

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**COMMON SPLENDOR INTERNATIONAL
HEALTH INDUSTRY GROUP LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

**FINAL RESULTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2016**

The board of directors (the “**Board**”) of Common Splendor International Health Industry Group Limited (the “**Company**”) is pleased to submit the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2016 (the “**Year**”) pursuant to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Group’s consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position together with the comparative figures of the corresponding year ended 31 December 2015 are set out as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	554,962	530,290
Cost of sales		(487,815)	(462,544)
Gross profit		67,147	67,746
Other income	5	338	659
Share-based payment expenses		(3,836)	–
Administrative expenses		(39,939)	(31,153)
Selling and distribution expenses		(4,934)	(1,051)
Share of result of associates		14,105	12,899
Profit from operations		32,881	49,100
Fair value change on convertible notes		1,758	21
Gain on disposal of subsidiaries		2,320	–
Gain on disposal of associate	12	28,999	–
Finance cost	6	(9,699)	(69)
Profit before income tax	7	56,259	49,052
Income tax expense	8	(9,098)	(6,946)
Profit for the year		47,161	42,106
Other comprehensive expense, net of income tax			
<i>Items that may be reclassified subsequent to profit or loss</i>			
Exchange differences on translating foreign operations		(40,633)	(7,502)
Other comprehensive expense for the year, net of income tax		(40,633)	(7,502)
Total comprehensive income for the year		6,528	34,604
Profit for the year attributable to:			
Owners of the Company		42,096	34,009
Non-controlling interests		5,065	8,097
		47,161	42,106
Total comprehensive income for the year attributable to:			
Owners of the Company		10,298	19,527
Non-controlling interests		(3,770)	15,077
		6,528	34,604
Earnings per share for the year attributable to owners of the Company	10		
Basic (HK cents per share)		1.62	1.36
Diluted (HK cents per share)		1.62	1.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment		206,538	12,430
Intangible asset	<i>11</i>	122,150	–
Goodwill		53,382	53,382
Interests in associates	<i>12</i>	127,128	234,811
Available-for-sale financial assets	<i>13</i>	71,217	2,042
		580,415	302,665
Current assets			
Deposits, prepayment and other receivables	<i>14</i>	120,025	54,112
Trade receivables	<i>15</i>	8,695	12,645
Inventories		18,046	12,443
Amount due from a shareholder		256	562
Loan to a shareholder		77,291	186,600
Short-term loans receivable	<i>16</i>	58,200	74,200
Bank and cash balances		109,721	29,404
		392,234	369,966
Current liabilities			
Trade payables	<i>17</i>	1,395	5,127
Accruals, deposits received and other payables	<i>18</i>	29,217	100,767
Obligation under a finance lease		6	13
Loan from associates	<i>12</i>	12,300	–
Amount due to associates	<i>12</i>	–	654
Convertible notes	<i>19</i>	15,039	–
Derivative financial liabilities	<i>19</i>	7,006	1,582
Bonds payable		5,680	–
Tax payable		2,950	3,949
		73,593	112,092
Net current assets		318,641	257,874
Total assets less current liabilities		899,056	560,539
Capital and reserves			
Share capital		25,962	25,962
Reserves		437,954	483,128
Equity attributable to owners of the Company		463,916	509,090
Non-controlling interests		203,634	37,265
Total equity		667,550	546,355
Non-current liabilities			
Convertible notes	<i>19</i>	70,496	14,152
Deferred tax liabilities		32	32
Guaranteed notes and bonds payable		160,978	–
		231,506	14,184
		899,056	560,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) New and amended Hong Kong Financial Report Standards (“HKFRSs”) adopted by the Group

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on or after 1 January 2016.

HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRSs (Amendments)	Annual Improvements HKFRSs 2012-2014 Cycle
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

(b) Issued but not yet effective HKFRSs

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

HKFRSs (Amendments)	Annual Improvements HKFRSs 2014-2016 Cycle ⁵
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ²
HKFRS 4 (Amendments)	Insurance Contracts ²
HKFRS 9	Financial Instruments ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
HKAS 7 (Amendments)	Disclosure Initiative ¹
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses ¹

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018 as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and held for trading investments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

3. REVENUE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue represents the aggregate amounts received and receivable analysed as follows:		
Health industry	533,333	516,471
Interest income from investment and finance	21,629	13,819
	554,962	530,290

4. OPERATING SEGMENTS

The Group manages its businesses by divisions which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Health industry – included life anti-aging, healthcare investment management business and natural health food business
- Investment and finance – investing and financing activities

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2015.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different markets and requires different marketing strategies.

