related incentive payments	**1,966**	1,159
Equity-settled share-based payments	**–**	57
	7,095	7,564

Their emoluments were within the following bands:

	Number of employees	
	2017	2016
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**2**	3
HK$2,000,001 to HK$2,500,000	**2**	1
HK$2,500,001 to HK$3,000,000	**–**	–

15. DIVIDENDS

No interim dividends have been declared in the current year.

The directors of the Company do not recommend the payment of dividend for the year ended 31 December 2017 (2016: Nil).

16. LOSS PER SHARE

	2017 RMB cents	2016 RMB cents
Basic loss per share		
From continuing operations	(19.64)	(33.83)
From discontinued operations	(0.65)	(4.25)
Total basic loss per share	(20.29)	(38.08)
Diluted loss per share		
From continuing operations	(20.94)	(33.83)
From discontinued operations	(0.51)	(4.25)
Total diluted loss per share	(21.45)	(38.08)

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

Loss

	2017 RMB '000	2016 RMB '000
Loss for the year attributable to owners of the Company	(208,184)	(390,757)
Less: Loss for the year from discontinued operations	(6,634)	(43,588)
Loss for the purpose of basic loss per share from continuing operations	(201,550)	(347,169)
Effect of dilutive potential ordinary shares: – Fair value gain on convertible bonds	(71,305)	–
Loss for the purpose of diluted loss per share from continuing operations	(272,855)	(347,169)

16. LOSS PER SHARE – CONTINUED

	Number of shares 2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,026,264**	1,026,264
Effect of dilutive potential ordinary shares – Convertible bonds	**276,595**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,302,859**	1,026,264

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

	2017 RMB '000	2016 RMB '000
Loss		
Loss for the purpose of basic loss per share for the year attribute to owners of the Company	**(208,184)**	(390,757)
Effect of dilutive potential ordinary shares: – Fair value gain of convertible bonds	**(71,305)**	–
Loss for the purpose of diluted loss per share	**(279,489)**	(390,757)

The denominators used are the same as those details above for both basic and diluted loss per share from continuing operations.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Fixtures, medical and electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2016	400,106	9,364	263,644	31,763	119,263	824,140
Additions	3,875	1,538	6,947	3,265	285,179	300,804
Transfers	72,843	–	2,164	–	(75,007)	–
Disposals	–	–	(430)	(3,616)	–	(4,046)
Reclassified as HFS	–	–	(4,134)	(1,147)	–	(5,281)
At 31 December 2016	476,824	10,902	268,191	30,265	329,435	1,115,617
Additions	38	421	9,678	2,350	90,349	102,836
Acquired on acquisition of a subsidiary (Note 43)	142,065	–	27,455	1,280	46,169	216,969
Transfers	268,154	–	122,605	–	(390,759)	–
Disposals	–	(33)	(44,234)	(2,337)	–	(46,604)
Disposal upon the relocation of operations (Note 38 ii(c))	(99,079)	–	(138,711)	–	–	(237,790)
Disposal of subsidiaries (Note 44)	(112,193)	(4,342)	(40,286)	(3,214)	–	(160,035)
At 31 December 2017	675,809	6,948	204,698	28,344	75,194	990,993
DEPRECIATION						
At 1 January 2016	50,773	7,486	108,765	23,693	–	190,717
Provided for the year	14,525	390	31,044	1,877	–	47,836
Disposals	–	–	(402)	(2,063)	–	(2,465)
Reclassified as HFS	–	–	(3,356)	(1,033)	–	(4,389)
At 31 December 2016	65,298	7,876	136,051	22,474	–	231,699
Provided for the year	22,837	551	31,532	2,039	–	56,959
Disposals	–	(33)	(16,475)	(1,662)	–	(18,170)
Eliminated on disposal upon the relocation of operations (Note 38 ii(c))	(53,704)	–	(114,656)	–	–	(168,360)
Disposal of subsidiaries (Note 44)	(13,177)	(2,603)	(16,284)	(2,587)	–	(34,651)
At 31 December 2017	21,254	5,791	20,168	20,264	–	67,477
CARRYING VALUES						
At 31 December 2017	654,555	1,157	184,530	8,080	75,194	923,516
At 31 December 2016	411,526	3,026	132,140	7,791	329,435	883,918

17. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Property, plant and equipment except for construction in process are depreciated on a straight-line basis at the following rates per annum:

Buildings	3.17%
Leasehold improvements	20%
Fixtures, medical and electronic equipment	9.5% – 19%
Motor vehicles	19%

The buildings of the Group are located on land in the PRC. As of 31 December 2017, a building with a carrying value of RMB204,247,000 is in the process of obtaining property certificates (2016: RMB171,225,000).

Details of property, plant and equipment pledged are set out in Note 45.

18. PREPAID LEASE PAYMENTS

Movements in the lease prepayments, which represent land use rights with the lease terms of 40 to 50 years in PRC, during the year are analysed as follows:

	2017 RMB'000	2016 RMB'000
CARRYING AMOUNT		
At 1 January	**277,433**	139,749
Addition	**–**	143,578
Acquired on acquisition of a subsidiary (Note 43)	**34,893**	–
Disposal upon relocation of operations (Note 38 ii(c))	**(24,698)**	–
Disposal of subsidiaries (Note 44)	**(17,238)**	–
Released to profit or loss	**(6,588)**	(5,894)
At 31 December	**263,802**	277,433
Analysed for reporting purpose as:		
Non-current asset	**256,998**	271,119
Current asset	**6,804**	6,314
	263,802	277,433

Details of land use rights pledged are set out in Note 45.

19. INTANGIBLE ASSETS

	Trademarks RMB'000	Development costs RMB'000 (Note)	Operating Licenses RMB'000	Patents RMB'000	Non-Patented technology RMB'000	Premium on land use right RMB'000	Trademark use right RMB'000	Total RMB'000
COST								
At 1 January 2016	23,827	102,587	101,080	22,546	35,550	–	–	285,590
Reclassified as HFS	–	(29,584)	–	–	–	–	–	(29,584)
At 31 December 2016	23,827	73,003	101,080	22,546	35,550	–	–	256,006
Additions	–	20,593	–	–	–	–	–	20,593
Acquired on acquisition of a subsidiary (Note 43)	–	–	98,733	–	–	24,307	62,300	185,340
Disposal of subsidiaries (Note 44)	–	(14,107)	(84,658)	–	–	–	–	(98,765)
At 31 December 2017	23,827	79,489	115,155	22,546	35,550	24,307	62,300	363,174
AMORTISATION AND IMPAIRMENT								
At 1 January 2016	–	50,860	101,080	16,290	35,550	–	–	203,780
Provided for the year	–	9,484	–	3,053	–	–	–	12,537
Reclassified as HFS	–	(29,584)	–	–	–	–	–	(29,584)
At 31 December 2016	–	30,760	101,080	19,343	35,550	–	–	186,733
Provided for the year	–	11,731	1,371	422	–	258	532	14,314
Eliminated on disposal of subsidiaries (Note 44)	–	(2,351)	(84,658)	–	–	–	–	(87,009)
At 31 December 2017	–	40,140	17,793	19,765	35,550	258	532	114,038
CARRYING VALUES								
At 31 December 2017	23,827	39,349	97,362	2,781	–	24,049	61,768	249,136
At 31 December 2016	23,827	42,243	–	3,203	–	–	–	69,273

Note: Development costs capitalised are internally generated.

19. INTANGIBLE ASSETS – CONTINUED

The intangible assets, other than the trademarks with indefinite useful lives which are stated at cost less impairment, are amortised on a straight-line basis based over the estimated useful lives as follows:

Category	Estimated useful lives
Development costs	5 years
Operating licenses	30 years
Patents	5 – 15 years
Non-patented technologies	10 years
Premium on land use right	42 years
Trademark use right	46.8 years

As referred to in Note 43, on 26 July 2017 the Group completed the acquisition of 60% interest in Etern Group. Etern Healthcare (HK) Limited ("Etern Healthcare"), a subsidiary of Etern Group, had been granted the trademark license from 8 May 2014 to 7 May 2064 at a cash consideration of an aggregate amount of US$9,758,000 (approximately equivalent to RMB62,572,000) on May 2014. The trademark license was sub-licensed to and used by Yongding Hospital with the effective from 8 May 2014. At 26 July 2017, the fair value of the trademark use right is RMB62,300,000 which is higher RMB3,628,000 than the carrying value.

The trademarks with indefinite useful lives have a legal life of 10 years but are renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademarks continuously and have the ability to do so. Various studies including product stability and security studies, market and admission policy trends, and brand extension opportunities have been performed by the management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, these trademarks are considered by the directors of the Company as having an indefinite useful life. They will be tested for impairment annually and whenever there are indications that they may be impaired. Particulars of the impairment testing are disclosed in Note 21.

20. GOODWILL

	2017 **RMB'000**	2016 RMB'000
COST LESS IMPAIRMENT		
At 1 January	**8,890**	8,890
Arising on acquisition of a subsidiary (Note 43)	**436,610**	–
At 31 December	**445,500**	8,890

Particulars regarding impairment testing on goodwill are disclosed in Note 21.

