

ANGY (CHINA) MEDICAL LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

ANGY (CHINA) MEDICAL LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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ANGY (CHINA) MEDICAL LIMITED

CHAIRMAN'S STATEMENT

DEAR INVESTORS

On behalf of the Board of Directors of Angy (China) Medical Limited (“Angy” or “the Company”), I am pleased to present this Annual Report for the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2016.

INTRODUCTION

The Company listed on the National Stock Exchange of Australia (“NSX”) on 27 February 2017. As a result, the Company's chess depositary interests (“CDIs”) are now quoted on the NSX and investors are able to buy and sell CDIs on the NSX. The Company did not raise any capital as part of its listing on NSX.

FINANCIAL PERFORMANCE

In the 2016 financial year the Company generated revenue of HK\$89,213,655 and a net profit after tax of HK\$6,745,323. Further information on the Company's financial results are set out in the Auditor's Report and Financial Statements included in this Annual Report.

PROSPECTS

As set out in the Company's information memorandum dated 13 January 2017, the Company is carrying out its growth strategy to continue:

- (a) arrangements with medical and healthcare companies and developing products to be branded under Angy's brand;
- (b) to utilise its distribution arrangements with over 200 distributors that provide Angy with broad sales channels; and
- (c) to provide training and after sales services to distributors and end customers.

APPRECIATION

I would like to thank my fellow Directors for their valuable contributions and assistance to the Company during this exciting phase of the Company's development.

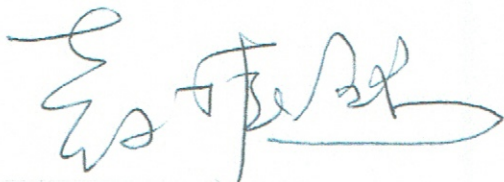
ANGY (CHINA) MEDICAL LIMITED

CHAIRMAN'S STATEMENT (CONTINUED)

ACKNOWLEDGEMENT

On behalf of the Board, I also would like to thank the management and staff for their commitment, perseverance, loyalty and dedication during the past year. I also extend my gratitude to our shareholders, valued customers, affiliates, bankers and regulatory authorities for their invaluable and continuous support and confidence in the Group.

On behalf of the Board of Directors

A handwritten signature in blue ink, appearing to be 'Ao Zhenming', written in a cursive style.

Ao Zhenming
Executive Chairman
Angy (China) Medical Limited
Date: 30 March 2017

ANGY (CHINA) MEDICAL LIMITED

BOARD OF DIRECTORS

Details of each of the Directors at the date of this report are set out below:

Ao Zhenming	
Appointment date	26 July 2012
Role	Executive Chairman, Executive Director
Independence*	Non-independent
Expertise	<p>Ao Zhenming (Adrian) has 23 years of business management experience in the computer engineering and medical technology industries.</p> <p>In 1993 he founded Zhuhai Jintailang Computer Engineering Company which specialised in computer assembly and sales.</p> <p>In 1996 he founded Guangdong Anshili Medical Technology Co., Ltd.</p> <p>Since 2012, Adrian has acted as CEO and director of Angy.</p> <p>Adrian holds an EMBA and a computer science major from Sun Yat Sen University.</p>
Interests in shares	Mr Ao is the Major Shareholder of Angy, post-listing holding 7,500,000 CDIs, of which 5,100,000 will be subject to escrow.

Matthias Hoedl	
Appointment date	15 December 2016
Role	Non-Executive Director
Independence*	Independent
Expertise	<p>Matthias has been working in the Asia region since 2006 across Beijing, Shanghai and Hong Kong, Japan and Singapore. During this time he has undertaken senior management roles for a range of companies including Anton Paar, which develops, produces and distributes laboratory instruments and process measuring systems, and ALBA Asia Ltd, which develops and manages recycling and waste management projects in China. Mathias is currently the Chief Financial Officer of VAN THIEL & CO. Group, a Dutch owned furniture design and manufacturing company, based in Hong Kong. As Chief Financial Officer he is responsible for global accounting and consolidation, budgeting, finance, controlling, tax, order planning, logistics, and group human resources.</p>
Interests in shares	Nil

ANGY (CHINA) MEDICAL LIMITED

BOARD OF DIRECTORS (CONTINUED)

Tan Weimin	
Appointment date	14 December 2016
Role	Non-Executive Director
Independence*	Independent
Expertise	Weimin is a gastrointestinal surgeon with 38 years of experience. He has been working at the Guangzhou First People's Hospital since 1982 and is currently the chief surgeon of the 'Surgery for Cadres Department'. Within the Guangzhou First People's Hospital he has also previously held the senior positions of Director of the General Surgery Department, and Director of the Gastrointestinal Surgery Department. Weimin has been honoured with a position on the Standing Committee of the 5 th and 6 th Conference of the Guangdong Medical Doctor Association, as well as positions on the boards of the Chinese Journal of General Surgery, and the Lingnan Modern Journal of Clinical Surgery. Weimin has been recognised for his medical knowledge and expertise, being awarded second prize in the 1997 Medical Sciences Technology Awards in Guangzhou, and in 2013 second prize in the Technology Advancement Awards, also in Guangzhou.
Interests in shares	Nil

* The Company considers that a Director is an independent director where that Director is free from any business or other relationship that could materially interfere, or be perceived to interfere with, the independent exercise of the Director's judgement.

Secretary

Ms Queena Cen is the secretary of the Company, appointed on 1 April 2015. Ms Cen is directly accountable to the Board in relation to matters of governance. Her role includes advising the Board on governance matters, monitoring that policy and ensuring procedures are followed, coordinating the timely completion and despatch of Board papers and ensuring that the business at meetings is accurately captured in the minutes.

ANGY (CHINA) MEDICAL LIMITED

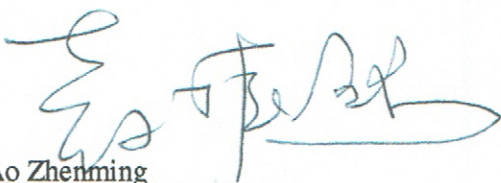
STATEMENT BY DIRECTORS

In accordance with a resolution of the Directors of Angy (China) Medical Limited (the "Company"), we state that:

1. In the opinion of the Directors:
 - (a) The consolidated statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Company and its subsidiaries (the "Group") as at 31 December 2016; and
 - (b) At the date of this statement there are reasonable grounds to believe that the Group and the Company will be able to pay its debts and when they fall due.
2. In the opinion of the Directors, the consolidated financial statements give a true and fair view of:
 - (a) The profit and cash flows of the Group for the year ended 31 December 2016; and
 - (b) The state of affairs of the Group at 31 December 2016.

The Executive Chairman confirms to the Board that the Group's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

On behalf of the Board of Directors



Ao Zhenming
Executive Chairman
Angy (China) Medical Limited
Date: 30 March 2017

CORPORATE GOVERNANCE

The Board of the Company is committed to principles of best practice in corporate governance and is responsible for ensuring the existence of an effective corporate governance environment to safeguard the interests of the Company, its shareholders and other stakeholders.

This statement sets out the Company's current compliance with Annexure 1 of the NSX Practice Note 14 (**Practice Note**).

The Practice Note is not prescriptive regarding the conduct of NSX listed companies. Rather, the matters are an indicative and non-exclusive list of corporate governance matters that the Company has taken into consideration when preparing this corporate governance statement.