Information about major customers

Revenue from customers contributing over 10 % of the total revenue of the Group during the year was as follows:

	2016 HK\$'000	2015 HK\$'000
Customer A ¹	N/A ³	111,990
Customer B ²	91,566	N/A ³
Customer C ²	70,130	N/A ³

¹ Revenue from natural health food business

² Revenue from life anti-aging business

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Operating segment information is presented below:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Health Industry											
	Natural				Healthcare				Investment		Consolidated	
	Health Food		Life Anti-aging		Investment Management		Sub-total		and Finance		Investment	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue												
Revenue from external customer	213,772	137,116	321,544	356,898	784	22,457	536,100	516,471	18,862	13,819	554,962	530,290
Results												
Segment results for reportable segment	1,509	1,608	48,050	38,300	8,827	8,610	58,386	48,518	12,532	9,121	70,918	57,639
Bank interest income	2	2	19	1	5	14	26	17	-	4	26	21
Unallocated corporate expense, net											(14,685)	(8,608)
Income tax expense	(389)	(405)	(7,733)	(5,861)	(976)	(680)	(9,098)	(6,946)	-	-	(9,098)	(6,946)
Profit for the year											47,161	42,106

Consolidated Statement of Financial Position

	Health Industry											
	Natural		Life Anti-aging		Healthcare Investment Management		Sub-total		Investment and Finance		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets												
Segment assets for reportable segments	<u>31,704</u>	<u>23,806</u>	<u>622,164</u>	<u>302,561</u>	<u>145,737</u>	<u>59,479</u>	<u>799,605</u>	<u>385,846</u>	<u>69,108</u>	<u>259,537</u>	<u>868,713</u>	<u>645,383</u>
Unallocated corporate assets											<u>103,936</u>	<u>27,248</u>
Total assets											<u>972,649</u>	<u>672,631</u>
Liabilities												
Segment liabilities for reportable segments	<u>9,112</u>	<u>563</u>	<u>16,423</u>	<u>5,959</u>	<u>2,050</u>	<u>16,449</u>	<u>27,585</u>	<u>22,971</u>	<u>1,926</u>	<u>19,148</u>	<u>29,511</u>	<u>42,119</u>
Unallocated corporate liabilities											<u>275,588</u>	<u>84,157</u>
Total liabilities											<u>305,099</u>	<u>126,276</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2015: Nil).

Segment results represent the profit earned/(the loss incurred) by each segment without allocation of corporate expenses, bank interest income, income tax (expense)/credit.

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

All assets are allocated to reportable segments other than unallocated corporate assets which mainly include property, plant and equipment, partial prepayment and deposits and corporate bank balances.

All liabilities are allocated to reportable segments other than unallocated corporate liabilities which mainly include partial accruals, deposits received and other payables, convertible notes, guaranteed notes and bonds payable and obligation under a finance lease.

Geographical information

In determining the Group's geographical information, revenue information is based on the location of the customers, and asset information is based on the location of the assets.

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

	Revenue from external customers		Non-current assets*	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
The PRC	536,100	485,239	379,869	64,256
Hong Kong	18,862	45,051	2,201	1,556

* Non-current assets excluded those relating to interests in joint ventures, interests in associates and available-for-sale financial assets.

Other segment information

	Health Industry		Investment and Finance		Unallocated		Consolidated	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Addition to property, plant and equipment	79,375	5,357	-	-	-	-	79,375	5,357
Depreciation of property, plant and equipment	8,509	5,314	-	-	-	-	8,509	5,314
Impairment loss of available-for-sale financial assets	755	-	-	-	-	-	755	-
Share of results of associates	14,105	12,899	-	-	-	-	14,105	12,899
Interests in associates	127,128	234,811	-	-	-	-	127,128	234,811

5. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Bank interest income	26	21
Others	312	638
	<u>338</u>	<u>659</u>

6. FINANCE COST

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on convertible notes	6,956	69
Interest on guaranteed notes and bonds payable	1,861	–
Interest on loan from associates	882	–
	<u>9,699</u>	<u>69</u>