21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 19 and 20 have been allocated to four individual CGUs, comprising three subsidiaries in the petrochemical segment and one subsidiary in the hospital services segment. The carrying amounts of goodwill and trademarks as at 31 December 2017 allocated to these units are as follow:

	Goodwill		Trademarks	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Petrochemical				
– Tri-sen Systems Corporation (Unit A)	**–**	–	**546**	546
– Beijing Haidian Zhongjing Engineering Design and Software Technology GF Company Limited ("Zhongjing") (Unit B)	**8,890**	8,890	**–**	–
– Wuzhong Instrument Company Limited ("Wuzhong Instrument") (Unit C)	**–**	–	**23,281**	23,281
General hospital services				
– Etern Group (Unit D)	**436,610**	–	**–**	–
Total	**445,500**	8,890	**23,827**	23,827

The recoverable amounts of the above CGUs have been determined based on fair value less cost of disposal calculations. That calculation uses cash flow projections based on financial forecast approved by the directors of the Company covering a 5 year period. The cash flows of the respective CGUs beyond the five-year period are extrapolated using a steady growth rate of 3% (2016: 3%). The growth rates are based on the relevant industry forecasts and do not exceed the industry average long-term growth rates for the relevant industries.

The cash flows of the above CGUs are discounted using the following post-tax discount rates:

	Discount rate	
	2017	2016
Unit A	**12.1%**	11.9%
Unit B	**15.7%**	12.5%
Unit C	**15.7%**	14.1%
Unit D	**13.0%**	N/A

Other key assumptions for the calculations related to the estimation of financial forecast which included in the budgeted sales and gross margin.

For Unit A, Unit B and Unit C, the directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed its recoverable amount respectively and accordingly, no impairment is recognised for the non-current assets directly related to Unit A, Unit B and Unit C.

21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS – CONTINUED

For Unit D, the key estimation of the recoverable amount is most sensitive to patient visits. It is estimated that a 5% decrease for the future patient visits, while holding all other assumptions constant, would lead to the recognition of impairment as follows:

	2017 RMB'000
Goodwill impairment of Unit D	19,336

22. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Cost of investments in associates	25,000	26,041
Share of post-acquisition loss and other comprehensive income, net of dividends received	(5,664)	(5,456)
	19,336	20,585

Details of the Group's associates are set out below.

Name of entity	Date of establishment	Place of establishment and operation	Issued and fully paid up share capital	Equity interest attributable to the Group 2017	Equity interest attributable to the Group 2016	Principal activities
上海金子自動化儀錶有限公司 Shanghai Kaneko Auto-Instrument Company Limited ("Shanghai Kaneko")	27 May 2004	PRC	JPY130,000,000	(Note)	23.08%	Manufacture of industrial control valves
遼寧汽輪動力有限公司 Liaoning Steam Turbine Power Company Limited ("Liaoning Steam Turbine")	7 September 2012	PRC	RMB100,000,000	25%	25%	Manufacture of industrial steam turbines

Note: In November 2017, the Group disposed of the interest in Shanghai Kaneko to a third party for a cash consideration of RMB1,200,000. This transaction has resulted in the recognition of a loss in profit or loss, calculated as follows:

22. INTERESTS IN ASSOCIATES – CONTINUED

	2017 RMB'000
Proceeds of disposal of an associate	1,200
Less: carrying amount of the associate on the date of disposal	(1,422)
Loss on disposal of the associate	(222)

All associates are accounted for using the equity method in these consolidated financial statements.

Liaoning Steam Turbine's financial information is set out below which represents amounts shown in the consolidated financial statements prepared in accordance with IFRSs.

Liaoning Steam Turbine	2017 RMB'000	2016 RMB'000
Current assets	75,713	63,437
Non-current assets	82,000	84,558
Current liabilities	80,367	70,927

Liaoning Steam Turbine	2017 RMB'000	2016 RMB'000
Revenue	59,713	25,166
Gain (loss) for the year	278	(10,202)
Total comprehensive income (expenses) for the year	278	(10,202)

Reconciliation of the above financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Net assets of Liaoning Steam Turbine	77,346	77,068
Proportion of the Group's ownership interest in Liaoning Steam Turbine	25%	25%
Carrying amount of the Group's interest in Liaoning Steam Turbine	19,336	19,267

23. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 RMB'000	2016 RMB'000
Deferred tax assets	**79,689**	66,486
Deferred tax liabilities	**(66,056)**	(16,640)
	13,633	49,846

The deferred tax assets (liabilities) recognised by the Group and movements thereon during the year are as follows:

	Impairment losses on trade and other receivables/ inventories RMB'000	Deferred income RMB'000	Impairment losses on AFS financial assets RMB'000	Fair value adjustment from acquisition assets (Note i) RMB'000	Undistributed profits of subsidiaries RMB'000	Other temporary differences (Note ii) RMB'000	Total RMB'000
At 1 January 2016	14,201	16,732	–	–	(16,640)	1,276	15,569
Credited to profit or loss	16,572	13,511	3,457	–	–	737	34,277
At 31 December 2016	30,773	30,243	3,457	–	(16,640)	2,013	49,846
Acquisition of a subsidiary (Note 43)	542	–	–	(42,825)	(5,419)	–	(47,702)
Credited (charged) to profit or loss	1,004	10,937	–	728	(1,900)	720	11,489
At 31 December 2017	**32,319**	**41,180**	**3,457**	**(42,097)**	**(23,959)**	**2,733**	**13,633**

23. DEFERRED TAX ASSETS/LIABILITIES – CONTINUED

Notes:

i. Deferred tax liabilities of fair value adjustment recognised by the Group represented the fair value adjustment on intangible assets arising from the business acquisitions.

ii. Other temporary differences mainly represent the temporary differences arising from the amortisation of intangible assets and VAT refunds.

As at 31 December 2017, the Group had unused tax losses of approximately RMB848,500,000 (2016: RMB774,935,000) available to offset against future profits of respective subsidiaries. Included in unused tax losses are losses of RMB271,418,000 (2016: RMB241,949,000) that may be carried forward indefinitely.

The other tax losses unused for deferred tax assets that will expire in:

	2017 **RMB'000**	2016 RMB'000
2017	**–**	24,770
2018	**36,954**	58,247
2019	**35,527**	53,641
2020	**86,291**	113,059
2021	**237,017**	283,269
2022	**181,293**	–
Total	**577,082**	532,986

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams of respective subsidiaries.

24. AFS FINANCIAL ASSETS – NON-CURRENT

	2017 RMB'000	2016 RMB'000
Unlisted equity investments, at cost less impairment (Note)	**26,953**	41,170

Notes:

The above unlisted equity investments represented equity investments in private entities established in the PRC, Singapore and the USA. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The Group holds 0.25% equity interests in Firebus Systems Inc. which has been fully impaired of RMB3,373,000 during the current reporting period mainly due to the declines in sales and the unrealised profit forecast.

The Group holds 0.84% equity interests in 瀋陽鼓風機集團股份有限公司 (transliterated as "Shenyang Blower Works Group Corporation"). In prior year impairment was identified mainly due to the declines in crude oil prices and impairment losses of RMB23,047,000 were recognised in profit and loss.

During the current reporting period, the Group recorded dividend income of RMB2,008,000 recognised in "other income" as set out in Note 7 (2016: Nil) received from EM Global Limited("EM Global"), a private entity incorporated in Singapore.

On 28 June 2017, the Group disposed of its interest in EM Global to an independent third party for cash consideration of US$1,148,000 (equivalent to approximately RMB7,832,000) and resulted in a loss on disposal of AFS financial assets of RMB3,012,000 recognised in profit or loss under "other gains and losses" as set out in Note 8.

25. AFS FINANCIAL ASSETS – CURRENT

	2017 RMB'000	2016 RMB'000
Unlisted wealth management products (Note)	**31,000**	–

Note:

During the current reporting period, the Group purchased unlisted wealth management products from commercial banks, which mainly invested in portfolio of treasury bonds, central bank bills and bond funds. The unlisted wealth management products are principal protected or unprotected with expected annual returns at rates up to 4.68% per annum. They can be redeemed in any working day at different price calculated based on the investment period and the expected rate before its maturity date in 2018. The fair value of the products are approximately RMB31,000,000.

26. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**248,322**	321,949
Work in progress	**99,069**	97,433
Finished goods	**78,601**	62,342
	425,992	481,724

Details of inventories pledged are set out in Note 45.

27. TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**1,013,630**	1,399,247
Less: impairment losses on trade receivables	**(271,550)**	(261,849)
	742,080	1,137,398
Bills receivable	**280,827**	282,923
	1,022,907	1,420,321

Trade receivables denominated in the currency other than the functional currency of relevant group entities:

	2017 RMB'000	2016 RMB'000
US$	**31,941**	83,345
Japanese Yen ("JPY")	**3,153**	3,247
European Dollar ("EUR")	**8**	672
	35,102	87,264

At 31 December 2017, included in trade receivables are retention receivable of RMB53,699,000 (2016: RMB70,697,000). Retention receivables are interest-free and recoverable at end of the retention period of individual contract within the Group's normal operating cycle.