The Hong Kong Companies Ordinance provides that the minimum number of Directors for public companies is two. The Company currently has three Directors serving on the Board. The Board is responsible for the overall corporate governance of the Company. Issues of substance affecting the Company are considered by the full Board, with advice from external advisors as required. Each Director must bring an independent view and judgement to the Board and must declare all conflicts of interest. Any issue concerning a Director must be brought to the attention of the Board as soon as practicable, and unless a resolution has been passed by the non-interested Directors allowing the interested Director to remain in the meeting and participate in discussions, Directors may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

A copy of the corporate governance policies set out in this statement are available on the Company's website at www.angy.cn or by contacting the Company.

1 Management and the Board

1.1 Board Charter

The Company has established a Board Charter that sets out the respective roles, responsibilities, terms of office, rights, duties and entitlements of the Board.

1.2 Board renewal and succession planning

The appointment of directors is governed by the Company's Constitution. The Company has not established a separate a separate Nomination and Remuneration Committee. In accordance with the Constitution of the group, no director except a Managing Director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. Executive directors are employed pursuant to employment agreements.

The procedures for the retirement and performance review of executive and non-executive directors and management personnel are conducted by the Board. A performance evaluation for senior executives will take place subsequent to the end of the reporting period and will be carried out in accordance with appropriate processes.

CORPORATE GOVERNANCE (CONTINUED)

1 Management and the Board (continued)

1.2 Board renewal and succession planning (continued)

The Company has not adopted a policy in relation to the retirement or tenure of directors.

The appointment of the Company Secretary is a matter for the Board. The current Company Secretary is Queena Cen. Further information regarding Ms Cen is set out in the Directors' Report.

1.3 Induction and education

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors may participate in continuing education to update and enhance their skills and knowledge from time to time.

1.4 Access to information and advice

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has policies under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties. This is also set out in each director's letter of appointment.

2 Board independence

2.1 Composition of the Board

The Board consists of the Executive Chairman and two independent non-executive directors. As a result, the Company's Board has a majority of independent non-executive directors.

Details of the Board members' skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of Board meetings and the attendance of the directors are also set out in the Directors' Report.

The roles of Chairman and the Executive Director are exercised by the same individual, Mr. Ao Zhenming. The Board appointed Mr. Ao as chairman because he has an in-depth knowledge of the Company's operations, has valuable working relationships in China and is the most appropriate director to act as chairman given his broad skill set and experience. The Board will consider appointing an independent non-executive director as chairman at the appropriate time (whether that is an existing or new director). In the meantime, the Board has adopted the following governance practices to address any potential issues of independence:

CORPORATE GOVERNANCE (CONTINUED)

2 Board independence (continued)

2.1 Composition of the Board (continued)

- (a) established clear protocol for handling conflicts of interest; and
- (b) appoint an independent director to chair the meeting where the matters are involving any potential conflict of interest of the chairman.

The Company is of the view that it has an effective Board that has the competency, knowledge, and the ability to exercise independent judgement to review and/or challenge the performance of management and to discharge its duties imposed by law.

2.2 Independence of non-executive directors

The Board has assessed the independence of the non-executive directors. Mr Matthias Hoedl and Mr Tan Weimin are regarded as independent directors. The Board therefore consists of a majority of independent directors.

The Company is of the view that the Board composition is appropriate given the relevant industry and corporate experience of the existing directors. The sole executive director contributes skills that the Company considers necessary for the proper and appropriate operation of the Board as each has in-depth knowledge of the Company's operations and valuable working relationships in China beneficial to the Company.

The Board conducts regular assessment to ensure that each of the independent directors remains independent.

3 Integrity in financial reporting

3.1 Financial Reporting

The Company has in place a sound structure and arrangements to independently verify and safeguard the integrity of their financial reporting.

In particular, Mr Ao Zhenming (as the chief executive office) will declare to the Board that the Company's financial reports represent a "true and fair view" of the Company's financial condition.

3.2 Audit and Risk Management Committee

The Company has not established an Audit and Risk Management Committee. The Company is of the view that the size and level of operations is not sufficient to justify the establishment of a separate Audit and Risk Management Committee. Accordingly all matters relating to audit and risk are considered by the Company's full Board.

CORPORATE GOVERNANCE (CONTINUED)

3 Integrity in financial reporting (continued)

3.3 External auditor

The Board reviews the external auditor's terms of engagement and audit plan, assesses the independence of the external auditor and reviews the adequacy of current external audit arrangements.

The Group's independent external auditor is JS CPA & CO. (formerly known as C. Y. Ng & Co.).

4 Disclosure to the market

The Company has a Continuous Disclosure and External Communication Policy that sets out policies and mechanisms designed to ensure compliance with the Listing Rules and the Corporations Act disclosure requirements. The Policy has been adopted to establish procedures and protocols to ensure that Directors and management are aware of and fulfil their obligation in relation to the timely disclosure of information. The Policy also promotes effective communication with shareholders by setting out the information to be disclosed to shareholders and the manner in which it is to be released.

The Company also has in place procedures whereby the Board or individual management personnel may seek independent professional advice at the expense of the Company in performing and discharging their duties in compliance with the Listing Rule disclosure requirements.

5 Remuneration

5.1 Nomination and remuneration matters

The Company has not established a Nomination and Remuneration Committee. The Company is of the view that the size and level of operations is not sufficient to justify the establishment of a separate Nomination and Remuneration Committee. Accordingly all matters relating to establishing remuneration policies and mechanisms in order to motivate executive officers to pursue the long term growth and success of the Company are considered by the full Board.

The Board has considered adopting an employee incentive scheme but no such scheme has been approved by the Board. The implementation of any such employee incentive scheme, including the approval of such a scheme and the issue of securities pursuant to such a scheme, will need to be in accordance with the Hong Kong Companies Ordinance and the Listing Rules. In any event, the Board will seek advice and undertake a benchmarking exercise of entities of a similar size and operation prior to proceeding with any employee incentive scheme.

The Company will consider establishing a Nomination and Remuneration Committee depending on the Company's size, level operations and other requirements.

CORPORATE GOVERNANCE (CONTINUED)

5 Remuneration (continued)

5.2 Non-executive directors' remuneration policy

The structure of non-executive directors' remuneration is clearly distinguished from that of executives. Non-executive directors do not receive performance related compensation. Neither the non-executive directors nor the executives of the group receive any retirement benefits.

5.3 Executive directors' remuneration policy

The Executive Chairman is employed pursuant to an employment agreement. A summary of this employment agreement is set out in the Company's Information Memorandum dated 13 January 2017.

The Board is responsible for ensuring that there is a relationship between the Company's performance and the remuneration of the executives. The Board is also responsible for ensuring no executive director is directly involved in deciding their own remuneration.

6 Risk management

6.1 Audit and risk matters

The Company has not established an Audit and Risk Management Committee.

The Company recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the group. This Committee is responsible for the risk oversight and internal control arrangements in place for identifying and managing risks. Such arrangements also take into consideration of the Company's legal obligations and the reasonable expectations of its stakeholders.

The Group's risk management framework is supported by the Board and management. The Board is responsible for approving and reviewing the group's risk management strategy and policy, and the financial reporting process. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk.

The Company will consider establishing an Audit and Risk Management Committee depending on the Company's size, level operations and other requirements.

CORPORATE GOVERNANCE (CONTINUED)

6 Risk management

6.2 Reporting and assurance

When considering the financial reports, the Board receives a written declaration signed by the Executive Chairman that the group's financial reports give a true and fair view, in all material respects of the consolidated entity's financial position and comply in all material respects with relevant accounting standards. This declaration also confirms that the consolidated entity's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement, the Executive Chairman also confirms to the Board that the group's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

7 Ethical conduct

7.1 Code of Conduct

The Company has a Code of Conduct that sets out the Company's philosophy and corporate values and acts as a framework for conducting business. The objectives of the Code are to ensure that:

- (a) high standards of corporate and individual behaviour are observed by all employees in the context of their employment or engagement with the group;
- (b) employees are aware of their responsibilities to the group under their contract of employment and always act in an ethical and professional manner; and
- (c) all persons dealing with the group, whether it be employees, shareholders, suppliers, customers or competitors, can be guided by the stated values and practices of the group.