7. PROFIT BEFORE INCOME TAX

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year has been arrived at after charging/(crediting):		
Total staff costs including Directors' remuneration:		
Salaries and other benefits	13,041	13,106
Retirement benefit scheme contributions	483	530
Share-based payment expenses	3,836	–
	<u>17,360</u>	<u>13,636</u>
Auditors' remuneration	1,380	1,448
Fair value changes on derivative financial instruments	(1,758)	(21)
Cost of inventories recognised as expenses*	471,594	460,282
Exchange loss/(gain), net	3	(600)
Depreciation of property, plant and equipment	8,509	5,314
Impairment loss of available-for-sale financial assets	755	–
Operating lease rentals in respect of rented premises (excluding rented premise for director of the Company)	<u>7,340</u>	<u>4,587</u>

* Included in "Cost of sales" of the consolidated statement of profit or loss and other comprehensive income

8. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Income tax expense comprises		
Current tax:		
PRC Enterprise Income Tax	(8,126)	(6,946)
Hong Kong Profits Tax	(972)	–
	<u>(9,098)</u>	<u>(6,946)</u>

9. DIVIDENDS

The directors of the Company do not recommend any payments of interim and final dividend for the year (2015: Nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<i>Earnings</i>		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	42,096	34,009
Effect of dilutive potential ordinary shares:		
Interest on convertible notes, net of tax	–	57
Fair value gain on the derivative component of the convertible notes	–	(21)
	<u>42,096</u>	<u>34,045</u>
Earnings for the purpose of diluted earnings per share	<u><u>42,096</u></u>	<u><u>34,045</u></u>
<i>Number of shares ('000)</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,596,255	2,507,599
Effect of dilutive potential ordinary share:		
Convertible notes	–	725
	<u>–</u>	<u>725</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>2,596,255</u></u>	<u><u>2,508,324</u></u>

Diluted earnings per share did not assume (i) the exercise of the share options since the exercise price is higher than the average share price of the Company for the year ended 31 December 2016 nor (ii) the conversion of convertible bonds since their assumed conversion had an anti-dilutive effect on earnings per share for the year ended 31 December 2016.

11. INTANGIBLE ASSET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1 January	–	–
Acquisition of a subsidiary	130,421	–
Exchange alignment	(8,271)	–
	<u>122,150</u>	<u>–</u>
At 31 December	<u><u>122,150</u></u>	<u><u>–</u></u>

Intangible asset represented an exclusive right to develop a parcel of land situated at Luofu Mountain in Guangdong Province, the PRC.

12. INTERESTS IN ASSOCIATES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Investments in associates, included in non-current assets:		
Share of net assets	275,073	234,811
Disposal of associates	(147,945)	–
Interests in associates	127,128	234,811
Loan from associates	(12,300)	–
Amount due to associates	–	(654)

Notes:

- (a) Loan from associates are unsecured, interest rate of 9% per annum and repayable on demand.
- (b) Amount due to associates are unsecured, interest-free and had no fixed terms of repayment.
- (c) In March 2016, the Group, through its wholly-owned subsidiary, together with Ms. Zhu Yufei (“Ms. Zhu”) and other shareholders of Shenzhen Aidigong Modern Maternity Health Management Co., Ltd. (“Aidigong”), entered into an agreement with Perennial Healthcare Pte Ltd. in which (i) the Group agreed to disposal of 14.26% equity interests in Aidigong at a consideration of RMB92,690,000 (equivalent to approximately HK\$107,014,000) and the fair value of residual interest of Aidigong of approximately HK\$69,930,000; (ii) Ms. Zhu agreed to disposal 2.41% equity interests in Aidigong; and (iii) Ms. Zhu made a contribution of RMB27,080,000 (equivalent to approximately of HK\$31,265,000) to Aidigong. Upon completion of the above transactions, the Group’s interests in Aidigong will be decreased from 26.22% to 11.48% and result Aidigong became an equity investment and were classified as available-for-sale financial assets of the Group. The Group then recognized a gain on disposal of an associate of approximately HK\$28,999,000 in the consolidated statement of profit or loss for the year.
- (d) On 13 June 2015, the Group acquired 26.5% equity interests in Best Hunter Limited and its subsidiaries (the “Best Hunter Group”) at consideration of HK\$27,560,000. After the acquisition, the Best Hunter Group becomes associates of the Group.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Unlisted shares:		
Equity securities incorporated in the PRC (<i>notes a and b</i>)	<u>71,217</u>	<u>2,042</u>

Notes:

