

ANGY (CHINA) MEDICAL LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

ANGY (CHINA) MEDICAL LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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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”), it is with great pleasure that I present to you the Annual Report and the Audited Financial Statements of Angy (China) Medical Limited and its controlled entities for the for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of Angy during the financial year were channel distribution for medical equipment and related consumable products, research and development, and providing after-sales support.

There were no significant changes in the nature of the Company’s and its controlled entities’ principal activities during the financial year.

FINANCIAL PERFORMANCE

The Company generated revenue was HK\$111,256,568 (2017: HK\$94,555,706) and the profit from continuing operations for the year was HK\$1,921,866 (2017: HK\$1,622,447). After providing for income tax, the net profit of the Company was HK\$1,100,154 (2017: HK\$1,349,364).

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

Online sale of Scarban products and auto film dispenser will become a major contributor to the Company in 2019. As the sales grow, the Company is looking forward to widening its revenue streams.

Angy has been positioning itself as an excellent medical technology supplier through innovation of products and technology development. Angy’s management team continues to implement the Company’s strategy:

- (a) The Company should focus on introducing advanced overseas technologies and carry out indigenous technological upgrading and production, and establish the localization of overseas medical technologies transfer center;
- (b) Set up independent companies to develop and sell different products (Including its sales licenses and technologies); and
- (c) Focus on actions in the area of R&D and brand promotion.

The Board will continue to explore other viable and synergistic business ventures to improve the Company’s performance.

ANGY (CHINA) MEDICAL LIMITED

CHAIRMAN'S STATEMENT (CONTINUED)

DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to all my fellow Board members for their wise counsel and valuable support to Angy.

ACKNOWLEDGEMENT

On behalf of the Board, I also would like to take this opportunity to express our gratitude to our shareholders for their continued support, and to all our staff for their dedication and hard work.

On behalf of the Board of Directors



Ao Zhenming
Executive Chairman
Angy (China) Medical Limited
Date: 29 March 2019

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 24 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> <p>Adrian is employed by the Company pursuant to an employment agreement. A summary of this employment agreement is set out in the Company's Information Memorandum dated 13 January 2017.</p>
Interests in shares	Mr Ao is the Major Shareholder of Angy, post-listing holding 7,500,000 CDIs.
Directorships of other listed companies in previous three years	Nil.

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.
Directorships of other listed companies in previous three years	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 39 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.
Directorships of other listed companies in previous three years	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 2018; 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 2018; and
 - (b) The state of affairs of the Group at 31 December 2018.

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: 29 March 2019

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.hk 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 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 Ms. 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.

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 2018 financial year.

The Company has a website (www.angy.hk) 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 2018.

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

The principal activities of the Company are investment holding and trading of medical instrument, while its subsidiaries (the "Group") 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 2018, 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	RMB5,500,000 (2017: RMB3,500,000)	-	59% (2017: 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 2018 are set out in the consolidated financial statements on pages 25 to 81.

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 82 of this annual report. Such summary does not form part of the audited financial statements.

ANGY (CHINA) MEDICAL LIMITED

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW

Review of Operations

During the year of 2018, Angy (China) Medical Limited (“Angy” or “Group”) continues to devote itself to introducing newer medical technologies. Meanwhile, Angy is committed to deepening their cooperation with existing suppliers.

Operations during the period were specifically focused on expanding the sales of scarban products and maintaining films sales.

Angy proprietary product – Electronic Colonoscopy Equipment will be expected to the Group’s profit growth profit in the coming years.

Angy has employed and developed a group of experienced and capable senior management team comprising senior sales managers, products development specialists and customer maintenance specialists to engage in developing more end-users and agents.

The year 2018 has been a significant year for the Company. The management team has made improvements in the Company and laid a foundation in the years 2018. It is our sincere wish that the Group will continue to improve in 2019 and beyond.

Future developments, prospects and business strategies

Online sale of Scarban products and auto film dispenser will become a major contributor to the Company in 2019. As the sales grow, the Company is looking forward to widening its revenue streams.

Angy has been positioning itself as an excellent medical technology supplier through innovation of products and technology development. Angy’s management team continues to implement the Company’s strategy:

- (a) The Company should focus on introducing advanced overseas technologies and carry out indigenous technological upgrading and production, and establish the localization of overseas medical technologies transfer center;
- (b) Set up independent companies to develop and sell different products (Including its sales licenses and technologies); and
- (c) Focus on actions in the area of R&D and brand promotion.

The net assets of the Group are HK\$20,334,219 as at 31 December 2018. The Directors believe the Group is in a transitional financial position to extend its operations and carry out its new strategy. A fair review of the Angy’s business and a discussion and analysis of the Group’s performance during the year 2018 underlying financial position is included in the Financial Statements from pages 25 to 81 of this annual report. No matters or circumstances have arisen since 31 December 2018 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 year.