7.2 Diversity Policy

The Company is committed to establishing and maintaining employee and Board diversity, which recognises the strategic and personal advantages that arise from a workplace where decisions are based on merit and all employees are treated equally. The Company has adopted the Diversity Policy to acknowledge and appreciate the diverse range of abilities and perspectives that employees bring to the Group through their diversity.

CORPORATE GOVERNANCE (CONTINUED)

8 Rights of stakeholders

The Company does not have a communication policy directed to promote shareholders' participation at general meetings. The Company will consider adopting such a policy during the 2017 financial year.

The Company has a website (<http://www.angy.cn>) that enables it to communicate to its shareholders. The website contains, amongst other things, information about the Company and the Company's corporate governance policies.

9 Trading in securities

The Company has adopted a Securities Trading Policy. This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws in Australia.

All employees are required to conduct their personal investment activity in a manner that is lawful and avoids conflicts of interest between the employee's personal interests and those of the Company.

The Securities Trading Policy includes provisions regarding:

- (a) insider trading laws;
- (b) trading windows;
- (c) insider trading in securities of other companies;
- (d) pre-notification and reporting of trades;
- (e) exceptional circumstances;
- (f) margin lending arrangements;
- (g) review and compliance with the policy; and
- (h) breaches of the policy.

ANGY (CHINA) MEDICAL LIMITED

DIRECTORS' REPORT

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2016.

PRINCIPAL PLACE OF BUSINESS

Angy (China) Medical Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Unit 2302, 23/F., New World Tower 1, 18 Queen's Road Central, Central, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding and trading of medical instrument. Its subsidiaries are principally engaged in trading of medical equipment maintenance; commission agents; provide consulting services, computer technology development, technical services; import and export; wholesale of software, cosmetics and health supplies, computer parts, electronic products, household device; groceries, computer; medical equipment in the People's Republic of China (the "PRC").

At 31 December 2016, the Company had an interests in the following subsidiaries:

<u>Name of companies</u>	<u>Place of incorporation and business</u>	<u>Particulars of issued and paid up capital</u>	<u>Proportion of ownership interest held by the</u>		<u>Principal activities</u>
			<u>Company</u> Directly	Indirectly	
安時利(廣州)醫療技術有限公司 Angy (Guangzhou) Medical Technology Company Limited	The People's Republic of China	HK\$8,800,000	100%	-	Acquire medical instrument products and sold to distributors
盈時(廣州)專用設備製造有限公司 Yingshi (Guangzhou) Special Equipment Manufacture Company Limited	The People's Republic of China	RMB3,500,000	-	60%	Research and development of new medical device such as the medical endoscope camera and related consumable products

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated financial statements on pages 25 to 73.

THREE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out on page 74.

ANGY (CHINA) MEDICAL LIMITED

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW

Review of Operations

During the year of 2016, Angy (China) Medical Limited ("Angy" or "Group") is committed to introducing the medical technologies and transforming such technologies to develop products for sale in China.

Angy is headquartered in Hong Kong and has service offices in Guangzhou, Shanghai, Beijing and Chengdu. With 4 offices and 45 employees spread over 5 cities by the end of 2016, and it has developed a network across many major markets in the Great China region. It also has established a 24-hours online platform which provides consultation, market support and post-sales support.

Angy's business has generated sales in many provinces of China and has entered into distribution and cooperation agreements with well-known medical device manufacturers such as Sony (China) Company Limited, BOSCH + SOHN GMBH U. CO. KG, AtCor Medical of Australia and Tricolast of Belgium. The products include medical imaging, cardiovascular products and scar healing products and are sold under the supplier's brands or rebranded as Angy's brand.

By the end of 31 December 2016, Angy has more than 200 distributors in China, and there are more than 800 hospitals using Angy's medical products.

Future developments, prospects and business strategies

The Group is carrying out its growth strategy to continue:

- (a) arrangements with medical and healthcare companies and developing products to be branded under Angy's brand;
- (b) to utilise its distribution arrangements with over 200 distributors that provide Angy with broad sales channels; and
- (c) to provide training and after sales services to distributors and end customers.

According to the market research and analysis, Management Team thinks that the medical consumable products market is a growth area in the medical industry, having characteristics of strong user viscosity and growth potential in the coming years, then Angy is focusing its actions in the field of research and development and brand promotion in the year 2017.

The net assets of the Group are HK\$17,313,283 as at 31 December 2016. The Directors believe the Group is in a strong and stable financial position to maintain its current operations and carry out its strategy. A fair review of the Angy's business and a discussion and analysis of the Group's performance during the year 2016 underlying financial position is included in the Financial Statements from pages 25 to 73 of this annual report. No matters or circumstances have arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years. There were no significant changes in the state of affairs of the Group during the financial period.

ANGY (CHINA) MEDICAL LIMITED

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW (continued)

The Group has set up Corporate Governance Policies to ensure compliance with the relevant laws and regulations which have a significant impact on the Group in conducting its business. At a corporate level, Angy complies with the NSX Listing rules and the Companies Ordinance as well. Any new enactment of, or changes in the relevant laws and regulations are communicated through regular legal updates to ensure compliance. The legal updates are circulated to all executive staff to ensure that they are aware of the changes. Reminders to relevant staff on compliance are also sent out regularly, where necessary. Training is provided, as needs arise, to build awareness.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	7%	
Five largest customers in aggregate	27%	
The largest supplier		97%
Five largest suppliers in aggregate		99%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

RECOMMENDED DIVIDEND

The directors do not recommend the payment of final dividend for the year (2015: Nil).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 20 to the financial statements.

DISTRIBUTABILITY OF RESERVES

At 31 December 2016, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance was HK\$7,297,401 (2015: HK\$568,864).

ANGY (CHINA) MEDICAL LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The directors of the Group during the financial year and up to the date of this report are:

Executive Chairman, Executive Director

Ao Zhenming

Independent non-executive director

Matthias Hoedl

(Appointed on 15 December 2016)

Tan Weimin

(Appointed on 14 December 2016)

The brief biographical details of the Directors are set out on pages 3 to 4 and details of Directors' remuneration are set out in Note 8 to the financial statements.

In accordance with Article 24 of the Company's Articles of Association, one-third of the directors for the time being must retire from office.

DIRECTORS' SERVICES CONTRACTS

There are no service contract with any Director that has an unexpired period.

There is no contract of significance:

- (a) subsisting during or at the end of the financial year in which a Director is or was materially interested, either directly or indirectly;
- (b) between a Group company and a controlling shareholder or any of its child entities; and
- (c) for the provision of services to the Group by a controlling shareholder or any of its child entities, other than the employment agreement between the Company and Ao Zhenming as disclosed in the Company's information memorandum dated 13 January 2017.

DIRECTORS INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The directors of the Company who held office at 31 December 2016 had the following interests in the shares of the Company and subsidiaries at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept:

Interests in issued shares

Beneficial interests

Beneficial interests	Ordinary shares		
	Personal interests (Note 1)	Total number of shares held	% of total issued voting shares
<u>The Company</u>			
Ao Zhenming	7,500,000	7,500,000	75%
Matthias Hoedl	-	-	-
Tan Weimin	-	-	-

Note 1: The shares are registered under the names of the directors who are the beneficial shareholders.

ANGY (CHINA) MEDICAL LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Apart from the foregoing, none of the directors of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or subsidiaries, as recorded in the register required to be kept.