- (a) Included in the Group's available-for-sale financial assets of approximately HK\$1,287,000 (2015: HK\$2,042,000) were unlisted equity investment in a private entity engaged in research and development of pharmaceuticals products. The balances were stated at cost less impairment loss at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company consider that their fair values cannot be measured reliably. During the year ended 31 December 2016, the Group identified impairment loss of approximately HK\$755,000 related to the unlisted equity securities (2015: Nil).
- (b) Included in the Group's available-for-sale financial assets of approximately HK\$69,930,000 were unlisted equity investment in Aidigong. The balances were stated at cost less impairment because it did not have a quote market price in an active market, the range of reasonable fair value estimates is so significant for these investments and the directors of the Company considered the fair value cannot be measured reliably. During the year ended 31 December 2016, the Group identified no impairment loss related to these investments.

14. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Deposits	1,220	1,848
Prepayment (<i>note i</i>)	37,424	24,657
Other receivables (<i>note ii</i>)	<u>81,381</u>	<u>27,607</u>
	<u>120,025</u>	<u>54,112</u>

The directors of the Company consider that carrying amounts of deposits, prepayment and other receivables approximate to their fair values.

Notes:

- (i) As at 31 December 2016, the prepayment mainly comprised of potential land acquisition and procurement of raw material and finished goods for health industry business of approximately HK\$21,066,000 and HK\$9,097,000 respectively. As at 31 December 2015, prepayments mainly represent procurement of raw material and finished goods for health industry business, which are paid to independent third parties of the Group.
- (ii) The other receivables mainly comprised of temporary payments paid for potential development projects and deposit for construction works of approximately HK\$35,726,000 and HK\$33,538,000 (2015: HK\$23,813,000 and HK\$Nil) respectively.

15. TRADE RECEIVABLES

The following is an aged analysis of trade receivables (net of allowance for doubtful debts), at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 30 days	8,377	12,645
31 to 60 days	167	–
181-365 days	12	–
Over 365 days	139	–
	<u>8,695</u>	<u>12,645</u>

The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these trade receivables.

Despite the fact that no collateral is held, the Group has assessed the creditworthiness, past payment history and settlement after the end of the reporting period, and considered that the amounts are still recoverable and no allowance for doubtful debts is required.

There was no trade receivables that are past due or impaired for the two years ended 31 December 2016 and 2015.

16. SHORT-TERM LOANS RECEIVABLE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loans receivable		
By corporate guarantee (<i>note (i)</i>)	–	40,000
With no guarantee (<i>note (ii)</i>)	58,200	34,200
	<u>58,200</u>	<u>74,200</u>
Carrying amount within one year (<i>note (iii)</i>)	<u>58,200</u>	<u>74,200</u>

Notes:

- (i) The loans with principal amount of HK\$40,000,000 are guaranteed by corporate guarantee provided by 廣東省東莞市悅海實業投資有限公司, bear interest at 5% per annum and repayable within one year. On 29 May 2015, the Group entered into a supplemental agreement with the borrower to extend the repayment period for one additional year.
- (ii) Loans receivable are denominated in Hong Kong dollars and carried at fixed effective interest ranging from 8% to 10% per annum.

(iii) The following is an aged analysis for the loans receivable at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
61 to 90 days	17,000	–
Over 90 days	41,200	74,200
	58,200	74,200

Total short-term loans receivable at 31 December 2016 and 2015 was not past due. The amount due are based on the scheduled repayment dates set out in the loan agreements. All loans are repayable within one year.

17. TRADE PAYABLES

The following is an aged analysis of trade payables, based on the invoice date:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 30 days	–	5,077
91 to 180 days	–	50
181 to 365 days	1,333	–
Over 365 days	62	–
	1,395	5,127

The average credit period granted by suppliers ranges from 0 to 30 days.

18. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accruals	6,203	2,912
Other payables (<i>note</i>)	21,483	86,262
Receipt in advance	1,531	11,593
	29,217	100,767

Notes:

Other payables mainly comprised:

- (i) HK\$3,354,000 consideration payable to third parties for the potential land acquisition;
- (ii) HK\$10,182,000 received from third parties for a potential business co-operation; and
- (iii) HK\$4,036,000 interest payable for the convertible notes, guaranteed notes and bonds payable.