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	28%	
Five largest customers in aggregate	55%	
The largest supplier		95%
Five largest suppliers in aggregate		97%

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 any dividend in respect of the year ended 31 December 2018 (2017: Nil).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 21 to the financial statements.

DISTRIBUTABILITY OF RESERVES

At 31 December 2018, 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\$10,227,518 (2017: HK\$9,196,494).

ANGY (CHINA) MEDICAL LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The directors during the year ended 31 December 2018 and upto the date of this annual report are as follows:

Executive Chairman, Executive Director

Ao Zhenming

Independent non-executive director

Matthias Hoedl

Tan Weimin

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 7 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.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

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.

ANGY (CHINA) MEDICAL LIMITED

DIRECTORS' REPORT (CONTINUED)

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

The directors of the Company who held office at 31 December 2018 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	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.

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.

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)

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

The Company has been notified of the following interests in the Company's issued shares at 31 December 2018 amounting to 5% or more 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%
Ever-Long Securities Company Limited	-	990,000	-	9.90%
Chan I Ian	75,000	-	75,000	0.75%
Wang Pei	75,000	-	75,000	0.75%
Xu Songsi	49,400	-	49,400	0.49%
Tsang Hin Cho	37,500	-	37,500	0.38%
Cen Jianming	31,300	-	31,300	0.31%
Lao Wanling	29,500	-	29,500	0.30%
Lu Zhi Gang	25,600	-	25,600	0.26%
Yao Jing	25,000	-	25,000	0.25%

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the NSX Listing rules.

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.

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 the directors of the Company had a material interest, subsisted at the end of the year or at any time during the year.

ANGY (CHINA) MEDICAL LIMITED

DIRECTORS' REPORT (CONTINUED)

OTHER ITEM

The corporate governance statement to be included in the 2018 annual report was tabled. It was noted that the corporate governance statement reports against the matters set out in Annexure 1 of NSX Practice Note 14 (Practice Note).

It was resolved that the corporate governance statement accurately reflects the corporate governance practices of the Company in relation to the matters set out in the Practice Note.

AUDITORS

JS CPA & 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



Ao Zhenming
Executive Chairman
Angy (China) Medical Limited
Date: 29 March 2019

**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 79, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit and loss, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 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 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)

Valuation of inventories

Refer to notes 13 in the consolidated financial statements

The key audit matter

Sales of inventories in the medical industry can be volatile with consumer demand changing according to current medical technology trends.

Management considers several factors in determining the appropriate level of inventory provisions, including inventory ageing, historical rates of sales at normal price levels and at markdown prices, and the channels available for selling inventories.

How the key matter in our audit addressed

Our audit procedures to assess the valuation of inventories included the following:

We assessed whether the inventory provisions at the reporting date were calculated in a manner consistent with the Group's inventory provision policy by recalculating the inventory provisions based on percentages and other parameters in the Group's inventory provision policy and considering the application of the Group's inventory provision policy with reference to the requirements of the prevailing accounting standards.

Valuation of trade receivables

Refer to notes 14 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.

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

(continued)

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.

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 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, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**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)

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.
- 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.

**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)

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 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.

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: 29 March 2019

ANGY (CHINA) MEDICAL LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 HK\$	2017 HK\$
Revenue	4	111,256,568	94,555,706
Costs of sales		<u>(88,285,835)</u>	<u>(72,600,023)</u>
Gross profit		22,970,733	21,955,683
Other income	5	427,597	731,897
Selling and distribution expenses		(6,200,996)	(5,440,206)
General and administrative expenses		<u>(15,275,468)</u>	<u>(15,624,927)</u>
Profit before taxation	6	1,921,866	1,622,447
Income tax	9	<u>(821,712)</u>	<u>(273,083)</u>
Profit for the year		<u><u>1,100,154</u></u>	<u><u>1,349,364</u></u>
Attributable to:			
Equity shareholders of the Company		1,695,175	1,899,093
Non-controlling interests		<u>(595,021)</u>	<u>(549,729)</u>
Profit for the year		<u><u>1,100,154</u></u>	<u><u>1,349,364</u></u>
Earnings per share	10		
Basic and diluted		<u>0.17</u>	<u>0.19</u>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 30 to 81 form part of these financial statements.

ANGY (CHINA) MEDICAL LIMITED

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 HK\$	2017 HK\$
Profit for the year	1,100,154	1,349,364
Other comprehensive income / (loss) for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries	<u>362,415</u>	<u>(184,955)</u>
Total comprehensive income for the year	<u>1,462,569</u>	<u>1,164,409</u>
Attributable to:		
Equity shareholders of the Company	2,079,020	1,724,301
Non-controlling interests	<u>(616,451)</u>	<u>(559,892)</u>
Total comprehensive income for the year	<u>1,462,569</u>	<u>1,164,409</u>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 30 to 81 form part of these financial statements.