Apart from the foregoing, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The top 10 shareholders of the Company's issued shares at 31 December 2016 of the ordinary shares in issue:

Substantial shareholders	Ordinary shares			% of total issued voting shares
	Registered shareholders	Corporate interests	Total number of shares held	
Ao Zhenming	7,500,000	-	7,500,000	75%
Huang Zhong Min	1,000,000	-	1,000,000	10%
Brighten Management Limited	-	990,000	990,000	9.90%
Xu Songsi	79,400	-	79,400	0.79%
Chen Yiyin	75,000	-	75,000	0.75%
Wang Pei	75,000	-	75,000	0.75%
Tsang Hin Cho	37,500	-	37,500	0.38%
Lu Zhigang	36,000	-	36,000	0.36%
Lao Wanling	29,500	-	29,500	0.36%
Yao Jing	25,000	-	25,000	0.30%

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the company is currently in force and was in force throughout this year.

MANAGEMENT' CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

ANGY (CHINA) MEDICAL LIMITED

DIRECTORS' REPORT (CONTINUED)

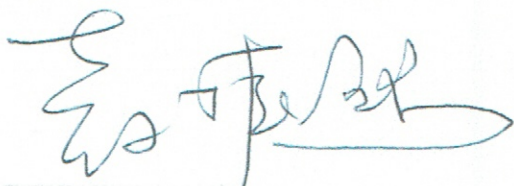
DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of its subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

AUDITORS

JS CPA & CO. (formerly known as C. Y. Ng & Co.), Certified Public Accountants (Practising) retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of JS CPA & CO. as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board of Directors

A handwritten signature in blue ink, appearing to be 'Ao Zhenming', written over a horizontal line.

Ao Zhenming
Executive Chairman
Angy (China) Medical Limited
Date: 30 March 2017

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ANGY (CHINA) MEDICAL LIMITED
(Incorporated in Hong Kong with limited liability)**

Opinion

We have audited the consolidated financial statements of Angy (China) Medical Limited (the "Company") and its subsidiaries (the "Group") set out on pages 25 to 73, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit and loss, the consolidated statement of income and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended including 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 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by HKICPA. 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 HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 judgement, 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ANGY (CHINA) MEDICAL LIMITED
(Incorporated in Hong Kong with limited liability)**

(continued)

Key audit matters (continued)

Goodwill impairment assessment

Refer to notes 13 in the consolidated financial statements

The key audit matter

The Group has goodwill of HK\$155,639 relating to the acquisition of the subsidiary.

In the annual impairment review, management has concluded that there is no impairment in respect of the goodwill. This conclusion was based on a value in use model that required significant management judgment with respect to the discount rate and underlying cash flows, in particular future revenue growth.

How the key matter in our audit addressed

Our audit procedures in relation to management's impairment assessment included:

- Assessing the valuation methodology;
- Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and
- Reconciling input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts.

Accounting for business combination

Refer to notes 13 in the consolidated financial statements

The key audit matter

There is risk that the acquisition accounting for the acquisition made in the year, as set out in note 13, has not been correctly applied.

Specifically, there is a risk that incorrect judgment is made which results in the inaccurate allocation of value to acquire the assets.

We also consider the valuation of contingent consideration to be a risk, given the judgment involved.

How the key matter in our audit addressed

We have challenged the key assumptions made by management in accounting for the acquisitions including:

- A review of the sales and purchase agreements to determine whether the appropriate intangible assets have been identified and that no unusual terms exist that have not been accounted for;
- Testing the valuation and accounting for consideration payable. Testing contingent consideration calculations, assessing whether any consideration may actually represent post-acquisition remuneration and tracing payments made to bank statements;
- The identification and fair valuation of the assets and liabilities the Group acquired including any fair value adjustments; and
- Valuation assumption such as discount, tax and royalty rates by reviewing assumptions used in such calculations and recalculating using external evidence.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ANGY (CHINA) MEDICAL LIMITED
(Incorporated in Hong Kong with limited liability)**

(continued)

Key audit matters (continued)

Valuation of trade receivables

Refer to notes 15 in the consolidated financial statements

The key audit matter

The Group has significant trade receivables balances as at year end. Given the size of the balances and the risk that some of the trade receivables may not be recoverable, judgement is required to evaluate whether any allowance should be made to reflect the risk.

The Group assessed the recoverability of trade receivables with reference to industry practices for the allowance on impairment loss and ageing analysis of the trade receivables, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

How the key matter in our audit addressed

Our audit work was focused on trade receivables which are significant and long overdue as these are considered to be most susceptible to impairment.

We reviewed the ageing analysis of the Group's trade receivables and assessed the recoverability of significant and long overdue balances, with reference to sales and payment track records. This includes ascertaining that the trade receivables are aged correctly. We also examined subsequent receipts from the customers, or where there were no subsequent receipts, analysed their payment track records to assess the recoverability of the outstanding trade receivables. We considered whether management's assessment of the impact of current economic and credit conditions on the recoverability of trade receivables was appropriate given the changing economic conditions faced by customers. We have taken into consideration publicly available information of the Group's major customers, competitors, industry outlook and local country economic data to corroborate with management's assessment.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ANGY (CHINA) MEDICAL LIMITED
(Incorporated in Hong Kong with limited liability)**

(continued)

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

The directors are assisted by the independent non-executive directors in discharging their responsibilities 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. This report is made solely to you, as a body, 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 HKSAs 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 HKSAs, we exercise professional judgement and maintain professional scepticism 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ANGY (CHINA) MEDICAL LIMITED
(Incorporated in Hong Kong with limited liability)**

(continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 the Board of Directors 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 the Board of Directors of the Company with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ANGY (CHINA) MEDICAL LIMITED
(Incorporated in Hong Kong with limited liability)**

(continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

From the matters communicated with the Board of Directors, 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 this independent auditor's report is Ng Cheuk Yan.



JS CPA & CO.
Certified Public Accountants (Practising)
Hong Kong
Date: 30 March 2017

ANGY (CHINA) MEDICAL LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 HK\$	2015 HK\$
Revenue	5	89,213,655	85,701,693
Costs of sales		<u>(58,640,227)</u>	<u>(57,430,980)</u>
Gross profit		30,573,428	28,270,713
Other income	6	1,482,520	672,544
Selling and distribution expenses		(4,058,278)	(7,059,926)
General and administrative expenses		<u>(19,199,220)</u>	<u>(13,627,501)</u>
Profit before taxation	7	8,798,450	8,255,830
Income tax	10	<u>(2,053,127)</u>	<u>(1,832,405)</u>
Profit for the year		<u><u>6,745,323</u></u>	<u><u>6,423,425</u></u>
Attributable to:			
Equity shareholders of the Company		6,728,537	6,423,425
Non-controlling interests		<u>16,786</u>	<u>-</u>
Profit for the year		<u><u>6,745,323</u></u>	<u><u>6,423,425</u></u>
Earnings per share	11		
Basic		0.67	0.64
Diluted		<u>0.67</u>	<u>0.64</u>

The notes on pages 30 to 73 form part of these financial statements.

ANGY (CHINA) MEDICAL LIMITED

**CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 HK\$	2015 HK\$
Profit for the year	6,745,323	6,423,425
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries	<u>(481,036)</u>	<u>(76,310)</u>
Total comprehensive income for the year	<u>6,264,287</u>	<u>6,347,115</u>
Total comprehensive income		
Attributable to:		
Equity shareholders of the Company	6,205,657	6,347,115
Non-controlling interests	<u>58,630</u>	<u>-</u>
Total comprehensive income for the year	<u><u>6,264,287</u></u>	<u><u>6,347,115</u></u>

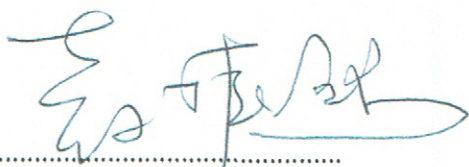
The notes on pages 30 to 73 form part of these financial statements.