19. CONVERTIBLE NOTES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Liability component	85,535	14,152
Derivative component	7,006	1,582
	92,541	15,734
Current liabilities		
Convertible notes	15,039	–
Derivative financial liabilities	7,006	1,582
Non-current liabilities	70,496	14,152

On 11 January 2016 and 5 August 2016, the Company issued convertible notes due on the second anniversary of the date of issuance with a principal amount of HK\$1,000,000 and USD10,000,000 and both carried at interest rate of 9% coupon rate per annum. The convertible notes were issued for general working capital of the Group and for the development of existing healthcare business of the Group. The convertible notes are designated as fair value on initial recognition, and are convertible into fully paid ordinary shares with a par value of HK\$0.01 each of the Company at an initial conversion price of HK\$0.858 and HK\$0.70 respectively. The effective interest rates are ranging from 17.62% to 39.44%. The Company will redeem the convertible notes if the notes have not been converted on maturity date.

On 17 December 2015, the Company issued convertible notes due on the second anniversary of the date of issuance with a principal amount of HK\$16,000,000, which carried 9% coupon rate per annum respectively. The convertible notes were issued for general working capital of the Group and for the development of existing healthcare business of the Group. The convertible notes are designated as fair value on initial recognition, and are convertible into fully paid ordinary shares with a par value of HK\$0.01 each of the Company at an initial conversion price of HK\$0.858. The effective interest rate is 17.37%. The Company will redeem the convertible notes if the notes have not been converted on maturity date.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR

Revenue of the Group for the Year amounted to HK\$554,962,000 (2015: HK\$530,290,000), which represented a year on year increase of HK\$24,672,000 or 4.7%. The increase was mainly attributable to the net effect of (i) increase in sales revenue of the Natural Health Food from HK\$137,116,000 in 2015 to HK\$213,772,000 in 2016; (ii) increase in loan interest income from HK\$13,819,000 in 2015 to HK\$18,862,000 in 2016; (iii) decrease in revenue of the Life Clubs from HK\$69,890,000 in 2015 to HK\$50,873,000 in 2016 and (iv) decrease in sales revenue of medical chemical materials from HK\$276,467,000 in 2015 to HK\$234,035,000 in 2016.

Gross profit of the Group amounted to HK\$67,147,000 (2015: HK\$67,746,000), a decrease of HK\$599,000 or 0.9% compared to previous year. Gross profit margin also remained relatively stable at 12.1% (2015: 12.8%). The effect of the increase in high margin loan interest income was partially set off by the decrease in revenue of the Life Clubs which also had a high margin.

Net after-tax profit for the Year increased by HK\$5,055,000 or 12.0% from HK\$42,106,000 in 2015 to HK\$47,161,000 in 2016. The increase came mainly from the gain on disposal of 14.26% equity interest in an associate Aidigong which amounted to approximately HK\$28,999,000 and gain on disposal of subsidiaries of HK\$2,320,000, less increase in administrative expenses of HK\$8,786,000, increase in selling and distribution expenses of HK\$3,883,000, increase in finance cost of HK\$9,630,000 and increase in share-based payment expenses of HK\$3,836,000.

Profit attributable to the owners of the Company for the Year was approximately HK\$42,096,000 (2015: HK\$34,009,000), which represented an increase of HK\$8,087,000 or 23.8% compared to previous year. This resulted in the increase in basic and diluted earnings per share attributable to the owners of the Company of HK1.62 cents and HK1.62 cents respectively (2015: HK1.36 cents and HK1.36 cents respectively).

BUSINESS REVIEW

During the Year, the Group was principally engaged in the business of healthcare industry which included life anti-aging, health preservation base, management of healthcare investments, investment in healthcare industry, trading of natural health food and investment and finance activities.

Health Industry

Realyoung Life Anti-aging (formerly Health Management Centre)

During the Year, former Health Management Centre has been rebranded as “Realyoung Life” which focuses on life anti-aging business and provides “Body Purification, Functions Modulation, Repair and Reborn” trilogy medical anti-aging services to the high-end population. The performance of the Anti-aging Centre in Guangzhou International Biological Island remained strong. The second Life Anti-aging Centre situated in Qiaocheng East Road, Nanshan District, Shenzhen has begun operations and started generating income. The third Life Anti-aging Centre situated in Luofu Mountain, Guangdong is expected to commence business in the first half of 2017. This business is growing steadily and is moving into a global chain development plan. This is a major income source and a core composition of the Group’s business.