27. TRADE AND BILLS RECEIVABLES – CONTINUED

The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2017 RMB'000	2016 RMB'000
0 – 90 days	549,822	568,268
91 – 180 days	246,748	313,135
181 – 365 days	102,864	150,282
1 – 2 years	119,093	384,256
Over 2 years	4,380	4,380
	1,022,907	1,420,321

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The creditability of customers is reviewed regularly. The Group maintains strict control over the creditability of customers and its outstanding receivables. More than 91% (2016: 77%) of the trade receivables that are neither past due nor impaired are from customers with good payment history.

As at 31 December 2017, trade receivables with a carrying amount of RMB88,602,000 (2016: RMB333,511,000) that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past collection history, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Aged analysis of trade receivables which are past due but not impaired is as follows:

	2017 RMB'000	2016 RMB'000
1 – 2 years	88,602	333,511
Total	88,602	333,511

27. TRADE AND BILLS RECEIVABLES – CONTINUED

Movements in the allowance for doubtful debts

	2017 RMB'000	2016 RMB'000
At 1 January	261,849	178,484
Impairment losses recognised on trade receivables	122,800	133,420
Amounts recovered during the year	(75,214)	(21,823)
Amounts written off as uncollectible	(833)	(2,041)
Exchange adjustment	(2,011)	2,295
Reclassified as HFS	–	(28,486)
Eliminated on disposal of subsidiaries	(35,041)	–
At 31 December	271,550	261,849

In determining the recoverability of the trade receivables, the Group reassesses the credit quality of the trade receivables since the credit was granted and up to the reporting date. Based on the historical experience of the Group, the Directors believe that no further allowance is required.

Details of trade and bills receivables pledged to secure banking facilities are set out in Note 45.

The following were the Group's financial assets that were transferred by discounting to banks or endorsing to suppliers. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and associated liabilities. These financial assets and liabilities are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2017

	Bills receivable discounted to banks RMB'000	Bills receivable endorsed to suppliers RMB'000	Total RMB'000
Carrying amount of:			
Transferred assets	4,147	149,878	154,025
Associated liabilities	(4,147)	(149,878)	(154,025)
Net position	–	–	–

27. TRADE AND BILLS RECEIVABLES – CONTINUED

As at 31 December 2016

	Bills receivable discounted to banks RMB'000	Bills receivable endorsed to suppliers RMB'000	Total RMB'000
Carrying amount of:			
Transferred assets	90,887	136,615	227,502
Associated liabilities	(90,887)	(136,615)	(227,502)
Net position	–	–	–

During the reporting period, the Group has discounted bills receivable amounting to RMB59,954,000 (2016: RMB163,468,000) to banks for short term financing. At the end of the reporting period, the associated borrowings amounted to RMB4,147,000 (2016: RMB90,887,000). The relevant cash flows of these borrowings are presented as operating cash flows in the consolidated statement of cash flows as the directors of the Company consider the cash flows are in substance, the receipts from trade customers.

28. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments

	2017 RMB'000	2016 RMB'000
Prepayments to suppliers	80,892	71,142
Other receivables	89,143	78,263
Less: impairment losses on other receivables	(4,269)	(4,075)
	165,766	145,330

Other receivables and prepayments denominated in the currency other than the functional currency of relevant group entities:

	2017 RMB'000	2016 RMB'000
JPY	24,427	25,152
EUR	1,228	4,438
	25,655	29,590

28. OTHER RECEIVABLES AND PREPAYMENTS – CONTINUED

Movements in the allowance for doubtful debts

	2017 RMB'000	2016 RMB'000
At 1 January	**4,075**	4,145
Impairment losses recognised on other receivables	**379**	29
Reclassified as HFS	**–**	(99)
Eliminated on disposal of subsidiaries	**(185)**	–
At 31 December	**4,269**	4,075

29. PLEDGED BANK DEPOSITS

The pledged bank deposits represent the bank deposits pledged to secure banking facilities granted to the Group. The pledged bank deposits amounting to RMB38,284,000 (2016: RMB61,934,000) have been pledged to secure short-term banking facilities and are therefore classified as current assets.

The remaining deposits amounting to RMB119,000 (2016: RMB405,000) have been pledged to secure long-term banking facilities and are therefore classified as non-current assets. The pledged bank deposits carry market interest rates of 0.3% to 2.25% (2016: 0.7% to 3%) per annum as at 31 December 2017.

Details of bank deposits pledged are set out in Note 45.

Denominated in the currency other than the functional currency of relevant group entities:

	2017 RMB'000	2016 RMB'000
US$	**3,823**	8,162

30. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group, and short-term bank deposits with an original maturity of three months or less which carry interest at prevailing deposit interest rate at 0.3% to 1.82% (2016: 0.35%) per annum.

Denominated in the currency other than the functional currency of relevant group entities:

	2017 RMB'000	2016 RMB'000
US$	**44,067**	21,258
JPY	**46**	91
EUR	**229**	347
HK$	**294**	321
Singapore Dollar ("SG$")	**58**	27
Great Britain Pound ("GBP")	**2**	3
AU$	**16**	17
	44,712	22,064

31. ASSETS CLASSIFIED AS HFS/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HFS

As referred to in Note 12, on 25 January 2017 the Group completed the disposal of Beijing Transportation at a consideration of RMB11,500,000. The transaction resulted in disposal gain of RMB190,000. The major classes of assets and liabilities of Beijing Transportation at 31 December 2016, which had been classified as HFS, were as follows:

	2016 RMB'000
Property, plant and equipment	892
Inventories	17,668
Trade and bills receivables	18,375
Other receivables and prepayments	2,378
Pledged bank deposits	599
Bank balances and cash	10,575
Total assets classified as HFS	50,487
Trade and bills payables	22,351
Other payables, deposits received and accruals	14,519
Income tax payable	(693)
Bank borrowings – due within one year	3,000
Total liabilities directly associated with assets classified HFS	39,177
Net assets classified as HFS	11,310

Net cash inflow on completed disposal of a subsidiary classified as HFS	RMB'000
Consideration received	11,500
Less: cash and cash equivalent balances disposed of	(10,575)
	925

32. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
0 – 90 days	265,775	211,664
91 – 180 days	177,765	136,467
181 – 365 days	13,984	70,562
1 – 2 years	11,014	45,523
Over 2 years	23,903	21,012
	492,441	485,228

The average credit period on purchases is 90 to 180 days.

Denominated in the currency other than the functional currency of relevant group entities:

	2017 RMB'000	2016 RMB'000
US$	11,880	39,007
JPY	525	541
EUR	727	8,130
SG$	196	192
	13,328	47,870

33. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Advance from customers	62,259	75,808
Accrued payroll and welfare	52,493	18,761
Interest payable	6,809	5,620
Other deposits, payables and accruals	105,005	94,671
Construction costs payables	102,862	123,175
Transaction costs payable for disposal of subsidiaries	–	7,000
Other tax payable	8,086	17,493
	337,514	342,528

33. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS – CONTINUED

Denominated in the currency other than the functional currency of relevant group entities:

	2017 RMB'000	2016 RMB'000
USD	16	–
JPY	24,267	24,987
	24,283	24,987

34. BANK BORROWINGS

	2017 RMB'000	2016 RMB'000
Secured bank borrowings	414,947	533,803
The bank borrowings are repayable:		
– Within one year	304,947	333,803
– More than one year, but not exceeding two years	50,000	70,000
– More than two years, but not exceeding five years	60,000	130,000
	414,947	533,803
Less: Amounts due within one year shown under current liabilities	(304,947)	(333,803)
Amounts due after one year shown under non-current liabilities	110,000	200,000

The amounts due are based on scheduled repayment dates set out in the loan agreements. At 31 December 2016 and 2017, no bank loans have contained a repayment on demand clause.

The carrying amount of the Group's borrowings denominated in the currency other than the functional currency of relevant group entities are as follows:

	2017 RMB'000	2016 RMB'000
US$	–	10,406

The floating interest rate borrowings were charged at the rates ranging from 4.13% to 5.70% (2016: 2.36% to 6.60%) per annum for the year ended 31 December 2017.

Details of pledge of assets for the Group's secured bank borrowings are set out in Note 45.

35. GUARANTEED NOTES

	2017 RMB'000	2016 RMB'000
The guaranteed notes due 2018	155,549	205,567
Less: Amounts due within one year shown under current liabilities	155,549	–
Amounts due after one year shown under non-current liabilities	–	205,567

On 11 December 2015, the Company's subsidiary, Tri-control Automation Company Limited ("Tri-control") issued 8.75% guaranteed notes with the aggregate principal amount of US$30,000,000 (equivalent to approximately RMB193,074,000) at an issuance costs of US$540,000 (equivalent to approximately RMB3,475,000) and the maturity date on 11 December 2018 ("The 2018 Guaranteed Notes"). The 2018 Guaranteed Notes are unsecured, unconditionally and irrevocably guaranteed by the Company and certain oversea subsidiaries of the Company.