ANGY (CHINA) MEDICAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 HK\$	2015 HK\$
Non-current assets			
Property, plant and equipment	12	469,696	691,967
Goodwill	13	155,639	-
		625,335	691,967
Current assets			
Inventories	14	25,227,103	23,210,019
Trade and other receivables	15	13,428,919	6,354,967
Cash and cash equivalents	16	5,408,139	4,398,552
Deferred tax assets	19(b)	125,455	413,006
		44,189,616	34,376,544
Current liabilities			
Trade and other payables	17	20,782,998	22,913,994
Amount due to a director	18	5,499,657	453,587
Current taxation	19(a)	1,219,013	1,156,035
		27,501,668	24,523,616
Net current assets		16,687,948	9,852,928
NET ASSETS		17,313,283	10,544,895
CAPITAL AND RESERVES			
Share capital	20(b)	10,000,000	10,000,000
Reserves		6,750,552	544,895
Total equity attributable to equity shareholders of the Company		16,750,552	10,544,895
Non-controlling interests		562,731	-
TOTAL EQUITY		17,313,283	10,544,895

Approved and authorised for issue by the Board of Directors on 30 March 2017



Executive Director
Ao Zhenming

The notes on pages 30 to 73 form part of these financial statements.

ANGY (CHINA) MEDICAL LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2016**

	Attributable to equity shareholders of the Company				Non- controlling interests HK\$	Total equity HK\$
	Share capital HK\$	Exchange reserve HK\$	(Accumulated losses) / Retained earnings HK\$	Total HK\$		
Balance at 1 January 2015	10,000,000	52,341	(5,854,561)	4,197,780	-	4,197,780
Changes in equity for 2015:						
Profit for the year	-	-	6,423,425	6,423,425	-	6,423,425
Other comprehensive income	-	(76,310)	-	(76,310)	-	(76,310)
Total comprehensive income	-	(76,310)	6,423,425	6,347,115	-	6,347,115
Balance at 31 December 2015 and 1 January 2016	10,000,000	(23,969)	568,864	10,544,895	-	10,544,895
Acquisition from subsidiary	-	-	-	-	504,101	504,101
Changes in equity for 2016:						
Profit for the year	-	-	6,728,537	6,728,537	16,786	6,745,323
Other comprehensive income	-	(522,880)	-	(522,880)	41,844	(481,036)
Total comprehensive income	-	(522,880)	6,728,537	6,205,657	58,630	6,264,287
Balance at 31 December 2016	<u>10,000,000</u>	<u>(546,849)</u>	<u>7,297,401</u>	<u>16,750,552</u>	<u>562,731</u>	<u>17,313,283</u>

The notes on pages 30 to 73 form part of these financial statements.

ANGY (CHINA) MEDICAL LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 HK\$	2015 HK\$
Operating activities			
Profit before taxation		8,798,450	8,255,830
Adjustments for:			
Depreciation		598,620	491,613
Interest income		(1,218)	(8,261)
Impairment losses on inventories		1,807,432	-
Operating profit before changes in working capital		11,203,284	8,739,182
Increase in inventories		(3,824,516)	(12,372,471)
Increase in trade and other receivables		(6,929,447)	(3,928,026)
(Decrease) / increase in trade and other payables		(2,543,764)	2,497,308
Increase / (decrease) in amount due to a director		5,046,070	(785,469)
Cash generated from / (used in) operation		2,951,627	(5,849,476)
Interest income		1,218	8,261
Tax paid			
- Hong Kong profits tax paid		(1,124,890)	(126,651)
- Overseas tax paid		(577,708)	-
Net cash generated from / (used in) operating activities		1,250,247	(5,967,866)
Investing activities			
Net cash inflow for acquisition of a subsidiary		413,280	-
Payment for the purchase of property, plant and equipment		(200,650)	(44,199)
Proceeds from the sale of non-current assets held-for-sale securities		-	2,280,000
Net cash generated from investing activities		212,630	2,235,801
Net increase / (decrease) in cash and cash equivalents		1,462,877	(3,732,065)
Cash and cash equivalents at 1 January		4,398,552	8,198,374
Effect of foreign exchange rate changes		(453,290)	(67,757)
Cash and cash equivalents at 31 December	16	5,408,139	4,398,552

The notes on pages 30 to 73 form part of these financial statements.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENEREAL INFORMATION

Angy (China) Medical Limited (the “Company”) is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Unit 2302, 23/F., New World Tower 1, 18 Queen’s Road Central, Central, Hong Kong.

The Company is an investment holding and trading of medical instrument. Its subsidiaries are principally engaged in trading of medical equipment maintenance; commission agents; provide consulting services, computer technology development, technical services; import and export; wholesale of software, cosmetics and health supplies, computer parts, electronic products, household device; groceries, computer; medical equipment in the People’s Republic of China (the “PRC”).

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b. Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the “Group”).

The measurement basis used in the preparation of the financial statements is the historical cost basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 4.

The functional currency of the Company is Hong Kong dollars (“HK\$”). The functional currency of the Group’s principal subsidiaries is Renminbi (“RMB”). For the purpose of the consolidated financial statements and convenience of the financial statement users, the results and financial position of the Group are expressed in HK\$, the presentation currency for the consolidated financial statements.

c. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Subsidiaries and non-controlling interests (continued)

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(h)).

e. Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(h)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

f. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Property, plant and equipment (continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvement	20%
Motor vehicle	30%
Office equipment	19% - 33.33%
Furniture and fixtures	19% - 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

g. Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Impairment of assets

(i) Impairment of other receivables

Investments in other current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Impairment of assets (continued)

(i) Impairment of other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- goodwill; and
- investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Recognition of impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

i. Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Inventories (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

j. Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

k. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

l. Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

m. Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits, including those payables in mainland China and Hong Kong under relevant legislation, are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

p. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Revenue recognition (continued)

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

q. Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results and financial position of all operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
2. income and expenses are translated at the exchange rates approximating the exchange rates ruling at the dates of the transactions; and
3. all resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Related parties

- (a) A person, or a close member of that person's family, is related to the group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. TRANSITION TO THE HKFRSs AND RESTATEMENT OF PRIOR PERIODS AND OPENING BALANCES

The Group adopted Hong Kong Financial Reporting Standards ("HKFRSs") in the current year. The adoption of the HKFRSs did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years except as disclosed below:

Restatement of prior periods and opening balances

As at 31 December 2015, the deferred tax was not accounted for in the consolidated statement of financial position in accordance with the Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants.

This is not in accordance with the HKAS 12 "Income taxes". Under HKAS 12, deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases using in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Accordingly, comparative amounts in the consolidated statement of financial position of the Group have been restated.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. TRANSITION TO THE HKFRSs AND RESTATEMENT OF PRIOR PERIODS AND OPENING BALANCES (continued)

Restatement of prior periods and opening balances (continued)

The financial effects of the restatements on the consolidated statement of financial position of the Company as at 31 December 2015:

	As at 31 December 2015 (as previously reported) HK\$	Restatement HK\$	As at 31 December 2015 (as restated) HK\$
Effect on assets			
Deferred tax assets	<u>-</u>	<u>413,006</u>	<u>413,006</u>
Effect on liabilities			
Current taxation	<u>1,149,537</u>	<u>(6,498)</u>	<u>1,156,035</u>
Effect on equity			
Retained earnings	<u>138,387</u>	<u>406,508</u>	<u>544,895</u>

The restatement had no impact on the financial position and basic and diluted earnings per share of the Group for the years ended 31 December 2015 and 2016.

4. ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. The Group's estimates and assumptions only are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

4. ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(a) Critical accounting judgements in applying the Group's accounting policies (continued)

Going concern

As mentioned in note 2(b) to the financial statements, the directors are satisfied that the Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are use confident that the Group will be able to continue in operational existence in the foreseeable future, the financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these financial statements.

(b) Sources of estimation uncertainty

Note 13 contain information about the assumptions and their risk factors relating to goodwill impairment. Other key sources of estimation uncertainty are as follows:

(i) Impairment of assets

The Group tests regularly whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined using fair value less costs to sell or value-in-use calculations as appropriate. These calculations require the use of estimates.

(ii) Income tax

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

4. ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(b) Sources of estimation uncertainty (continued)

(iii) Recognition of deferred tax assets

The amount of the deferred tax assets included in the consolidated statement of financial position of the Group is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilised. The recognition of deferred tax assets requires the Group to make judgments based on the assessment of future financial performance, the amount of future taxable profits and the timing of when these will be realised.

5. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are trading of medical instrument.

The amount of each significant category of revenue is as follows:

	2016 HK\$	2015 HK\$
Sales of medical instrument	<u>89,213,655</u>	<u>85,701,693</u>

The Group manages its businesses according to the nature of products provided. Management has determined one reportable operating segment for the measurement of performance and the allocation of resources. Medical instrument sales segment includes sales of products in Mainland China.

Management evaluates performance primarily based on profit before taxation.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment, other assets, deferred tax assets and cash and deposits with banks. The trading of medical instrument of the Group are included in segment assets at their fair values. No segment liabilities analysis is presented as the Group monitors and manages its liabilities on a group basis.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

5. REVENUE AND SEGMENT REPORTING (continued)

(b) Revenue and results by segment

	Revenue		Profit before taxation	
	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$
Segment				
Medical instrument sales				
Mainland China	89,213,655	85,701,693	30,573,428	28,270,713
Segment total	89,213,655	85,701,693	30,573,428	28,270,713
Other income			1,482,520	672,544
Selling and distribution expenses			(4,058,278)	(7,059,926)
General and administrative expenses			(19,199,220)	(13,627,501)
Profit before taxation			8,798,450	8,255,830

(c) Total assets by segment

	Total assets	
	2016 HK\$	2015 HK\$
Segment		
Medical instrument sales		
Mainland China	438,696	567,967
Hong Kong	31,000	124,000
Segment total	469,696	691,967
Goodwill	155,639	-
Inventories	25,227,103	23,210,019
Trade and other receivables	13,428,919	6,354,967
Cash and cash equivalents	5,408,139	4,398,552
Deferred tax asset	125,455	413,006
Total assets	44,814,951	35,068,511

ANGY (CHINA) MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. OTHER INCOME

	2016 HK\$	2015 HK\$
Exhibition income	-	427,491
Government grant	1,448,869	-
Interest income	1,218	8,261
Maintenance income	-	67,831
Net foreign exchange gain	-	125,025
Others	32,433	43,936
	<u>1,482,520</u>	<u>672,544</u>

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2016 HK\$	2015 HK\$
(a) Staff costs		
Contributions to defined contribution retirement plan	465,025	809,041
Salaries, wages and other benefits	<u>8,217,236</u>	<u>8,220,884</u>
	<u>8,682,261</u>	<u>9,029,925</u>
	2016 HK\$	2015 HK\$
(b) Other items		
Depreciation	598,620	491,613
Impairment losses on inventories	1,807,432	-
Operating lease charges: minimum lease payments	1,308,639	1,738,715
Net foreign exchange loss/(gain)	703,804	(125,025)
Auditors' remuneration		
- audit services	360,000	68,800
- other services	11,231	-
Cost of inventories (Note 14(b))	<u>58,640,227</u>	<u>57,430,980</u>

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Director's fee HK\$	Salaries, allowances and benefits in kind HK\$	Contribution to defined contribution plan HK\$	2016 HK\$
Executive director				
Ao Zhenming	-	500,000	-	500,000
Non-executive director				
Matthias Hoedl	-	5,000	-	5,000
Tan Weimin	-	6,650	-	6,650
	-	511,650	-	511,650
	Director's fee HK\$	Salaries, allowances and benefits in kind HK\$	Contribution to defined contribution plan HK\$	2015 HK\$
Executive director				
Ao Zhenming	-	500,000	-	500,000

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2015: one) is director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2015: four) individuals are as follows:

	2016 HK\$	2015 HK\$
Salaries and other emoluments	1,427,932	1,565,628
Retirement scheme contributions	76,804	101,573
	1,504,736	1,667,201

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

The emoluments of the four (2015: four) individuals with the highest emoluments are within the following bands:

	No. of employee	
	2016	2015
HK\$Nil – HK\$500,000	5	5

10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2016 HK\$	2015 HK\$
Current tax – Hong Kong Profits Tax		
Provision for the year	-	605,489
Under provision in prior years	6,496	-
	6,496	605,489
Current tax – Overseas		
Provision for the year	1,759,080	498,204
Deferred tax		
Origination and reversal of temporary differences	287,551	728,712
	2,053,127	1,832,405

No provision for Hong Kong Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax during the reporting period. Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries registered in PRC is 25% from 1 January 2008 onwards. The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

ANGY (CHINA) MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

**10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(continued)**

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016 HK\$	2015 HK\$
Profit before taxation	<u>8,798,850</u>	<u>8,255,830</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	1,451,810	1,362,212
Tax effect of non-deductible expenses	-	7,699
Tax effect of non-taxable income	(287,554)	(728,720)
Temporary difference	12,337	11,048
Tax effect of tax losses not recognised	618,633	-
Recognition of deferred tax previously not recognised	287,551	728,712
Tax effect of different taxation rate in other jurisdictions	(29,650)	471,454
One off reduction	<u>-</u>	<u>(20,000)</u>
Actual tax expense	<u>2,053,127</u>	<u>1,832,405</u>

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the company of HK\$6,728,537 (2015: HK\$6,423,425) and the weighted average of 10,000,000 ordinary shares (2015: 10,000,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016 HK\$	2015 HK\$
Issued ordinary share and weighted average number of ordinary shares at 1 January and 31 December	<u>10,000,000</u>	<u>10,000,000</u>

The earnings per share based on underlying net profit attributable to shareholders are:

	2016 HK\$	2015 HK\$
Basic	0.67	0.64
Diluted	<u>0.67</u>	<u>0.64</u>

No diluted earnings per share presented as there were no potential dilutive shares during both years.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$	Office equipment HK\$	Motor vehicle HK\$	Total HK\$
Cost				
At 1 January 2015	864,900	841,808	310,000	2,016,708
Additions	-	44,199	-	44,199
Exchange adjustments	(12,012)	(11,691)	-	(23,703)
At 31 December 2015	852,888	874,316	310,000	2,037,204
At 1 January 2016	852,888	874,316	310,000	2,037,204
Additions from acquisition of a subsidiary	78,191	117,650	-	195,841
Additions	187,034	13,616	-	200,650
Exchange adjustments	(52,032)	(53,339)	-	(105,371)
At 31 December 2016	1,066,081	952,243	310,000	2,328,324
Accumulated depreciation				
At 1 January 2015	371,000	404,773	93,000	868,773
Charge for the year	158,098	240,515	93,000	491,613
Exchange adjustments	(6,888)	(8,261)	-	(15,149)
At 31 December 2015	522,210	637,027	186,000	1,345,237
At 1 January 2016	522,210	637,027	186,000	1,345,237
Charge for the year	320,689	184,931	93,000	598,620
Exchange adjustments	(41,060)	(44,169)	-	(85,229)
At 31 December 2016	801,839	777,789	279,000	1,858,628
Net book value				
At 31 December 2016	264,242	174,454	31,000	469,696
At 31 December 2015	330,678	237,289	124,000	691,967