Health Preservation Base

During the Year, the Group has acquired a parcel of land with land development right in Luofu Mountain for the construction of a Health Preservation Base with a planned total construction area of 1,200 mu. The project is under progress and the Health Preservation Base is expected to start generating income in 2017. The Health Preservation Base is targeted at the high-end population. It will provide integrated health preservation services such as Chinese medical health preservation, sleeping health preservation, and diet health preservation. Relevant health preservation properties will be available for lease or for sale. This project will become a major income source of the Group. The Group will gradually begin the global chain development of the health preservation base according to the progress of the operations.

Management of Healthcare Investments

As at 31 December 2016, the Group had three major associate groups, namely Allad Ophthalmology Group, JP Partners Medical Group and Fengshuo Bio Medical Tech Group. During the Year, the Group continued to provide management services to the associate groups such as advice on branding, assistance in obtaining new finance, and assistance in cross-border business expansion. Allad Ophthalmology Group mainly comprises two ophthalmology hospitals in Zhongshan and Zhanjiang. JP Partners Medical Group mainly comprises six private medical centres in Hong Kong.

Investment in Healthcare Industry

The Group sets its base on the healthcare industry and adjusts for its composition of businesses from time to time in order to develop its core businesses. The Group would also divest certain investments to take profit and to enhance the Group's income. The Group has identified two major investment projects. One is Shenzhen Aidigong that mainly provides postpartum services. During the Year, a partial equity interest of Aidigong was disposed of with a gain of HK\$28,999,000. The other investment project is Fengshuo Bio Medical Tech which is principally engaged in the research of dioscorea composita root extract technology's commercial applications and production. This project has commenced production and has recorded operating revenue and income.

Natural Health Food Business

During the Year, revenue from the Natural Health Food Business amounted to approximately HK\$213,772,000 (2015: HK\$137,116,000), which represented an increase of HK\$76,656,000 or 55.9% compared to previous year. The increase was mainly due to the increase in bulk cooking oil sales from approximately RMB81 million (equivalent to approximately HK\$100 million) in 2015 to approximately RMB180 million (equivalent to approximately HK\$201 million) in 2016 and a decrease in bulk grain sales from approximately RMB31 million (equivalent to approximately HK\$38 million) in 2015 to approximately RMB4 million (equivalent to approximately HK\$5 million) in 2016. Despite that the market remained competitive in recent years, consumers are more conscious on selecting reputable brands of cooking oils after the oil incident of a Taiwan major cooking oil producer selling recycled cooking oil in September 2014. The increase in sales shows that quality products with a price premium have been recognised by the mass market.

Investment and Finance

During the Year, the Company accrued interest income of HK\$13,260,000 (2015: HK\$7,141,000) from the loan to Champion Dynasty Limited. As at 31 December 2016, the loans outstanding from third-party borrowers to a wholly owned subsidiary of the Company which was in the business of money lending was HK\$58,200,000 (2015: HK\$74,200,000). Interest income generated from the money lender subsidiary for the Year amounted to HK\$5,602,000 (2015: HK\$6,678,000).

During the Year, revenue from Investment and Finance business amounted to approximately HK\$18,862,000 (2015: HK\$13,819,000), which represented an increase of HK\$5,043,000 or 36.5% compared to previous year. Investment and Finance segment profit increased from HK\$9,121,000 in 2015 to HK\$12,532,000 in 2016, which was mainly due to the increase in amount of interest received during the Year. Revenue and segment results of the Investment and Finance business contributed approximately 3.4% and 17.7% to the Groups' total revenue and total segment results respectively.

FINANCIAL HIGHLIGHTS

Net assets value

As at 31 December 2016, total net assets of the Group amounted to approximately HK\$667,550,000 (2015: HK\$546,355,000), an increase of HK\$121,195,000 or 22.2% compared to previous year. The increase was mainly due to (i) profit for the year of HK\$47,161,000; less (ii) exchange differences on translating foreign operations arising during the year of HK\$40,374,000; plus (iii) increase in net assets arising from acquisition of subsidiaries of HK\$110,432,000.

As at 31 December 2016, net assets value per issued ordinary shares of the Company was HK\$0.26 (2015: HK\$0.21).

Equity

The number of issued ordinary shares of the Company as at 31 December 2016 was 2,596,255,008 (2015: 2,596,255,008).

Liquidity and financial resources

As at 31 December 2016, the Group had issued in aggregate principal amount of HK\$17 million unsecured convertible notes, US\$10 million (equivalent to approximately HK\$77.5 million) secured convertible notes, HK\$74.6 million unsecured bonds, HK\$100 million secured guaranteed notes and HK\$12.3 million loan from associates, to provide general working capital to the Group and the development of the Group's healthcare business.