According to the terms and conditions of the Guaranteed Notes, at any time or from time to time prior to the maturity date, Tri-control may at its option to redeem the notes at a redemption price set forth below.

Period	Redemption Price
Prior to 11 December 2017 (in whole but not in part of the notes)	100% of the principal amount, plus the applicable premium (Note) as of, and accrued and unpaid interest if any
On 11 December 2017 and thereafter (all or any part of the notes)	104% of the principal amount, plus accrued and unpaid interest if any

Note: "Applicable Premium" means the greater of (1) 1.00% of the principal amount of the notes; and (2) the excess of (a) the present value at the redemption date of the redemption price of the notes on 11 December 2017 (i.e. 104% of the principal amount), plus all required remaining scheduled interest payments due, computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (b) the principal amount.

As the estimated fair value of the early redemption right is insignificant at initial recognition, the embedded derivative is not separately accounted for. The effective interest rate is approximately 9.45% per annum after deducting the adjustment for transaction costs.

Tri-control undertook a consent solicitation from holders of the 2018 Guaranteed Notes to amend certain sections of the indenture to, among other things, provide the Group with more flexibility in fundraising and operation, and a supplemental indenture was entered into on July 21, 2017.In September 2017, Tri-control repurchased part of the 2018 Guaranteed Notes with principal amount of US$6,000,000 (equivalent to approximately RMB40,393,000) and repaid the attributable accrued and unpaid interest as of US$158,000 (equivalent to approximately RMB1,045,000).

35. GUARANTEED NOTES – CONTINUED

The movements in the 2018 Guaranteed Notes during the reporting period are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**205,567**	191,358
Redemption of guaranteed notes	**(40,393)**	–
Interest expense recognised (Note 9)	**18,036**	18,731
Interest paid/payable	**(16,967)**	(17,689)
Exchange differences	**(10,694)**	13,167
At 31 December (due within one year)	**155,549**	205,567

36. CORPORATE BONDS

On 19 September 2016, the Company's subsidiary, Beijing Consen Automation Control Company Limited ("Beijing Consen") obtained approval by Beijing Equity Trading Centre to issue Zhongguancun innovative growth corporate bonds (中關村創新成長企業債券) (the "2019 Corporate Bonds") with the principal amount of RMB200,000,000 and the maturity date on 18 September 2019. The 2019 Corporate Bonds, which carry fixed interest at 6% per annum, are guaranteed by an independent third party and secured by the Group's assets set out in Note 45. Annual instalment amounting to RMB4,944,000 will be paid to the independent third party in subsequent two years. The effective interest rate is 8.69% per annum.

The movements in the 2019 Corporate Bonds during the reporting period are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January/issue date	**195,679**	200,000
Direct transaction costs	**(4,944)**	(4,944)
Interest expense recognised	**17,962**	4,042
Interest paid/payable	**(12,000)**	(3,419)
At 31 December (due after one year)	**196,697**	195,679

37. CONVERTIBLE BONDS

On 26 July 2017, the Company issued zero-coupon RMB-denominated convertible bonds with the principal amount of RMB675,588,000 as the consideration of the acquisition as set out in Note 43. Each bond will, at the option of the holder, be convertible into the fully paid ordinary shares with a par value of HK$0.01 each in the issued and paid up capital of the Company at an initial conversion price of RMB1.0640 per share. The convertible price is subject to adjustments in the manner set out in the convertible bonds agreement. Conversion may occur at any time on or after 26 July 2017 and up to 26 July 2027. If the convertible bonds have not been converted, they will be redeemed on 26 July 2027 at the principal amount then outstanding.

In accordance with the terms and conditions of the convertible bonds:

i. No conversion of the convertible bonds shall take place if and to the extent that, immediately following such conversion, the Company will be unable to meet the public float requirement under the Listing Rules;

37. CONVERTIBLE BONDS – CONTINUED

ii. The conversion price shall from time to time be adjusted upon the occurrence of the following events in relation to the Company:

a. Consolidation, sub-division or re-classification of ordinary shares;

b. Issuance of ordinary shares by way of capitalisation of profits or reserves of the Company;

c. Capital distribution: dividend or distribution in specie or other property by the Company;

d. Rights issues of the shares or options over the shares at a price less than 80% of the current market price (in respect of the ordinary shares on a particular date, the average closing price for each of the ten company trading days immediately preceding such date);

e. Issues of shares or securities convertible into shares at a price less than 80% of the current market price (new issue other than this convertible bonds conversion);

f. Issue in case of an acquisition: issue of shares or securities convertible into shares for an acquisition of assets by the Company at a price less than 80% of current market price;

iii. The principal amount of the convertible bonds to be converted on each occasion shall not be less than RMB1,000,000 or shall be in integral multiple(s) of RMB1,000,000, unless the outstanding principal amount of the convertible bonds is less than RMB1,000,000 and in such event the entire outstanding principal amount shall be converted;

iv. If and whenever the Company shall make any cash distribution to the shareholders (in their capacity as such), the holder shall be entitled to a cash payment from the Company in respect of the convertible bonds held by such holder on an as-converted basis.

As the conversion feature of the convertible bonds includes certain adjustment in conversion price upon the triggering events which will not be regarded as anti-dilution protection clause. Accordingly, the conversion feature is considered as embedded derivative. The convertible bonds as a whole are designated as a financial liability at FVTPL with changes in fair value recognised in profit or loss and was measured at fair value on the issued date.

The movements in the convertible bonds for the year are set out as below:

	2017 RMB'000
The fair value at issued date	631,861
Gain on changes in fair value (Note 8)	(71,305)
At 31 December	560,556

Binomial model is used for valuation of the convertible bonds. The key inputs used in the model are disclosed in Note 49.

38. OTHER NON-CURRENT LIABILITIES

	2017 RMB'000	2016 RMB'000
Long term payable (Note i)	**70,963**	68,272
Deferred income (Note ii)	**320,344**	314,067
	391,307	382,339

Notes:

i. On 21 December 2015, Wuzhong Instrument and Beijing Consen entered into a capital contribution agreement (the "Agreement") with 國開發展基金有限公司 (transliterated as CDB Development Fund Limited ("CDB"), the "Investor"), a limited liability company incorporated in the PRC and wholly-owned by China Development Bank Corporation, to support the construction of qualifying assets registered with relevant government authority.

Pursuant to the Agreement, the Investor made a capital contribution of RMB100,000,000 in cash to Wuzhong Instrument on 29 December 2015. The nominal equity interest of Beijing Consen and the Investor in Wuzhong Instrument becomes 85.71% and 14.29% respectively.

According to the Agreement, the Investor will: (1) not appoint directors or management personnel to Wuzhong Instrument to exercise any significant influence on the operational and financial policies; (2) receive an investment income annually on a fixed rate of 1.2%, which is expected to be prepaid quarterly by Beijing Consen and guaranteed by the Company. The investment income is not influenced by the operating results of Wuzhong Instrument and not entitled to share the profit or net assets of Wuzhong Instrument; (3) retrieve the contribution amount of RMB100,000,000 on a scheduled timetable, Wuzhong Instrument will repay evenly of RMB10,000,000 each year from 2021 to 2030, by exploring different approaches of Beijing Consen's purchase of shares, Wuzhong Instrument's registered capital reduction or other financial market exit mechanisms. Accordingly, the directors of the Company consider that this transaction is a financing arrangement and continue to consolidate Wuzhong Instrument as a wholly-owned subsidiary of the Group.

As the registration of the construction of qualifying assets with the relevant government authority is a pre-requisite for the Investor to initiate the negotiation of the Agreement and the rate of return to the Investor is below market rate, the directors of the Company consider such arrangement constituted a government subsidy from the government. The Group recognised the fair value of long term payable amounting to RMB65,725,000 on initial recognition by discounting the future cash flows at 5.7% per annum by reference to the Group's other long term borrowings and subsequently measured at amortised cost by using effective interest rate method. The difference amounting to RMB34,275,000 between the carrying amount of the long term payable initially recognised and the cash received as deferred income and will be released on the same basis as the deprecation of the qualifying assets.