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. GOODWILL

	HK\$
Cost	
At 1 January 2015, 31 December 2015 and 1 January 2016	-
Additions – arising on acquisition of business	155,639
	<u>155,639</u>
At 31 December 2016	155,639
Accumulated impairment losses	
At 1 January 2015, 31 December 2015, 1 January 2016 and at 31 December 2016	-
	<u>-</u>
Carrying amount	
At 31 December 2016	155,639
	<u>155,639</u>
At 31 December 2015	-
	<u>-</u>

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation and operating segment as follows:

	2016 HK\$	2015 HK\$
Medical instrument	155,639	-

Medical instrument

Goodwill represents the excess of the cost of purchase over the fair value of the underlying assets and liabilities. The recoverable amounts of the above cash generating units are determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period and pre-tax discount rates. Cash flows beyond the one-year period are maintained constant.

Key assumptions used for cash flow forecasts for these entities are the gross margin and sales volume. Management determined the budgeted gross margin based on the gross margin achieved in the period immediately before the budget period and management's expectation on the future trend of the prices of medical instrument. The sales volume was based on the sales volume in the period immediately before the budget period.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2016 HK\$	2015 HK\$
Finished goods	<u>25,227,103</u>	<u>23,210,019</u>

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2016 HK\$	2015 HK\$
Carrying amount of inventories sold	56,832,795	57,430,980
Write down of inventories	<u>1,807,432</u>	<u>-</u>
	<u>58,640,227</u>	<u>57,430,980</u>

15. TRADE AND OTHER RECEIVABLES

	2016 HK\$	2015 HK\$
Trade debtors	12,232,189	4,946,338
Other receivables	924,982	1,210,939
Prepayment	<u>271,748</u>	<u>197,690</u>
	<u>13,428,919</u>	<u>6,354,967</u>

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

15. TRADE AND OTHER RECEIVABLES (continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2016 HK\$	2015 HK\$
Within 1 month	11,795,851	4,804,418
1 – 6 months	-	141,920
Over 6 months	436,338	-
	<u>12,232,189</u>	<u>4,946,338</u>

Trade debtors are due within 120 days from the date of billing. Further details on the Group's credit policy are set out in note 21(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(h)(i)).

At 31 December 2015 and 2016, none of trade receivables was individually determined to be impaired.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2016 HK\$	2015 HK\$
Neither past due nor impaired	11,795,851	4,804,418
Less than 1 month past due	-	141,920
1 – 6 months past due	436,338	-
	<u>12,232,189</u>	<u>4,946,338</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. TRADE AND OTHER RECEIVABLES (continued)

(c) Trade debtors that are not impaired (continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16. CASH AND CASH EQUIVALENTS

	2016 HK\$	2015 HK\$
Cash and cash equivalents in the consolidated cash flow statement		
- Cash at bank and on hand	<u>5,408,139</u>	<u>4,398,552</u>

17. TRADE AND OTHER PAYABLES

	2016 HK\$	2015 HK\$
Trade payables	13,733,364	12,407,179
Other accruals and payables	3,144,172	3,671,893
Receipt in advance	<u>3,905,462</u>	<u>6,834,922</u>
	<u>20,782,998</u>	<u>22,913,994</u>

All of the other trade and other payables (including amounts due to related parties) are expected to be settled or recognised as income within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade creditors based on the invoice date, is as follows:

	2016 HK\$	2015 HK\$
Within 1 month	7,564,644	10,965,462
1 – 6 months	6,144,243	1,415,649
Over 6 months	<u>24,477</u>	<u>26,068</u>
	<u>13,733,364</u>	<u>12,407,179</u>

ANGY (CHINA) MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

18. AMOUNT DUE TO A DIRECTOR

Amount due to a director is unsecured, interest free and repayable on demand.

19. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2016 HK\$	2015 HK\$
Provision for Hong Kong Profits Tax for the year	-	605,489
Provisional Profits Tax paid	(469,116)	-
	(469,116)	605,489
Balance of Profits Tax provision relating to prior years	6,498	66,782
	(462,618)	672,271
Provision for Overseas Profits Tax for the year	1,681,631	483,764
	<u>1,219,013</u>	<u>1,156,035</u>

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from unrealised profit arising from intra-group transactions:

	2016 HK\$	2015 HK\$
At 1 January	413,006	1,141,718
Charged to profit or loss	(287,551)	(728,712)
At 31 December	<u>125,455</u>	<u>413,006</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

19. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

(ii) Reconciliation to the consolidated statement of financial position

	2016 HK\$	2015 HK\$
Net deferred tax asset recognised in the consolidated financial position	<u>125,455</u>	<u>413,006</u>

20. CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share capital HK\$	Retained earnings HK\$	Total HK\$
Balance at 1 January 2015	10,000,000	2,975,190	12,975,190
Changes in equity for 2015:			
Total comprehensive income for the year	<u>-</u>	<u>3,118,443</u>	<u>3,118,443</u>
Balance at 31 December 2015 and 1 January 2016	10,000,000	6,093,633	16,093,633
Changes in equity for 2016:			
Total comprehensive loss for the year	<u>-</u>	<u>(3,791,573)</u>	<u>(3,791,573)</u>
Balance at 31 December 2016	<u>10,000,000</u>	<u>2,302,060</u>	<u>12,302,060</u>

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

20. CAPITAL AND RESERVES (continued)

(b) Share capital

Issued share capital

	2016 HK\$	2015 HK\$
Ordinary shares, issued and fully paid:		
10,000,000 (2015: 10,000,000) ordinary shares	<u>10,000,000</u>	<u>10,000,000</u>

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

(c) Nature and purpose of reserves

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in notes 2(q).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the adjusted net debt-to-capital ratio at a lower level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

20. CAPITAL AND RESERVES (continued)

(d) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2016 and 2015 was Nil.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 120 days from the date of billing. Debtors with balances that are more than 30 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, Nil (2015: 86%) and 2% (2015: 86%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the medical instrument segment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

The Group manages its surplus cash centrally and the liquidity risk of the Company and its subsidiaries at the corporate level. The objective is to ensure that an adequate amount of cash and committed bank facilities are available to meet all funding requirements. Significant flexibility is achieved through diverse sources of committed credit lines for capturing future expansion opportunities.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Contractual undiscounted cash flow			Carrying amount HK\$
	On demand or within 1 year HK\$	More than 1 year but less than 2 years HK\$	Total HK\$	
Trade and other payables	20,758,521	24,477	20,782,998	20,782,998
Amount due to a director	5,499,657	-	5,499,657	5,499,657
At 31 December 2016	<u>26,258,178</u>	<u>24,477</u>	<u>26,282,655</u>	<u>26,282,655</u>

	Contractual undiscounted cash flow			Carrying amount HK\$
	On demand or within 1 year HK\$	More than 1 year but less than 2 years HK\$	Total HK\$	
Trade and other payables	22,887,926	26,068	22,913,994	22,913,994
Amount due to a director	453,587	-	453,587	453,587
At 31 December 2015	<u>23,341,513</u>	<u>26,068</u>	<u>23,367,581</u>	<u>23,367,581</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros, United States dollars and Renminbi. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

Exposure to foreign currencies (expressed in Hong Kong Dollars)