Save as disclosed above, the Group did not have any borrowing as at 31 December 2016 and 2015.

The Group continued to maintain a sound capital and cash position. Bank and cash balances as at 31 December 2016 amounted to approximately HK\$109,721,000 (2015: HK\$29,404,000). The majority of the Group's income for the Year was denominated in Hong Kong Dollars and Renminbi.

Pledge of assets

As at 31 December 2016, the entire issued share capital of a wholly owned subsidiary of the Company, Common Splendor Hong Kong Investment Fund Management Limited (“**CSHK Investment Fund Management**”), was charged to Great Wall Pan Asia International Investment Co., Limited as a security for convertible notes issued by the Company in the principal amount of US\$10 million (equivalent to approximately HK\$77.5 million). As at 31 December 2016, total assets of CSHK Investment Fund Management and its subsidiaries amounted to approximately HK\$625 million.

As at 31 December 2016, the entire issued capital of two wholly owned subsidiaries of the Company, namely Harvest Luck Investment Limited (“**Harvest Luck**”) and Great King Limited (“**Great King**”) were charged to Wan Tai Investments Limited, an indirect wholly owned company of CCB International (Holdings) Limited, as a security for guaranteed notes issued by the Company in the principal amount of HK\$100 million. As at 31 December 2016, total assets value of Harvest Luck, Great King and their subsidiaries amounted to approximately HK\$408 million.

Save as disclosed above, no other assets were pledged by the Group as at 31 December 2016 and 2015.

Remuneration policies and share option scheme

As at 31 December 2016, the Group had 343 employees excluding Directors (2015: 279). Total staff cost excluding Directors’ emoluments was approximately HK\$12,736,000 (2015: HK\$10,302,000) during the Year.

There was no outstanding share options granted under the share options scheme of 11 October 2012 at the beginning of the Year. On 5 January 2016, an aggregate of 35,800,000 share options were granted to Directors and eligible persons of the Company. During the Year, none of these share options were exercised or lapsed. As at 31 December 2016, 35,800,000 share options were outstanding (2015: Nil).

Capital commitment

As at 31 December 2016, the Group did not have any material capital commitment (2015: Nil).

Contingent liabilities

As at 31 December 2016, the Group did not have any material contingent liabilities (2015: Nil).

Major acquisition

During the Year, the Group acquired 51% of the equity interest in 同佳中量. Details of the acquisition were disclosed on the Company’s announcement dated 2 June 2016.

PROSPECTS

The Group is committed to building itself into an international leading healthcare conglomerate. It will focus on life healthcare and industrialization development in respect of human health solutions. By employing the development strategy of “global integration, global layout”, the Group will continue to draw in top talent and technology, deploy services, products and various resources, and through acquisition and reorganization, in order to achieve rapid expansion in the life healthcare industry.

At present

The Group places “Life Anti-aging” and “Health Preservation Base” as its core businesses to provide medical anti-aging and one-stop health preservation services to high-end population. These two businesses have both achieved favourable growth and are undergoing a gradual global development plan. As long as China continues its economic growth, the wealthy population will continue to expand and their spending power will be strengthened. In addition to the basic clinical services, demand for better healthcare services is ever increasing. The Group has a good position in this arena and will gradually expand its businesses.

The Board continues their optimistic outlook of the healthcare industry and will adjust the Group’s development strategy according to the industry changes. In the future, the Group’s strategy is to optimise its main business, to further develop its essential core businesses, and to hold the largest possible percentage of equity interests in its core businesses. Non-core businesses and non-strategic investments will be adjusted based on the principle of profit maximisation which includes possible disposals or holding under investment funds of the Group.

SCOPE OF WORK OF THE AUDITORS

The financial figures in this announcement of the Company’s results for the year ended 31 December 2016 have been agreed by the auditors of the Company, HLB Hodgson Impey Cheng Limited (the “**Auditors**”). The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by the Auditors on this announcement.

REVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company (the “**Audit Committee**”) have reviewed and the Auditors has audited the consolidated financial statements of the Company (the “**Consolidated Financial Statements**”) and the results for the Year. Based on this review and discussions with the management, the Audit Committee was satisfied that the Consolidated Financial Statements were prepared in accordance with applicable accounting standards and fairly present the financial position and results of the Group for the year ended 31 December 2016.