38. OTHER NON-CURRENT LIABILITIES – CONTINUED

Notes:– continued

ii. Movements in the deferred income are as follows:

	Government grants related to assets RMB'000 (Note a)	Government grants related to income RMB'000 (Note b)	Relocation compensation RMB'000 (Note c)	Total RMB'000
At 1 January 2016	153,223	3,802	50,000	207,025
Addition	137,569	1,398	50,000	188,967
Released to profit or loss	(3,540)	(1,500)	(76,885)	(81,925)
At 31 December 2016	287,252	3,700	23,115	314,067
Addition	44,875	30,816	100,000	175,691
Released to profit or loss	(10,158)	(27,696)	(123,115)	(160,969)
Disposal of subsidiaries	(8,445)	–	–	(8,445)
At 31 December 2017	313,524	6,820	–	320,344

Notes:

a. Deferred income arising from government grant relating to assets represents the government subsidies obtained in relation to the purchase of the land use right and the infrastructure construction, which was included in the consolidated statement of financial position as deferred income and credited to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the expected useful life of the relevant depreciable assets;

b. Deferred income arising from government grant relating to income represents the government subsidies obtained as compensation for the expenses on technology development when the grants are received and the corresponding research activities have not been accomplished, which was included in deferred income and recognised in profit or loss when the research and development expenses has already been fully incurred;

c. On 21 May 2015, the Company's subsidiary, Wuzhong Instrument entered into an agreement with the municipal government of Wuzhong City of Ningxia Hui Autonomous Region in the PRC at a total compensation consideration of approximately RMB200,000,000, out of which RMB123,115,000 is compensation attributable to losses of the land use right, property, plant and unmovable equipment, and RMB76,885,000 is the compensation of related expenses and losses from production suspension, order default and transportation incurred resulting from the relocation.

   During the prior reporting period, the eligible relocation activities in connection with the compensation amount of RMB76,885,000 had accomplished and Wuzhong Instrument, after deducting the related expenses incurred amounting to RMB33,151,000, recognised the net reallocation compensation of RMB43,734,000 as other income (Note 7).

   In the current reporting period, the Group disposed of the property, plant and equipment with carrying value of RMB69,430,000 (Note 17) and the land use rights with carrying value of RMB24,698,000 (Note 18) upon reallocation and recognised the difference between the compensation received of RMB123,115,000 and the aggregated carrying amounts of the disposed property, plant and equipment and land use right, amounting to RMB28,987,000 (Note 8) as other gain and loss.

39. SHARE CAPITAL

	2017 Number of shares '000 shares	2017 Amount HK'000	2016 Number of shares '000 shares	2016 Amount HK'000
Authorised:				
Ordinary shares of HK$0.01 each	**3,000,000**	**30,000**	3,000,000	30,000
Issued and fully paid:				
At 1 January and 31 December	**1,026,264**	**10,262**	1,026,264	10,262

	2017 RMB'000	2016 RMB'000
Shown in the consolidated statement of financial position	**9,548**	9,548

40. RESERVES

i. Share premium

The share premium mainly comprises of (a) share premium arising from the initial public offerings of shares; and (b) contribution and distribution from/to the owners arising from the issuance and repurchase of the shares.

ii. Other reserves

	2017 RMB'000	2016 RMB'000
Capital reserve arising from conversion of convertible bonds issued by a subsidiary	**47,842**	47,842
Acquisition of additional interest in a subsidiary	**5,159**	5,159
Special reserves on group re-organisation	**(18,335)**	(18,335)
	34,666	34,666

iii. Statutory surplus reserves

As stipulated by the relevant PRC laws and regulations, before distribution of profit each year, the subsidiaries established in the PRC shall set aside 10% of their profit derived from the relevant PRC accounting standards to the statutory surplus reserves. The statutory surplus reserves can only be used, upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

iv. Share options reserve

The Group's share options reserve represents the recognition of the fair value of share options of the Group determined at the date of grant of the share options over the vesting period. All share options were cancelled in the prior year, whereupon the accumulated amount recognised in share options reserve had been fully transferred out.

41. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 16 June 2007 for the primary purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the following participants: (i) any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group; (iii) any consultants, professional and other advisers to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives of the Company or substantial shareholders; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees (whether full-time or part-time) of substantial shareholders. The Scheme will remain valid for a period of ten years commencing on 16 June 2007.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

An amount of HK$1 is payable by eligible employee to the Company on acceptance of the option as consideration for the grant. Options may be exercised at any time from 12 months to the fifth anniversary of the date of grant. The options are exercisable in three tranches at the first, second and third anniversary from date of grant respectively, each with one third of the total options granted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 25 July 2014, the Company granted 102,626,000 share options representing 10% of the shares of the Company to the directors of the Company and certain employees of the Group (the "Grantees") to subscribe for a total of 102,626,000 ordinary shares of HK$0.01 each in the share capital of the Company under the share option scheme adopted by the Company on 16 June 2007, subject to acceptance by the Grantees.

Among the share options granted above, 12,260,000 share options were granted to the directors of the Company to subscribe for a total of 12,260,000 shares in the Company and 90,366,000 share options were granted to certain employees of the Group to subscribe 90,366,000 shares in the Company.

On 24 June 2016, all above 102,626,000 share options were cancelled for a nominal payment of HK$0.01 for each option (the "Option Offer") accompanied with the Share Offer. Subject to the Option Offer, the amount of RMB2,094,000, that would has been recognised for services received over the remainder of the vesting period, was recognised as an acceleration of vesting and the total amount of HK$1,026,260 (equivalent to approximately RMB884,000) required to satisfy the cancellation of the share options was deemed as the contribution from the ultimate controlling shareholder and accounted for as a deduction from equity. The difference of RMB6,121,000 between the share options reserve of RMB7,005,000 and the payment of RMB884,000 was transferred to retained profits.

42. RETIREMENT BENEFITS SCHEME

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme which are calculated based on 20% of the employee's basic salaries during both years.

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a MPF Scheme for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group and under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the scheme.

43. ACQUISITION OF SUBSIDIARIES

On 30 March 2017, the Company entered into a sale and purchase agreement (amended by the supplement agreement dated 23 June 2017) with Ascendent Healthcare (Cayman) Limited ("Ascendent Healthcare") to acquire 60% equity interest of Etern Group by way of issuance of the convertible bonds of the Company in the principal amount equal to the consideration of RMB675,588,000 (Note 37).

The acquisition was completed on 26 July 2017 (the "Acquisition Date") and has been accounted for using acquisition method. The fair value of the consideration of the convertible bonds as disclosed in Note 37, determined using Binomial model, amounted to RMB631,861,000 at the Acquisition Date.

Etern Group is an investment holding company holding 98% equity interest in Yongding Hospital, which is principally engaged in hospital business in Suzhou, PRC.

Acquisition-related costs amounting to RMB4,719,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the consolidated statement of profit or loss and other comprehensive income.

i. Assets acquired and liabilities recognised at the Acquisition Date are as follows:

	RMB'000
Property, plant and equipment	216,969
Prepaid lease payments	34,893
Intangible assets	185,340
– including: operating license	98,733
Inventories	13,626
Trade receivables	16,927
Other receivables and prepayments	19,626
Deposits paid for property, plant and equipment	2,049
AFS financial assets	59,000
Bank balances and cash	12,379
Trade and other payables	(45,120)
Income tax payable	(12,662)
Other payables and accruals	(29,157)
Bank borrowings	(95,000)
Deferred tax liabilities	(47,702)
Net assets acquired	331,168

43. ACQUISITION OF SUBSIDIARIES – CONTINUED

The fair value of trade and other receivables at the date of acquisition amounted to RMB36,553,000 which approximately to the gross contractual amount of those trade and other receivables at the date of acquisition.

The purchase method of accounting for business combinations requires the Group to identify separate assets acquired and liabilities assumed and estimate their fair values. The directors of the Company identified the operating license of the hospital held by Etern Group, and estimated the fair value of RMB98,733,000, for the intangible asset as set out in Notes 19.

Determination of the fair value of the intangible asset requires the use of significant judgements and assumptions on estimating the discount rate and financial forecast for intangible asset valuation by the directors of the Company.

ii. Goodwill arising on acquisition

	RMB'000
Consideration transferred	631,861
Plus: Non-controlling interests	135,917
Less: Net assets acquired	(331,168)
Goodwill arising on acquisition	436,610

Goodwill arose in the acquisition of Etern Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

iii. Net cash flow on the acquisition

	RMB'000
Cash and cash equivalent balances acquired	12,379

iv. Impact of acquisitions on the results of the Group

Included in the loss for the year is profit of RMB22,033,000 attributable to the additional business generated by Etern Group. Revenue for the year includes RMB191,211,000 generated from Etern Group.

Had the acquisition been completed on 1 January 2017, the Group's revenue for the year would have been RMB1,465,571,000 and loss for the year would have been RMB165,456,000. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Etern Group been acquired at the beginning of the current year, the directors of the Company have:

a. calculated depreciation and amortisation of property, plant and equipment and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

b. determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

44. DISPOSAL OF SUBSIDIARIES

As referred to Note 12, on 11 July 2017 and 27 September 2017, the Group discontinued its railway operations at the time of disposal of its subsidiaries, Consen Process Control and Liboyuan Investment. The details of the net assets of Consen Process Control and Liboyuan Investment at the respective dates of disposals were as follows:

	Consen Process Control RMB'000	Liboyuan Investment RMB'000
Net assets disposed of:		
Property, plant and equipment	21,466	103,918
Intangible assets	11,756	–
Prepaid lease payments	–	17,238
Inventories	43,148	–
Trade and bills receivables	127,132	–
Other receivables and prepayments	23,448	7,105
Pledged bank deposits	33,324	–
Bank balances and cash	11,403	420
Trade and bills payables	(72,597)	–
Other payables, deposits received and accruals	(21,623)	(34,387)
Bank and other borrowings	(59,145)	(59,000)
Deferred Income	(1,133)	(7,312)
Net assets disposed of	117,179	27,982
Gain on disposal of the subsidiaries		
Consideration received	64,810	14,890
Net assets disposed of	(117,179)	(27,982)
Non-controlling interests	57,130	15,073
Transaction cost of the disposals	(2,000)	(1,000)
Gain on the disposal	2,761	981

Net cash inflow arising on disposals

	Consen Process Control at disposal date RMB'000	Liboyuan Investment at disposal date RMB'000
Cash consideration	64,810	14,890
Less: bank balances and cash disposed of	(11,403)	(420)
	53,407	14,470

The impacts of Consen Process Control and Liboyuan Investment on the Group's results and cash flows in the current and prior reporting periods is disclosed in Note 12.