	At 31 December 2016		
	Euros	United States	Renminbi
	HK\$	dollars	HK\$
		HK\$	HK\$
Trade and other receivables	-	-	13,428,919
Cash and cash equivalents	811,716	1,429,991	3,142,378
Trade and other payables	-	(759,850)	(18,980,493)
Gross exposure arising from recognised assets and liabilities	811,716	670,141	(2,409,196)

	At 31 December 2015		
	Euros	United States	Renminbi
	HK\$	dollars	HK\$
		HK\$	HK\$
Trade and other receivables	-	-	6,345,467
Cash and cash equivalents	313,371	70,131	3,214,261
Trade and other payables	-	(271,250)	(21,444,549)
Gross exposure arising from recognised assets and liabilities	313,371	(201,119)	(11,884,821)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2016		2015	
	Increase / (decrease) in foreign exchange rates HK\$	Effect on profit after taxation and retained earning HK\$	Increase / (decrease) in foreign exchange rates HK\$	Effect on profit after taxation and retained earnings HK\$
Euros	5% (5%)	40,586 (40,586)	5% (5%)	15,669 (15,669)
United States dollars	5% (5%)	33,507 (33,507)	5% (5%)	(10,055) 10,055
Renminbi	5% (5%)	(120,460) 120,460	5% (5%)	(594,241) 594,241

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2015.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement

Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2016.

22. COMMITMENTS

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 HK\$	2015 HK\$
Within 1 year	908,473	985,187
After 1 year but within 5 years	<u>415,393</u>	<u>164,931</u>
	<u><u>1,323,866</u></u>	<u><u>1,150,118</u></u>

The Group is the lessee of a number of properties under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated. Lease payments are usually increased every 2 years to reflect market rentals. None of the leases includes contingent rentals.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

23. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2016 HK\$	2015 HK\$
Salaries, wages and other benefits	<u>511,650</u>	<u>500,000</u>

Total remuneration is included in "staff costs" (see note 7(a)).

(b) Financial arrangements

	2016 HK\$	2015 HK\$
Amount due to a director - Ao Zhenming	<u>5,499,657</u>	<u>453,587</u>

Amount due to a director is unsecured, interest free, non-trade in nature and repayable on demand.

(c) Transactions with other related parties

During the year, the Group entered into the following material transactions with other related party:

Name of company	Nature of transaction	2016 HK\$	2015 HK\$
Keil Estate (China) Pty Limited	Promotion expenses	<u>392,174</u>	<u>262,500</u>

Mr. Ao Zhenming, shareholder and director of the Company, control both the Company and the related company.

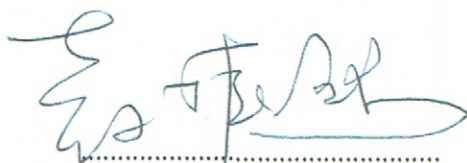
ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

24. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 HK\$	2015 HK\$
Non-current asset			
Investment in a subsidiary	25	8,800,000	8,800,000
Property, plant and equipment		31,000	124,000
		8,831,000	8,924,000
Current assets			
Trade and other receivables		-	9,500
Amount due from a subsidiary	25	3,361,828	8,558,033
Cash and cash equivalents		2,266,432	1,190,905
Tax recoverable		469,116	-
		6,097,376	9,758,438
Current liabilities			
Trade and other payables		1,802,506	1,469,445
Amount due to a director		823,810	453,587
Current taxation		-	665,773
		2,626,316	2,588,805
Net current assets		3,471,060	7,169,633
NET ASSETS		12,302,060	16,093,633
CAPITAL AND RESERVES			
Share capital	20(b)	10,000,000	10,000,000
Retained earnings		2,302,060	6,093,633
TOTAL EQUITY		12,302,060	16,093,633

Approved and authorised for issue by the Board of Directors on 30 March 2017



Executive Director
Ao Zhenming

The notes on pages 30 to 73 form part of these financial statements.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

25. INVESTMENT IN A SUBSIDIARY

	2016 HK\$	2015 HK\$
Unlisted shares, at cost	8,800,000	8,800,000
Amount due from a subsidiary	3,361,828	8,558,033
	<u>12,161,828</u>	<u>17,358,033</u>

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

<u>Name of companies</u>	<u>Place of incorporation and business</u>	<u>Particulars of issued and paid up capital</u>	<u>Proportion of ownership interest held by the Company</u>		<u>Principal activities</u>
			Directly	Indirectly	
安時利(廣州)醫療技術有限公司 Angy (Guangzhou) Medical Technology Company Limited	The People's Republic of China	HK\$8,800,000	100%	-	Acquire medical instrument products and sold to distributors
盈時(廣州)專用設備製造有限公司 Yingshi (Guangzhou) Special Equipment Manufacture Company Limited	The People's Republic of China	RMB3,500,000	-	60%	Research and development of new medical device such as the medical endoscope camera and related consumable products

Note: The English names of the above PRC subsidiaries are for identification purpose only.

Amount due from a subsidiary is unsecured, interest free and repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

26. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Pursuant to a group reorganisation completed on 27 February 2017 (the “Reorganisation”) to rationalise the Group’s structure in converted 10,000,000 shares to CHESS Depositary Interests (CDI’s) and were traded on the National Stock Exchange of Australia Limited (“NSX”), the Company became the holding company of the Group. The Company’s CDI were listed on the Stock Exchange on 27 February 2017.

27. COMPARATIVE FIGURES

As a result of the application of HKAS 12 “Income taxes”, certain comparative figures have been adjusted to conform to current year’s presentation and to provide comparative amounts in respect of items disclosed for the first time in 2016. Further details of these developments are disclosed in note 2(c).

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12, Income taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9, Financial instruments	1 January 2018
HKFRS 15, Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16, Leases	1 January 2019

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9 “Financial Instruments”

HKFRS 9 replaces the existing guidance in HKAS 39 “Financial Instruments: Recognition and Measurement”. HKFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from HKAS 39.

The Group does not plan to early adopt this standard and is currently assessing the financial impact of this standard to the Group’s financial position and performance. However, at the date of issuance of this Financial Information, the Group anticipates that this standard is not expected to have any significant impact on the Group’s financial position and performance.

HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts”.

It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

This standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The five steps are as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

HKFRS 15 “Revenue from contracts with customers” (continued)

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

An entity may adopt HKFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

The Group does not plan to early adopt this standard and is currently assessing the financial impact of this standard to the Group’s financial position and performance. However, at the date of issuance of this Financial Information, the Group anticipates that this standard is not expected to have any significant impact on the Group’s financial position and performance.

HKFRS 16 “Leases”

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces HKAS 17 “Leases” and the related interpretations including HK(IFRIC)-Int 4 “Determining whether an arrangement contains a lease”.

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently.

Amendments to HKFRSs and HKASs

The Group has already commenced the assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Financial Information.

ANGY (CHINA) MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

29. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Group's Board of Directors on 30 March 2017

ANGY (CHINA) MEDICAL LIMITED

THREE YEARS FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements in this report and the Prospectus, is as follows.

	2016 HK\$	2015 HK\$	2014 HK\$
Revenue	89,213,655	85,701,693	72,330,053
Gross profit	30,573,428	28,270,713	11,924,921
Profit / (loss) before taxation	8,798,450	8,255,830	(6,626,511)
Profit / (loss) for the year	<u>6,745,323</u>	<u>6,423,425</u>	<u>(5,990,613)</u>
Assets and liabilities			
Total assets	44,814,951	35,068,511	26,032,516
Total liabilities	27,501,668	24,523,616	21,834,736
Capital and reserves			
Total equity	<u>17,313,283</u>	<u>10,544,895</u>	<u>4,197,780</u>