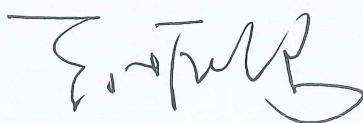
ANGY (CHINA) MEDICAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 HK\$	2017 HK\$
Non-current assets			
Property, plant and equipment	11	675,465	352,159
Goodwill	12	-	-
		675,465	352,159
Current assets			
Inventories	13	21,791,973	22,830,143
Trade and other receivables	14	16,960,788	13,827,383
Cash and cash equivalents	15	4,800,668	2,284,227
Deferred tax assets	20(b)	362,675	169,998
		43,916,104	39,111,751
Current liabilities			
Trade and other payables	16	16,431,318	17,754,123
Contract liabilities	17	4,851,736	-
Amount due to a director	18	1,226,651	2,057,599
Current taxation	20(a)	1,083,494	1,174,496
		23,593,199	20,986,218
Net current assets		20,322,905	18,125,533
NET ASSETS		20,998,370	18,477,692
CAPITAL AND RESERVES			
Share capital	21(b)	10,000,000	10,000,000
Reserves		10,613,568	8,474,853
Total equity attributable to equity shareholders of the Company		20,613,568	18,474,853
Non-controlling interests		384,802	2,839
TOTAL EQUITY		20,998,370	18,477,692

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

Approved and authorised for issue by the Board of Directors on 29 March 2019.



Executive Director
Ao Zhenming

The notes on pages 30 to 79 form part of these financial statements.

ANGY (CHINA) MEDICAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018

	Attributable to equity shareholders of the Company					Non-controlling interests HK\$	Total equity HK\$
	Share capital HK\$	Exchange reserve HK\$	Other reserve HK\$	Retained earnings HK\$	Total HK\$		
Balance at 1 January 2017	10,000,000	(546,849)	-	7,297,401	16,750,552	562,731	17,313,283
Changes in equity for 2017:							
Profit for the year	-	-	-	1,899,093	1,899,093	(549,729)	1,349,364
Other comprehensive loss	-	(174,792)	-	-	(174,792)	(10,163)	(184,955)
Total comprehensive income	-	(174,792)	-	1,899,093	1,724,301	(559,892)	1,164,409
Balance at 31 December 2017 and 1 January 2018	10,000,000	(721,641)	-	9,196,494	18,474,853	2,839	18,477,692
Impact on initial application of HKFRS 9	-	-	-	(664,151)	(664,151)	-	(664,151)
Adjusted balance at 1 January 2018	10,000,000	(721,641)	-	8,532,343	17,810,702	2,839	17,813,541
Changes in equity for 2018:							
Profit for the year	-	-	-	1,695,175	1,695,175	(595,021)	1,100,154
Other comprehensive income	-	383,845	-	-	383,845	(21,430)	362,415
Total comprehensive income	-	383,845	-	1,695,175	2,079,020	(616,451)	1,462,569
Partial disposal of equity interests in a subsidiary	-	-	59,695	-	59,695	998,414	1,058,109
Balance at 31 December 2018	<u>10,000,000</u>	<u>(337,796)</u>	<u>59,695</u>	<u>10,227,518</u>	<u>19,949,417</u>	<u>384,802</u>	<u>20,334,219</u>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 30 to 81 form part of these financial statements.

ANGY (CHINA) MEDICAL LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 HK\$	2017 HK\$
Operating activities			
Profit before taxation		1,921,866	1,622,447
Adjustments for:			
Depreciation		157,565	382,964
Interest income		(5,453)	(8,584)
Impairment losses on goodwill		-	155,639
Impairment losses on inventories		2,849,211	-
Operating profit before changes in working capital		4,923,189	2,152,466
(Increase) / decrease in inventories		(1,811,041)	2,396,960
Increase in trade and other receivables		(3,133,405)	(398,464)
Decrease in trade and other payables		(1,322,805)	(3,028,875)
Increase in contract liabilities		4,851,736	-
Decrease in amount due to a director		(830,948)	(3,442,058)
Cash generated from / (used in) operation		2,676,726	(2,319,971)
Interest income		5,453	8,584
Tax (paid) / recovered			
- Hong Kong profits tax (paid) / recovered		(284,492)	469,116
- Overseas tax paid		(820,899)	(831,259)
Net cash generated from / (used in) operating activities		1,576,788	(2,673,530)
Investing activities			
Net cash inflow in respect of partial disposal of equity interests in a subsidiary		1,013,488	-
Payment for the purchase of property, plant and equipment		(470,635)	(272,977)
Net cash generated from / (used in) investing activities		542,853	(272,977)
Net increase / (decrease) in cash and cash equivalents		2,119,641	(2,946,507)
Cash and cash equivalents at 1 January		2,284,227	5,408,139
Effect of foreign exchange rate changes		396,800	(177,405)
Cash and cash equivalents at 31 December	15	4,800,668	2,284,227

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 30 to 81 form part of these financial statements.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL 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 principal activities of the Company are investment holding and trading of medical instrument, while its subsidiaries (the “Group”) 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 2(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 2018 comprise the Company and its subsidiaries (together referred to as the “Group”).