APPOINTMENT OF DIRECTORS

On 15 March 2016, Mr. Lam Chi Wing (“**Mr. Lam**”) was appointed as an independent non-executive Director. Details of Mr. Lam’s appointment were disclosed in the Company’s announcement on 14 March 2016.

On 19 December 2016, Mr. Bai Ying Hai (“**Mr. Bai**”) was appointed as a non-executive Director. Details of Mr. Bai’s appointment were disclosed in the Company’s announcement on 19 December 2016.

CHANGE OF INFORMATION OF A DIRECTOR

Mr. Yau Chi Ming (“**Mr. Yau**”), an independent non-executive Director, resigned as an independent non-executive director of CircuTech International Holdings Limited (formerly known as TeleEye Holdings Limited), a company listed on the Growth Enterprise Market (“**GEM**”) of the Stock Exchange (stock code: 8051), on 27 June 2016. Mr. Yau was appointed as an independent non-executive director of Chinese Energy Holdings Limited, a company listed on the GEM (stock code: 8009), on 12 August 2016.

CONTINUING CONNECTED TRANSACTION

On 2 October 2015, the Company entered into a new facility agreement (the “**New Facility Agreement**”) with Champion Dynasty Limited. Pursuant to the New Facility Agreement, the Company provided a three-year revolving facility of up to HK\$200 million to Champion Dynasty Limited at an interest rate of 10% per annum, with Mr. Cheung as the individual guarantor. The Company is entitled by giving not less than one month’s prior written notice to Champion Dynasty Limited to demand full or partial repayment. The New Facility Agreement was approved by the independent shareholders of the Company at the special general meeting held on 19 November 2015.

On 21 December 2016, the Company entered into a supplemental agreement with Champion Dynasty Limited to increase the interest rate of the three-year revolving facility from 10% to 11% per annum.

As at 31 December 2016, the loan to Champion Dynasty Limited amounted to approximately HK\$77,291,000 (2015: HK\$186,600,000).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the Year, with the exceptions as follows:

Pursuant to Rule 3.10(1) of the Listing Rules, the Board must include at least three independent non-executive Directors. Pursuant to Rule 3.21 of the Listing Rules, the Audit Committee must comprise a minimum of three members. Following the resignation of Mr. Huang Liang as an independent non-executive Director on 17 December 2015, the number of independent non-executive Directors and the number of members of the Audit Committee fell below the minimum requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules.

On 15 March 2016, the Company appointed Mr. Lam as an independent non-executive Director, a member of the Audit Committee and also a member of other board committees. Following the appointment of Mr. Lam as independent non-executive Director and a member of the Audit Committee, the Company met the minimum requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Year.

ISSUE OF CONVERTIBLE NOTES

On 24 December 2015, the Company entered into a subscription agreement with an independent subscriber, Changjiang Asset Management Limited (“**Changjiang**”), pursuant to which the Company agreed to issue and Changjiang agreed to subscribe for convertible notes of the Company in the amount of HK\$1,000,000. The issue of the HK\$1,000,000 convertible notes was completed on 11 January 2016. Details of which were disclosed in the Company’s announcements dated 24 December 2015 and 11 January 2016.

On 5 August 2016, the Company entered into a subscription agreement with another independent subscriber, Great Wall Pan Asia International Investment Co., Limited (“**Great Wall**”), pursuant to which the Company agreed to issue and Great Wall agreed to subscribe for convertible notes of the Company in the amount of US\$10 million. The issue of the US\$10 million convertible notes was completed on 15 August 2016. Details of which were disclosed in the Company’s announcements dated 5 August 2016 and 16 August 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

APPRECIATION

I would like to take this opportunity to express our gratitude to the Shareholders for their continued support and our fellow Directors and those who made valuable contributions to the Group.

By Order of the Board
**Common Splendor International
Health Industry Group Limited**
Cheung Wai Kuen
Chairman

Hong Kong, 31 March 2017

As at the date of this announcement, the Board comprises Mr. Cheung Wai Kuen, Mr. Cheng Hau Yan and Mr. Ye Jiong Xian as executive Directors; Mr. Lin Jiang and Mr. Bai Ying Hai as non-executive Directors; and Mr. Mai Yang Guang, Mr. Yau Chi Ming and Mr. Lam Chi Wing as independent non-executive Directors.