45. PLEDGE OF ASSETS

At the end of the reporting period, in addition to the bill discounted as disclosed in Note 27, certain Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amounts of the Group's assets pledged at the end of the reporting period are as follows:

	2017 RMB'000	2016 RMB'000
Buildings	468,747	442,909
Land use rights	58,462	84,911
Inventories	71,741	86,767
Bills receivable	–	5,471
Pledged bank deposits	38,403	62,339
	637,353	682,397

The amounts disclosed above includes the assets of the Group pledged at 31 December 2017 to obtain corporate guarantee from an independent third party for corporate bonds of RMB200,000,000 (2016: RMB200,000,000) and available banking facilities RMB Nil (2016: RMB100,000,000) and granted to the Group. The aggregate carrying amount of these assets pledged to the independent third party are buildings amounting to approximately RMB87,781,000 (2016: RMB117,284,000) and land use right amounting to approximately RMB13,779,000 (2016: RMB21,434,000). In addition, the Group paid to the independent third party approximately RMB4,000,000 (2016: RMB5,542,000) for the corporate guarantees.

46. OPERATING LEASES

The Group as lessee

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

	2017 RMB'000	2016 RMB'000
Within one year	12,965	10,657
In the second to fifth year inclusive	28,377	11,405
	41,342	22,062

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a lease term ranging from one to five years and rentals are fixed at the date of signing of lease agreements.

47. CAPITAL COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**101,716**	134,511

48. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which includes the bank borrowings, guaranteed notes, corporate bonds, convertible bonds as well as long term payable disclosed in Notes 34, 35, 36, 37 and 38 respectively, and total equity of the Group.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the results of the review of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, raising new share capital as well as the issue of new debt or the redemption of existing debt.

49. FINANCIAL INSTRUMENTS

i. Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	**1,455,116**	1,725,386
AFS financial assets, at cost less impairment	**26,953**	41,170
AFS financial assets, at FVTPL	**31,000**	–
Financial liabilities		
Financial liabilities at FVTPL	**560,556**	–
Amortised cost	**1,547,578**	1,737,782

49. FINANCIAL INSTRUMENTS – CONTINUED

ii. Financial risk management objectives and policies

The Group's major financial instruments include AFS financial assets, trade and bills receivables, other receivables, pledged bank deposits, bank balances and cash, trade and bills payables, other payables, dividend payable, bank borrowings, guaranteed notes, corporate bonds, convertible bonds and long term payable. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are credit risk, currency risk, interest rate risk and liquidity risk. The Group's overall financial risk management objectives and policies remain unchanged from prior years. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual debt at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on cash and cash equivalents and bank deposits is limited because the banks are with good reputation. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for the majority of the trade receivables as at the end of the reporting period.

49. FINANCIAL INSTRUMENTS – CONTINUED

ii. Financial risk management objectives and policies – continued

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases which expose the Group to foreign currency risk.

The carrying amounts of the Groups' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
US$	**167,445**	254,980	**79,831**	112,765
JPY	**24,792**	25,528	**27,809**	28,489
EUR	**727**	8,130	**1,530**	5,457
HK$	**–**	–	**46**	321
SG$	**196**	192	**58**	27
GBP	**–**	–	**2**	3
TOTAL	**193,160**	288,830	**109,276**	147,062

The Group currently does not have a formal foreign currency hedging policy. The Group reviewed and monitored the currency risk exposure regularly.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against the major foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% (2016: 5%) change in foreign currency rates. A negative number below indicates an increase in loss and a positive number indicates a decrease in loss for the year where RMB weakens 5% (2016: 5%) against foreign currencies. For a 5% (2016: 5%) strengthening of RMB against foreign currencies, there would be an equal and opposite impact on the loss.

	2017 RMB'000	2016 RMB'000
US$	**(3,658)**	(5,937)
JPY	**126**	124
EUR	**34**	(112)

49. FINANCIAL INSTRUMENTS – CONTINUED

ii. Financial risk management objectives and policies – continued

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate guaranteed notes, corporate bonds and long term payable disclosed in Note 35, 36 and 38 respectively. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group was also exposed to cash flow interest rate risk in relation to pledged bank deposits, bank balances and variable-rate bank borrowings (see Note 34 for details of these borrowings). It is the Group's policy to maintain certain borrowings at floating rate of interests and therefore the related fair value interest rate risk is considered limited.

The Group's sensitivity to cash flow interest rate risk is prepared assuming the amount of variable-rate borrowings at the end of the reporting period was outstanding for the whole year. A 25 (2016: 25) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	2017	2016
Reasonably possible change in interest rate	**25 basis points**	25 basis points

	2017 **RMB'000**	2016 RMB'000
Decrease in post-tax loss for the year		
as a result of increase in interest rate	**(315)**	(548)
as a result of decrease in interest rate	**315**	548

The sensitivity analysis in interest rate does not affect other components of equity.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which had built an appropriate liquidity risk management framework. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows. As at 31 December 2017, the Group has available unutilised banking facilities of approximately RMB128,683,000 (2016: RMB305,637,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on the interest rate at the end of each reporting period.

49. FINANCIAL INSTRUMENTS – CONTINUED

ii. Financial risk management objectives and policies – continued

Liquidity risk – continued

At 31 December 2017	Weighted average effective interest rate %	On demand and within 3 months RMB'000	3 months to 6 months RMB'000	6 months to 1 year RMB'000	1 years to 2 years RMB'000	2 years to 3 years RMB'000	3 years to 4 years RMB'000	4 years to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and bills payables	–	102,000	139,903	250,538	–	–	–	–	–	492,441	492,441
Bank borrowings	4.88	125,728	6,031	187,569	59,120	67,600	–	–	–	446,048	414,947
Other payables	–	84,920	39,673	90,083	–	–	–	–	–	214,676	214,676
Dividend payable	–	2,305	–	–	–	–	–	–	–	2,305	2,305
2018 Guaranteed Notes	9.45	–	6,861	163,682	–	–	–	–	–	170,543	155,549
2019 Corporate Bonds	8.69	–	–	16,943	212,000	–	–	–	–	228,943	196,697
Long term payable	5.70	1,500	300	600	1,200	1,200	11,200	95,400	–	111,400	70,963
Convertible bonds	–	–	–	–	–	–	–	–	675,588	675,588	560,556
		316,453	192,768	709,415	272,320	68,800	11,200	95,400	675,588	2,341,944	2,108,134

At 31 December 2016	Weighted average effective interest rate %	On demand and within 3 months RMB'000	3 months to 6 months RMB'000	6 months to 1 year RMB'000	1 years to 2 years RMB'000	2 years to 3 years RMB'000	3 years to 4 years RMB'000	4 years to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and bills payables	–	126,397	153,559	205,272	–	–	–	–	–	485,228	485,228
Bank borrowings	4.99	213,501	51,414	85,526	83,789	73,789	80,694	–	–	588,713	533,803
Other payables	–	95,898	44,773	108,556	–	–	–	–	–	249,227	249,227
Dividend payable	–	6	–	–	–	–	–	–	–	6	6
2018 Guaranteed Notes	9.45	–	9,105	9,105	224,802	–	–	–	–	243,012	205,567
2019 Corporate Bonds	8.69	–	–	12,943	12,943	212,000	–	–	–	237,886	195,679
Long term payable	5.70	300	300	600	1,200	1,200	1,200	11,200	95,400	111,400	68,272
		436,102	259,151	422,002	322,734	286,989	81,894	11,200	95,400	1,915,472	1,737,782

The above amount for the convertible bonds is the payment made by the Group assuming the convertible bonds to be redeemed at the maturity date. The bondholder's put options embedded in the convertible bonds.