The consolidated financial statements are presented in Hong Kong dollars (“HKD”). HKD is also the functional currency of the Company and Renminbi (“RMB”) is the functional currency of the Company’s operating subsidiaries in the People’s Republic of China (“PRC”). 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 2018**

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 statements and major sources of estimation uncertainty are discussed in note 3.

c. Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

(a) Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

(a) Impact of adoption (continued)

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities which are subject to HKFRS 9.

The adoption of HKFRS 9 'Financial Instruments' from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in Notes 2(h) below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures are not restated with the exception of certain aspects of hedge accounting. The Group does not have any hedge instrument, hence the exception is not applicable to the Group. The Group used modified retrospective approach while adopting HKFRS 9. The adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017.

(b) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

For further details on the Group's accounting policy for accounting for credit losses, see note 2(h)(i).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Changes in accounting policies (continued)

- (i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

- (b) Credit losses (continued)

	HK\$
Loss allowance at 31 December 2017 under HKAS 39	-
Additional credit loss recognised at 1 January 2018 on:	
- Trade receivables	<u>664,151</u>
Loss allowance at 1 January 2018 under HKAS 39	<u>664,151</u>

- (c) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There is no impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(a) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers (continued)

(a) Timing of revenue recognition (continued)

- (B) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (C) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers (continued)

(b) Significant financing component (continued)

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises financing component from sale of goods and this change in accounting policy had no material impact on opening balance as at 1 January 2018.

(c) Presentation of contract assets and liabilities

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. To reflect these changes in presentation, “Receipts in advance” amounting to HK\$4,217,704, which was previously included in trade and other payables are now included under contract liabilities at 1 January 2018, as a result of the adoption of HKFRS 15.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Subsidiaries and non-controlling interests (continued)

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.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 2(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 2(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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(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.

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 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Credit losses and impairment of assets

(i) Credit losses from financial instruments

(a) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, restricted bank deposits and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(a) Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 120 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(a) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk (continued)

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(q)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(a) Policy applicable from 1 January 2018 (continued)

Basis of calculation of interest income (continued)

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(b) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an “incurred loss” model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables and available-for-sale investments). Under the “incurred loss” model, an impairment loss was recognised only when there was objective evidence of impairment.

Objective evidence of impairment included:

- significant financial difficulties 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 into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

For trade and other receivables and other financial assets carried at amortised cost, impairment loss was 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, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(b) Policy applicable prior to 1 January 2018 (continued)

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

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

(ii) Impairment of other non-current 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; 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

- 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).

- Recognition of impairment losses

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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.

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. Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(q)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(k)).

Policy prior to 1 January 2018

Amounts received before the related work was performed were presented as “receipts in advance” under “trade and other payables”. These balances have been reclassified on 1 January 2018 as shown in note 17 (see note 2(c)(ii)).

k. Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(h)).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l. 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. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(h)(i).

m. Trade and other payables

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

n. 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.

o. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Income tax (continued)

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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Income tax (continued)

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:

- (i) 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
- (ii) 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.

p. Provisions and contingent liabilities

Provisions are recognised when the Group 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of products

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

In the comparative period, revenue from sales of products was recognised when the products were delivered at the customers' premises, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership. There is no impact to opening balance as at 1 January 2018 (see note 2(c)(ii)).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Revenue and other income (continued)

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(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.

r. 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. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. 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 of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Translation of foreign currencies (continued)

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.

s. Research and development expenditure

Research and development expenditure comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

t. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:
(continued)

(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.

u. 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.

No segment information is presented for the Group's business segment as the Group operates in a single business, sales of medical instruments in a single geographical region, which is the PRC. An analysis on the Group's revenue by product category is set out in note 4.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets except for those with an indefinite life are amortised on a straightline basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(b) Loss allowance of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances annually.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. REVENUE

The principal activities of the Group are sales of medical instrument in the PRC.

Disaggregation of revenue

Revenue represents the sales value of goods supplied to customers (net of value-added tax, other sales tax and discounts). Disaggregation of revenue from contracts with customers by major products is as follows:

	2018 HK\$	2017 HK\$
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
- Sales of medical instrument	<u>111,256,568</u>	<u>94,555,706</u>

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 (see note 2(c)(ii)).

The Group's customer base is diversified. One individual customer (2017: Nil) had transactions which exceeded 20% of the Group's aggregate revenue for the year ended 31 December 2018.

The timing of revenue recognition of all revenue from contracts with customers is at a point in time.

As no obvious seasonality in demand for products, the Group has no seasonality in operations.

5. OTHER INCOME

	2018 HK\$	2017 HK\$
Government grant	10,381	601,443
Interest income	5,453	8,584
Net foreign exchange gain	187,661	106,851
Others	<u>224,102</u>	<u>15,019</u>
	<u>427,597</u>	<u>731,897</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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6. PROFIT BEFORE TAXATION

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

	2018 HK\$	2017 HK\$
(a) Staff costs		
Contributions to defined contribution retirement plan	741,252	513,253
Salaries, wages and other benefits	8,915,824	8,129,987
	<u>9,657,076</u>	<u>8,643,240</u>
	2018 HK\$	2017 HK\$
(b) Other items		
Depreciation	157,565	382,964
Impairment losses on goodwill	-	155,639
Impairment losses on inventories	2,849,211	-
Operating lease charges: minimum lease payments	1,383,222	1,027,400
Net foreign exchange gain	(187,661)	(106,851)
Auditors' remuneration		
- audit services	438,000	398,000
- other services	17,189	16,957
Research and development costs	944,297	-
Cost of inventories (Note 13(b))	<u>88,285,836</u>	<u>72,600,023</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

7. 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:

	Directors' fee HK\$	Salaries, allowances and benefits in kind HK\$	Retirement scheme contributions HK\$	2018 Total HK\$
Executive director				
Ao Zhenming	-	500,000	-	500,000
Non-executive directors				
Matthias Hoedl	-	120,000	-	120,000
Tan Weimin	-	60,000	-	60,000
	-	680,000	-	680,000

	Directors' fee HK\$	Salaries, allowances and benefits in kind HK\$	Retirement scheme contributions HK\$	2017 Total HK\$
Executive director				
Ao Zhenming	-	500,000	-	500,000
Non-executive directors				
Matthias Hoedl	-	120,000	-	120,000
Tan Weimin	-	60,000	-	60,000
	-	680,000	-	680,000

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2017: one) is director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2017: four) individuals are as follows:

	2018 HK\$	2017 HK\$
Salaries and other emoluments	2,188,543	1,488,408
Retirement scheme contributions	52,275	50,453
	<u>2,240,818</u>	<u>1,538,861</u>

The emoluments of the four (2017: four) individuals with the highest emoluments are within the following bands:

	No. of employee	
	2018	2017
HK\$500,001 – HK\$1,000,000	1	-
HK\$Nil – HK\$500,000	<u>3</u>	<u>4</u>

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

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

	2018 HK\$	2017 HK\$
Current tax – Hong Kong Profits Tax		
Provision for the year	112,598	155,278
Under provision in prior years	<u>(10,000)</u>	<u>-</u>
	102,598	155,278
Current tax – Overseas		
Provision for the year	911,791	162,348
Deferred tax		
Origination and reversal of temporary differences (Note 20)	<u>(192,677)</u>	<u>(44,543)</u>
	<u>821,712</u>	<u>273,083</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2017/18 subject to a maximum reduction of HK\$30,000 for each business (2017: a maximum reduction of HK\$20,000 was granted for the year of assessment 2016/17 and was taken into account in calculating the provision for 2017). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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.

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

	2018 HK\$	2017 HK\$
Profit before taxation	<u>1,921,866</u>	<u>1,622,447</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	158,553	267,702
Tax effect of non-deductible expenses	116,798	61,378
Tax effect of non-taxable income	(17)	(2)
Temporary difference	(737)	3,010
Utilisation of tax losses	-	(76,056)
Recognition of deferred tax previously not recognised	(192,677)	(44,543)
Tax effect of different taxation rate in other jurisdictions	756,245	81,594
One off reduction	(20,000)	(20,000)
Over-provision in prior years	(10,000)	-
Others	<u>13,547</u>	<u>-</u>
Actual tax expense	<u><u>821,712</u></u>	<u><u>273,083</u></u>

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. 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\$1,695,175 (2017: HK\$1,899,093) and the weighted average of 10,000,000 ordinary shares (2017: 10,000,000) in issue during the year.

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

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$	Office equipment HK\$	Motor vehicle HK\$	Total HK\$
Cost				
At 1 January 2017	1,066,081	952,243	310,000	2,328,324
Additions	-	272,977	-	272,977
Exchange adjustments	(14,072)	(12,570)	-	(26,642)
At 31 December 2017	1,052,009	1,212,650	310,000	2,574,659
At 1 January 2018	1,052,009	1,212,650	310,000	2,574,659
Additions	-	470,635	-	470,635
Exchange adjustments	29,033	33,466	-	62,499
At 31 December 2018	1,081,042	1,716,751	310,000	3,107,793
Accumulated depreciation				
At 1 January 2017	801,839	777,789	279,000	1,858,628
Charge for the year	259,457	92,507	31,000	382,964
Exchange adjustments	(9,287)	(9,805)	-	(19,092)
At 31 December 2017	1,052,009	860,491	310,000	2,222,500
At 1 January 2018	1,052,009	860,491	310,000	2,222,500
Charge for the year	-	157,565	-	157,565
Exchange adjustments	29,033	23,230	-	52,263
At 31 December 2018	1,081,042	1,041,286	310,000	2,432,328
Net book value				
At 31 December 2018	-	675,465	-	675,465
At 31 December 2017	-	352,159	-	352,159

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

12. GOODWILL

	HK\$
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	<u>155,639</u>
Accumulated impairment losses	
At 1 January 2017	-
Impairment charge for the year	<u>155,639</u>
At 31 December 2017 and 1 January 2018	155,639
Impairment loss	<u>-</u>
At 31 December 2018	<u>155,639</u>
Carrying amount	
At 31 December 2018	<u>-</u>
At 31 December 2017	<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.