The above amounts for variable interest rate instruments for non-derivative financial liabilities excluding the convertible bonds are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

49. FINANCIAL INSTRUMENTS – CONTINUED

iii. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

a. Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

	Fair value as at 31 December 2017	2016	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets				
Unlisted wealth management products	3,100	N/A	Level 2	The fair value of the unlisted wealth management products is calculated based on discounted cash flows. Future cash flows are estimated based on the recoverable amount expected, discounted at a rate that reflects the credit risk of the counterparty.
Early redemption right of the 2018 Guaranteed Notes insignificant at initial recognition, therefore not separately accounted for.	–	–	Level 3	The fair value of the early redemption right is calculated based on option pricing model with key inputs which are the difference of the quoted price in an over-the-counter-market of the 2018 Guaranteed Notes at US$101.66 extracted from Bloomberg and the fair value of liability component of the notes which was based on discounted cash flows using a discount rate of USD Swap + 5.01% as at 31 December 2017.
Financial liabilities				
Convertible bonds	560,556	N/A	Level 3	The fair value of the convertible bonds, which includes two key components, namely the conversion options and the straight bonds, are calculated based on binomial option pricing model using the expected volatility of 45% calculated as the annualised volatility of the Company's stock price (Note). The fair value of the straight bonds is calculated based on the discounted cash flow method using a discount rate of 12.5% as at 31 December 2017.

Note: An increase in the expected volatility used in isolation would result in an increase in the fair value measurement of the convertible bonds, and vice versa. A 5% increase in the volatility holding all other variables constant would increase the carrying amount of the convertible bonds by RMB2,750,000.

49. FINANCIAL INSTRUMENTS – CONTINUED

iii. Fair value measurements of financial instruments – continued

b. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	2017		2016	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
The 2018 Guaranteed Notes	155,549	159,419	205,567	206,809

The fair value of the 2018 Guaranteed Notes included in the level 3 category above has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

50. RECONCILATION OF LIABILITIES ARISING FROM FINANCING ACTIVITES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated financial statements of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000	Convertible bonds RMB'000	Guaranteed notes RMB'000	Corporate bonds RMB'000	Dividend paid to non-controlling interest RMB'000	Interest payable RMB'000
At 1 January 2017	(533,803)	–	(205,567)	(195,679)	–	(5,620)
Net financing cash outflows	8,631	–	40,393	4,944	1,200	52,870
Acquisition of subsidiary (Note 43)	(95,000)	–	–	–	–	–
Issue the convertible bonds	–	(631,861)	–	–	–	–
Disposal of subsidiaries	118,145	–	–	–	–	327
Decrease in fair value	–	71,305	–	–	–	–
Influences of discounted bills receivables	86,740	–	–	–	–	–
Foreign exchange translation	340	–	10,694	–	–	(316)
Dividend payable	–	–	–	–	(1,200)	–
Interest payable	–	–	16,967	12,000	–	(30,167)
Interest expenses	–	–	(18,036)	(17,962)	–	(23,903)
At 31 December 2017	(414,947)	(560,556)	(155,549)	(196,697)	–	(6,809)

51. RELATED PARTY TRANSACTIONS

The remuneration of key management personnel during the years were as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	16,513	18,184
Retirement benefit scheme contributions	489	619
Equity-settled share-based payments	–	405
	17,002	19,208

52. PARTICULAR OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2017 %	2016 %	Principal activities
Tricon International Group Inc. ("Tricon")	BVI	Ordinary shares US$1	100	100	Investment holding
Trisen International Limited ("Trisen")	BVI	Ordinary shares US$5,000	100	100	Investment holding
Cowin Global Investments China Limited	BVI	Ordinary shares US$1	100	100	Investment holding
Inovex Corporation	USA	Ordinary shares US$7,300,001	100	100	Business development and provision of engineering services in overseas markets
Tri-sen Systems Corporation	USA	Ordinary shares US$7,003,487	100	100	Business development and provision of industrial turbo machinery process controls
日本イノベックス株式會社 Tri-sen Systems Japan Corporation	Japan	Ordinary shares JPY100,000,000	100	100	Business development and provision of control equipment
Consen Automation (Singapore) Pte. Limited	Singapore	Ordinary shares SG$1,000,000	100	100	Overseas business development and provision of engineering services
Trisen Asia Control Pte. Limited	Singapore	Ordinary shares SG$1,500,000	70	70	Distribution, training and engineering of instrumentation and control products
北京康吉森自動化設備技術有限責任公司 Beijing Consen (Note i and ii)	PRC	Registered capital RMB230,000,000	100	100	Provision of systems design and development, trading of equipment safety and critical control systems

52. PARTICULAR OF SUBSIDIARIES OF THE COMPANY – CONTINUED

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2017 %	2016 %	Principal activities
北京創康自動化工程有限公司 Beijing Tri-control Automation Company Limited (Note i and ii)	PRC	Registered capital US$1,000,000	100	100	Provision of systems design and development, trading of equipment and engineering and maintenance services of safety and critical control systems
北京天竺興業軟件技術有限公司 Beijing Sindhu Software Company Limited (Note i and ii)	PRC	Registered capital US$40,000,000	100	100	Research and development as well as software programming and licensing
北京恒通方大新材料技術有限公司 Beijing Hengtong Fangda New Materials and Technology Company Limited (Note i)	PRC	Registered capital RMB10,000,000	100	100	Design, development and sales of construction material for railway and highroad, as well as technology services
北京康吉森油氣工程技術有限公司 Beijing Consen Oil and Gas Engineering	PRC	Registered capital RMB50,000,000	100	100	Trading of equipment of safety and critical control systems as well as technology services
北京中自化物資裝備技術有限公司 Beijing CAG Materials and Equipment Technology Company Limited (Note i)	PRC	Registered capital RMB50,000,000	100	100	Trading of equipment of safety and critical control systems
北京康吉森儀器儀錶有限公司 Beijing Consen Instrument Company Limited (Note i)	PRC	Registered capital RMB1,000,000	100	100	Development and trading of instrument
北京康吉森技術有限公司 Beijing Consen Technology Company Limited (Note i)	PRC	Registered capital RMB10,000,000	100	100	Software development and integrated circuit design, as well as technology services
北京恒泰日新軟件技術有限公司 Beijing Hengtai (Note i)	PRC	Registered capital RMB10,000,000	100	100	Software development and integrated circuit design
北京康吉森節能環保技術有限公司 Beijing Consen Energy and Environmental Technology Company Limited (Note i)	PRC	Registered capital RMB20,000,000	100	100	Provision of energy-saving and environmental technology services
北京海澱中京工程設計軟件技術有限公司 Zhongjing (Note i)	PRC	Registered capital RMB50,000,000	70	70	Engineering design and consulting services
吳忠儀錶有限責任公司 Wuzhong Instrument (Note i)	PRC	Registered capital RMB700,000,000	100	100	Manufacture of industrial control valves

52. PARTICULAR OF SUBSIDIARIES OF THE COMPANY – CONTINUED

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2017 %	2016 %	Principal activities
寧夏朗盛精密製造技術有限公司 Ningxia Langsheng Foundry Company Limited (Note i)	PRC	Registered capital RMB100,000,000	100	100	Manufacture of steel-casting
寧夏吳忠儀錶上海有限公司 Wuzhong Instrument (Shanghai) Company Limited (Note i)	PRC	Registered capital RMB10,000,000	100	100	Manufacture of industrial control valves
北京吳忠儀錶銷售有限公司 Wuzhong Sales (Beijing) Company Limited (Note i)	PRC	Registered capital RMB10,000,000	100	100	Sales of industrial control valves
寧夏菲麥森流程控制技術有限公司 Ningxia Fei Mai Sen (Note i)	PRC	Registered capital RMB5,000,000	100	100	Software development and design of process control products
吳忠儀錶(銀川)工程技術服務有限公司 Wuzhong Engineering Services (Yinchuan) Company Limited (Note i)	PRC	Registered capital RMB20,000,000	100	100	Provision of engineering services
吳忠儀錶產業基地開發有限公司 Wuzhong Instrument Industrial Base Development Company Limited (Note i)	PRC	Registered capital RMB100,000,000	100	100	Manufacture of industrial control valves, infrastructure activities as well as of development and sale of real estate
北京中京實華新能源科技有限公司 Beijing Zhongjing Shihua New Energy Technology Company Limited (Note i) ("Zhongjing Shihua")	PRC	Registered capital RMB72,550,000	51	51	Production of biodiesel fuel and related technology services
北京中京征和環保服務有限公司 Beijing Zhongjing Zhenghe Environmental Services Company Limited (Note i and iii) ("Zhongjing Zhenghe")	PRC	Registered capital RMB10,000,000	49.5	49.5	Collection and transportation of biodiesel base-oil materials
拉薩經濟技術開發區康吉森投資有限公司 Lhasa Consen Investment Company Limited (Note i)	PRC	Registered capital RMB1,000,000	100	100	Investment management and trading, as well as technology services
西藏康吉森電子科技有限公司 Tibet Consen Electronic Technology Company Limited (Note i)	PRC	Registered capital RMB282,000,000	100	100	Design, development and sales of instrumentation and control products, as well as technology services
寧夏中自新能源有限公司 Ningxia Zhongzi New Energy Company Limited (Note i)	PRC	Registered capital RMB10,000,000	100	100	Development of new energy and sales of power generation equipment, as well as technology services