Medical instrument

On 2017, the Group acquired a research and development of new medical device business in PRC for a consideration of RMB780,000. At 31 December 2017, the Group assessed the recoverable amounts of the acquired assets and goodwill and as a result the carrying amount of HK\$155,639 of goodwill was written down to Nil. The recoverable amount is determined based on value-in-use calculations.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. INVENTORIES

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

	2018 HK\$	2017 HK\$
Finished goods	<u>21,791,973</u>	<u>22,830,143</u>

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

	2018 HK\$	2017 HK\$
Carrying amount of inventories sold	88,285,836	72,600,023
Write down of inventories	<u>2,849,211</u>	<u>-</u>
	<u>91,135,047</u>	<u>72,600,023</u>

14. TRADE AND OTHER RECEIVABLES

	31 December 2018 HK\$	1 January 2018 HK\$	31 December 2017 HK\$
Trade debtors, net of loss allowance (Notes)	14,085,117	11,193,457	11,857,608
Other receivables	1,835,697	1,180,897	1,180,897
Prepayment	<u>375,823</u>	<u>788,878</u>	<u>788,878</u>
	<u>16,296,637</u>	<u>13,163,232</u>	<u>13,827,383</u>

Notes: Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade debtors. (see note 2(c)(i)).

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

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

14. TRADE AND OTHER RECEIVABLES (continued)

Ageing analysis

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

	2018 HK\$	2017 HK\$
Within 1 month	7,935,079	4,776,655
1 – 6 months	-	19,898
6 months – within 1 year	188,335	134,098
Over 1 year	5,961,703	6,926,957
	<u>14,085,117</u>	<u>11,857,608</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 22(a).

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2018 HK\$	2017 HK\$
Cash at bank and on hand	<u>4,800,668</u>	<u>2,284,227</u>

At 31 December 2018, cash at bank balances were placed with banks in the PRC amounted to HK\$4,705,813 (2017: HK\$730,723). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

16. TRADE AND OTHER PAYABLES

	31 December 2018 HK\$	1 January 2018 HK\$	31 December 2017 HK\$
Trade payables	13,460,054	10,129,765	10,129,765
Other payables and accruals	2,971,264	3,406,654	3,406,654
Receipt in advance (Note)	-	-	4,217,704
	<u>16,431,318</u>	<u>13,536,419</u>	<u>17,754,123</u>

Note: As a result of the adoption of HKFRS 15, receipts in advance are included in contract liabilities (see note 17).

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. TRADE AND OTHER PAYABLES (continued)

All of the other trade and other payables 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:

	2018 HK\$	2017 HK\$
Within 1 month	13,321,813	10,076,662
1 – 6 months	20,961	23,301
6 months – within 1 year	92,459	29,802
Over 1 year	24,821	-
	<u>13,460,054</u>	<u>10,129,765</u>

17. CONTRACT LIABILITIES

	31 December 2018 HK\$	1 January 2018 HK\$	31 December 2017 HK\$
Billings in advance of performance (Note)	<u>4,851,736</u>	<u>4,217,704</u>	<u>-</u>

Note: Upon the adoption of HKFRS 15, amounts previously included as “Receipts in advance” under “Trade and other payables” (note 16) were reclassified to contract liabilities (see note 2(c)(ii)).

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised. The Group receives deposits on acceptance of orders on a case by case basis with customers before work commences.

The balance of contract liabilities at 1 January 2018 is all recognised as revenue during the year of 2018. The amount of billings in advance of performance received is expected to be recognised as income within one year.

**NOTES TO THE FINANCIAL STATEMENTS
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18. AMOUNT DUE TO A DIRECTOR

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

19. EMPLOYEE RETIREMENT BENEFITS

The PRC subsidiaries of the Group participate in several defined contribution retirement benefit schemes (“the Schemes”) organised by the PRC municipal and provincial government authorities whereby the Group is required to make contributions to the Schemes at the applicable rates of the eligible employees’ salaries. The local government authority is responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2018 HK\$	2017 HK\$
Provision for Hong Kong Profits Tax for the year	112,598	155,278
Provisional Profits Tax paid	<u>(129,214)</u>	<u>-</u>
	(16,616)	155,278
Balance of Profits Tax provision relating to prior years	<u>(10,000)</u>	<u>6,498</u>
	(26,616)	161,776
Provision for Overseas Profits Tax for the year and prior year	<u>1,110,110</u>	<u>1,012,720</u>
	<u>1,083,494</u>	<u>1,174,496</u>

ANGY (CHINA) MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

(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:

	2018 HK\$	2017 HK\$
At 1 January	169,998	125,455
Charged to profit or loss	<u>192,677</u>	<u>44,543</u>
At 31 December	<u>362,675</u>	<u>169,998</u>

(ii) Reconciliation to the consolidated statement of financial position

	2018 HK\$	2017 HK\$
Net deferred tax asset recognised in the consolidated statement of financial position	<u>362,675</u>	<u>169,998</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

21. 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 2017	10,000,000	2,302,060	12,302,060
Changes in equity for 2017:			
Total comprehensive income for the year	-	977,745	977,745
Balance at 31 December 2017 and 1 January 2018	10,000,000	3,279,805	13,279,805
Changes in equity for 2018:			
Total comprehensive income for the year	-	1,095,101	1,095,101
Balance at 31 December 2018	<u>10,000,000</u>	<u>4,374,906</u>	<u>14,374,906</u>

(b) Share capital

Issued share capital

	2018 HK\$	2017 HK\$
Ordinary shares, issued and fully paid:		
10,000,000 (2017: 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

21. CAPITAL AND RESERVES (continued)

(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(r).

Other reserve

The other reserves mainly arises from transactions undertaken with non-controlling interests. During the year ended 31 December 2018, the Group has disposed non-controlling interests in certain non-wholly owned subsidiaries and the aggregate net excess of considerations over the carrying amounts of acquired non-controlling interests of HK\$59,696 was recognised directly in equity.

(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 with reference to its net debt to asset ratio. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2018 was 53% (2017: 53%).

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

22. 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

Trade and other receivables

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are the major banks in the PRC with established credit ratings, for which the Group considers to have low credit risk. Given the high credit ratings of the banks, management does not expect any counterparties to fail to meet its obligations.

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, 72% (2017: 34%) and 72% (2017: 34%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

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 180 to 210 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

(a) Credit risk (continued)

Trade and other receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018:

	Expected loss rate %	Gross carrying amount HK\$	Loss allowance HK\$
Current (not past due)	0.01%	7,935,873	794
1 – 6 months past due	0.1%	-	-
6 – 12 months past due	0.5%	189,281	946
More than 1 year past due	10%	6,624,114	662,411
		<u>14,749,268</u>	<u>664,151</u>

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(h)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, no trade receivables was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 HK\$
Neither past due nor impaired	4,776,655
1 – 6 months past due	153,996
6 – 12 months past due	-
More than 1 year past due	<u>6,926,957</u>
	<u>11,857,608</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Trade and other receivables (continued)

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

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2018 HK\$
Balance at 31 December 2017 under HKAS 39	-
Impact on initial application of HKFRS 9 (note 2(c)(i))	<u>664,151</u>
Balance at 1 January	664,151
Amounts written off during the year	-
Impairment losses recognised during the year	<u>-</u>
Balance at 31 December	<u><u>664,151</u></u>

The Group has concluded that there is no significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2018.

**NOTES TO THE FINANCIAL STATEMENTS
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22. 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	16,406,497	24,821	16,431,318	16,431,318
Amount due to a director	1,226,651	-	1,226,651	1,226,651
At 31 December 2018	<u>17,633,148</u>	<u>24,821</u>	<u>17,657,969</u>	<u>17,657,969</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	17,724,321	29,802	17,754,123	17,754,123
Amount due to a director	2,057,599	-	2,057,599	2,057,599
At 31 December 2017	<u>19,781,920</u>	<u>29,802</u>	<u>19,811,722</u>	<u>19,811,722</u>

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22. 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 2018		
	Euros	United States	Renminbi
	HK\$	dollars	HK\$
		HK\$	HK\$
Trade and other receivables	-	-	16,296,637
Cash and cash equivalents	-	737	4,705,813
Trade and other payables	-	-	(15,973,918)
Contract liabilities	-	-	(4,851,736)
Gross exposure arising from recognised assets and liabilities	-	737	176,796
At 31 December 2017			
	United States		
	Euros	dollars	Renminbi
	HK\$	HK\$	HK\$
Trade and other receivables	-	-	13,827,383
Cash and cash equivalents	874,538	329,257	730,723
Trade and other payables	-	(327,121)	(17,001,702)
Gross exposure arising from recognised assets and liabilities	874,538	2,136	(2,443,596)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

22. 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.

	2018		2017	
	Increase / (decrease) in foreign exchange rates	Effect on profit after taxation and retained earning HK\$	Increase / (decrease) in foreign exchange rates	Effect on profit after taxation and retained earnings HK\$
Euros	5% (5%)	- -	5% (5%)	43,727 (43,727)
United States dollars	5% (5%)	37 (37)	5% (5%)	107 (107)
Renminbi	5% (5%)	8,839 (8,839)	5% (5%)	(122,180) 122,180

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 2017.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22. 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 2017 and 2018.

23. COMMITMENTS

Operating lease commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HK\$	2017 HK\$
Within 1 year	427,658	396,166
After 1 year but within 3 years	<u>170,099</u>	<u>-</u>
	<u>597,757</u>	<u>396,166</u>

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 3 years. It does not include contingent rental.

24. 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 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2018 HK\$	2017 HK\$
Salaries, wages and other benefits	<u>680,000</u>	<u>680,000</u>

Total remuneration is included in "staff costs" (see note 6(a)).

ANGY (CHINA) MEDICAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

24. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Financial arrangements

	2018 HK\$	2017 HK\$
Amount due to a director		
- Ao Zhenming	<u>1,226,651</u>	<u>2,057,599</u>

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

(c) Other related parties transactions

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

Name of company	Nature of transaction	2018 HK\$	2017 HK\$
Keil Estate (China) Pty Limited	Promotion expenses	<u>96,949</u>	<u>176,154</u>

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

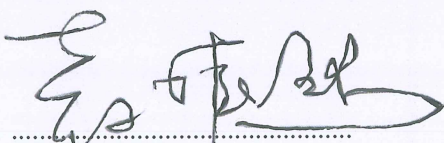
ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

25. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 HK\$	2017 HK\$
Non-current asset			
Investment in a subsidiary	26	8,800,000	8,800,000
Current assets			
Amount due from a subsidiary	26	4,349,504	3,954,024
Amount due from a director		1,561,331	-
Cash and cash equivalents		94,855	1,553,146
Tax recoverable		26,616	-
		6,032,306	5,507,170
Current liabilities			
Trade and other payables		457,400	752,421
Amount due to a director		-	119,666
Current taxation		-	155,278
		457,400	1,027,365
Net current assets		5,574,906	4,479,805
NET ASSETS		14,374,906	13,279,805
CAPITAL AND RESERVES			
Share capital	21(b)	10,000,000	10,000,000
Retained earnings		4,374,906	3,279,805
TOTAL EQUITY		14,374,906	13,279,805

Approved and authorised for issue by the Board of Directors on 29 March 2019



Executive Director
Ao Zhenming

The notes on pages 30 to 81 form part of these financial statements.

ANGY (CHINA) MEDICAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

26. INVESTMENT IN A SUBSIDIARY

	2018 HK\$	2017 HK\$
Unlisted shares, at cost	8,800,000	8,800,000
Amount due from a subsidiary	4,349,504	3,954,024
	<u>13,149,504</u>	<u>12,754,024</u>

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

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.

Name of companies	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest held by the Company		Principal activities
			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	RMB5,500,000 (2017: RMB3,500,000)	-	59% (2017: 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.

27. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards and interpretations which are not yet effective for the year ended 31 December 2018 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
HKFRS 16, Leases	1 January 2019
HK(IFRIC) 23, Uncertainty over income tax treatments	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, Long-term interest in associates and joint ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, Leases

As disclosed in note 2(g), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

HKFRS 16, Leases (continued)

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group’s accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 23, at 31 December 2018 the Group’s future minimum lease payments under non-cancellable operating leases amount to HK\$597,757 and HK\$396,166 for properties and other assets respectively, the majority of which is payable either between 1 and 3 years after the reporting date or in more than 3 years. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to HK\$178,604 and HK\$178,604 respectively, after taking account the effects of discounting, as at 1 January 2019.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

HKFRS 16, Leases (continued)

Other than the recognition of lease liabilities and right-of-use assets, the group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the group's financial statement from 2019 onwards.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Group's Board of Directors on 29 March 2019.

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.

	2018 HK\$	2017 HK\$	2016 HK\$
Revenue	111,256,568	94,555,706	89,213,655
Gross profit	22,970,733	21,955,683	30,573,428
Profit before taxation	1,921,866	1,622,447	8,798,450
Profit for the year	<u>1,100,154</u>	<u>1,349,364</u>	<u>6,745,323</u>
Assets and liabilities			
Total assets	43,927,418	39,463,910	44,814,951
Total liabilities	23,593,199	20,986,218	27,501,668
Capital and reserves			
Total equity	<u>20,334,219</u>	<u>18,477,692</u>	<u>17,313,283</u>

ANGY (CHINA) MEDICAL LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018
(For management information only)**

	2018 HK\$	2017 HK\$
Revenue		
Sales of medical instrument	4,905,461	5,692,925
Less: Cost of sales	1,647,701	2,042,262
Gross profit	3,257,760	3,650,663
Add: Other income		
Interest income	210	10
Net foreign exchange gain	121,106	93,261
Other income	43,200	360
	164,516	93,631
	3,422,276	3,744,294
Less: Administrative expenses		
Accounting fee	12,000	12,000
Auditors' remuneration	438,000	398,000
Bank charges	9,649	5,153
Business registration fee	-	250
Depreciation	-	31,000
Directors' remuneration	680,000	680,000
Insurance expenses	10,095	10,404
Legal and professional fee	706,833	921,160
Promotion expenses	-	176,154
Salaries and wages	360,000	370,000
Sundry expenses	8,000	7,150
	2,224,577	2,611,271
Profit before tax	1,197,699	1,133,023