52. PARTICULAR OF SUBSIDIARIES OF THE COMPANY – CONTINUED

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2017 %	2016 %	Principal activities
寧夏中自清潔能源有限公司 Ningxia Zhongzi Clean Energy Company Limited (Note i)	PRC	Registered capital RMB2,000,000	100	100	Development of new energy and sales of power generation equipment, as well as technology services
Tri-control	Hong Kong	Ordinary shares HK$10,000,000	100	100	Trading of automation products
康吉森國際(香港)有限公司 Consen International (Hong Kong) Limited	Hong Kong	Ordinary shares HK$20,000,000	100	100	Trading of automation products
冠東資源有限公司 Crown East Resources Limited	Hong Kong	Ordinary shares US$49,200,000	100	100	Trading of automation products
Zhongjing Engineering SDN BHD ("Zhongjing Engineering") (Note iv)	Brunei	N/A	70	70	Engineering design and consulting services
Etern Group	BVI	Ordinary shares US$1,001	60	–	Investment holding
Etern Healthcare (Note v)	Hong Kong	One ordinary share HK$1	60	–	Investment holding
蘇州永鼎醫療管理服務有限公司 Suzhou Yongding Healthcare Management Company Limited ("Yongding Healthcare") (Note vi)	the PRC	Registered Capital RMB80,000,000	60	–	Medical healthcare management and investment holding
蘇州永鼎醫院有限公司 Yongding Hospital (Note vii)	the PRC	Registered Capital RMB75,000,000	58.8	–	Provision of general hospital services and sales of pharmaceutical

Notes:

i. The English names of these PRC companies are for reference only and not registered.

ii. These subsidiaries are registered as wholly foreign-owned enterprise under PRC law.

iii. 97.06% of the registered capital of Zhongjing Zhenghe is directly held and controlled by Zhongjing Shihua.

iv. 100% of the registered capital of Zhongjing Engineering is directly held and controlled by Zhongjing.

v. 100% of the issued and ordinary shares capital of Etern Healthcare is held and controlled by Etern Group.

vi. 100% of the registered capital of Yongding Healthcare is held and controlled by Etern Healthcare.

vii. 98% of the registered capital of Yongding Hospital is directly held and controlled by Yongding Healthcare.

52. PARTICULAR OF SUBSIDIARIES OF THE COMPANY – CONTINUED

All of the above subsidiaries, except for Tricon, Trisen and Etern Group are indirectly held by the Company.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests	Accumulated non-controlling interests
		2017	2016		
Etern Group	BVI	**40%**	N/A	8,607	139,632
Individually immaterial subsidiaries with non-controlling interests					48,547
					188,179

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Etern Group

	2017 RMB'000
Current assets	**167,334**
Non-current assets	**457,809**
Current liabilities	**(223,314)**
Non-current liabilities	**(49,828)**
Total equity	**352,001**
Total equity attributable to:	
– Owners of the Company	**212,369**
– Non-controlling interests	**139,632**

52. PARTICULAR OF SUBSIDIARIES OF THE COMPANY – CONTINUED

	From date of acquisition to 31 December 2017 RMB'000
Revenue	191,211
Expenses	(169,178)
Profit and other comprehensive income for the year	22,033
Profit and other comprehensive income for the year attributable to:	
– Owners of the Company	13,426
– Non-controlling interests	8,607
Dividends declared to non-controlling interests	(1,200)
Net cash inflow from operating activities	57,168
Net cash inflow from investing activities	35,443
Net cash inflow from financing activities	6,660
Net cash inflow	99,271

53. EVENT AFTER THE END OF THE REPORTING PERIOD

On 18 January 2018, Wuzhong Instrument and Beijing Consen entered into a capital contribution agreement (the "Agreement") with an independent third party investor, to support the investment project of Wuzhong Instrument.

Pursuant to the Agreement, Ningxia Industrial Guide Fund Management Limited ("Ningxia Industrial") agreed to make a capital contribution of RMB150,000,000 in cash to Wuzhong Instrument. The nominal equity interest of Beijing Consen, CDB and Ningxia Industrial in Wuzhong Instrument will be 70.59%, 11.76% and 17.65% respectively.

According to the Agreement, Ningxia Industrial will: (1) not appoint directors or management personnel to Wuzhong Instrument to exercise any significant influence on the operational and financial policies; (2) receive an investment income annually on a fixed rate of 5.5%, which is expected to be prepaid quarterly by Beijing Consen and guaranteed by the Company. The investment income is not influenced by the operating results of Wuzhong Instrument and not entitled to share the profit or net assets of Wuzhong Instrument; (3) the Investor is entitled to require Beijing Consen to purchase the Investor's equity interest in Wuzhong Instrument from 31 July 2023 to 31 January 2025 in 4 installments. Accordingly, the directors of the Company consider that this transaction is a financing arrangement and will continue to consolidate Wuzhong Instrument as a wholly-owned subsidiary of the Group.

54. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 RMB'000	2016 RMB'000
Non-current assets		
Investment in subsidiaries	942,805	310,944
Amounts due from subsidiaries	313,759	335,911
Property, plant and equipment	2	2
	1,256,566	646,857
Current assets		
Other receivables and prepayments	404	374
Accounts receivable	–	558
Dividends receivable	9,608	9,608
Amounts due from subsidiaries	71,157	74,921
Bank balances and cash	1,093	2,184
	82,262	87,645
Current liabilities		
Other payables and accruals	2,184	2,339
Amounts due to subsidiaries	15,762	7,130
Dividend payable	6	6
	17,952	9,475
Net current assets	64,310	78,170
Capital and reserves		
Share capital	9,548	9,548
Share premium and reserves	750,772	715,479
Total equity	760,320	725,027
Non-current liabilities		
Convertible bonds	560,556	–
Total equity and liabilities	1,320,876	725,027

54. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY – CONTINUED

Movements in share capital and reserves

	Share capital RMB'000	Share premium RMB'000	Contribution from owners RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Total Equity RMB'000
At 1 January 2016	9,548	648,367	–	4,911	29,510	692,336
Profit and other comprehensive income for the year	–	–	–	–	30,597	30,597
Recognition of share-based payments (Note 41)	–	–	–	2,094	–	2,094
Effect of share options cancellation (Note 41)	–	–	884	(7,005)	6,121	–
At 31 December 2016	9,548	648,367	884	–	66,228	725,027
Profit and other comprehensive income for the year	–	–	–	–	35,293	35,293
At 31 December 2017	**9,548**	**648,367**	**884**	**–**	**101,521**	**760,320**

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2013 RMB'000	2014 RMB'000	2015 (N1) RMB'000	2016(N1) RMB'000	**2017(N1) RMB'000**
Revenue	2,308,801	1,918,510	1640,983	1,062,132	**1,223,022**
Profit (Loss) before tax	122,287	38,662	(351,316)	(355,513)	**(174,852)**
Income tax expense/(credit)	37,338	27,850	12,203	8,701	**(17,403)**
Profit (Loss) attributable to equity holder of the parent	73,574	7,711	(318,804)	(390,757)	**(201,550)**

(N1): excluding the discontinued operations

ASSETS AND LIABILITIES RESULTS

	At 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Non-current assets	1,324,431	1,376,825	995,343	1,402,149	**2,032,184**
Current assets	3,453,309	3,322,379	3,092,894	2,334,648	**1,999,685**
Current liabilities	(1,345,108)	(1,214,177)	(1,526,308)	(1,223,901)	**(1,338,654)**
Net current assets	2,108,201	2,108,202	1,566,586	1,110,747	**661,031**
Total assets less current liabilities	3,432,632	3,485,027	2,561,929	2,512,896	**2,693,215**

CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Xuan Rui Guo *(Chairman)*
Mr. Wang Chuen Sheng

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Wang Tai Wen
Mr. Zhang Xin Zhi
Mr. Ng Wing Fai

AUTHORIZED REPRESENTATIVES

Mr. Xuan Rui Guo
Mr. Chow Chiu Chi

AUDIT COMMITTEE

Mr. Ng Wing Fai *(Chairman)*
Mr. Wang Tai Wen
Mr. Zhang Xin Zhi

REMUNERATION COMMITTEE

Mr. Wang Tai Wen *(Chairman)*
Mr. Zhang Xin Zhi
Mr. Ng Wing Fai
Mr. Xuan Rui Guo

NOMINATION COMMITTEE

Mr. Zhang Xin Zhi *(Chairman)*
Mr. Wang Tai Wen
Mr. Ng Wing Fai
Mr. Xuan Rui Guo

SENIOR MANAGEMENT

Mr. Zhou Zheng Qiang
Mr. Ma Yu Shan
Ms. Dong Yan
Ms. Wang Qiu Ping
Mr. Chen Yong
Mr. Duan Min
Ms. Wang Yan Mei
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Mr. Yang Zhan Fu
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Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

PRC:
Agricultural Bank of China
Bank of Beijing
Bank of China Limited
China Construction Bank
Industrial and Commercial Bank of China
Bank of Communications
Ping An Bank
Shanghai Pudong Development Bank

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As to Cayman Islands law
Conyers Dill & Pearman