



99 WUXIAN LIMITED

(incorporated in Hong Kong with limited liability)

**Directors' Report and
Financial Statements
For the year ended 31 December 2016**

99 WUXIAN LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The Company is an investment holding company. The principal activities and other particulars of the Company's subsidiaries are set out in note 32 to the financial statements.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2016 and the financial position of the Group as at that date are set out in the financial statements on pages 15 to 73.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2016.

SHARE CAPITAL

On 3 February 2016, the issued share capital of the Company was increased from RMB272,015,374 to RMB313,675,844 by the issue of 89,658,618 ordinary shares for total cash proceeds of RMB41,746,325. The shares were issued for the purposes of providing additional capital.

On 4 April 2016, the issued share capital of the Company was increased from RMB313,675,844 to RMB313,675,893 by the issue of 100 ordinary shares for total cash proceeds of RMB49. The shares were issued for the purposes of providing additional capital.

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DIRECTORS' REPORT

DIRECTORS

The directors of the Company during the year and up to the date of this report were:-

Ms. Amalisia Zhang ("Ms. Zhang")	
Mr. Christopher John Ryan	(appointed on 1 November 2016)
Mr. David Chen	(resigned on 26 September 2016)
Mr. Ross Benson ("Mr. Benson")	
Mr. Simon Green	
Mr. Tony Groth	(resigned on 1 November 2016)
Mr. Wen Tao	(appointed on 26 September 2016)
Mr. YongKuan Duan	

In accordance with article 105 of the Company's articles of association, the directors retire and, being eligible, offer themselves for re-election.

The directors of the Company's subsidiaries included in the consolidated financial statements during the year and up to the date of this report were as follows:

Mr. Ni Yun Hua
Ms. Qian Jing Wen
Mr. Sheng Yun Dong
Mr. Wen Tao

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Mr. Benson is a director of Investorlink Corporate Limited. He has interests in a contract for the provision of professional services of RMB1,677,329 to the Group during the year.

Except as disclosed above, and in note 33, no contracts of significance to which the Company's subsidiary or fellow subsidiary was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

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DIRECTORS' REPORT

CONVERTIBLE NOTE

Ms. Zhang is a beneficial shareholder of Grand Ease Holdings Limited ("Grand Ease", a holder of the Company's CHESS Depositary Interests ("CDIs")). On 17 March 2016, the Company issued to Grand Ease a convertible note ("Convertible Note") with a principal amount of RMB140,000,000 for the purpose of acquisition of an entity. The fair values of the liability component and the equity component determined at the issuance of the Convertible Note were RMB131,611,461 and RMB8,388,539, respectively. The Convertible Note mature three years from the issue date at its principal amount or can be converted into 213,317,081 ordinary shares of the Company at the Company's option at an initial conversion price of RMB0.6563 per CDI (subject to adjustment), subject to the completion of acquisition of an entity. As at 31 December 2016, no Convertible Note has been converted into ordinary shares.

PERMITTED INDEMNITY PROVISIONS

During the financial year and as at the date of this report, a qualifying indemnity provision made by the Company for the benefit of the directors of the Company is in force.

BUSINESS REVIEW

Business overview and key operating and financial metrics

The Group is a leading business to business to consumer ("B2B2C") mobile commerce gateway in China, focusing on helping business partners incentivise their customers and employees by linking them with high quality merchants for transactions via its unique ecosystem.

Massive opportunities exist in the China's mobile commerce industry, and the key to capturing them is scale expansion, which is the core strategy of many Chinese Internet companies, and the Group is no exception. The Group focuses on executing its growth strategy of expanding the scale of transactions via constantly enlarging the registered user base and enhancing the user engagement. The Group runs a B2B2C model, under which it acquires the registered users from its business partners in a cost effective way, so the addition of business partners is significant to the Group. By 31 December 2016, the Group had secured more than 250 business partners, expanded the partner portfolio of financial institutions consisting of banks, insurance companies, securities companies, fund management companies and so forth, and added lots of business partners in non-financial sectors and channel partners like human resource management companies, health consultancy firms and insurance agencies. Accordingly, the registered user base was enlarged to a total of 64.3 million by 31 December 2016, up from 54.5 million by 31 December 2015.

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DIRECTORS' REPORT

BUSINESS REVIEW - Continued

Business overview and key operating and financial metrics - Continued

The focus on expanding transaction scale was reflected by the operating growth from the year ended 31 December 2015 to the year ended 31 December 2016. The number of transactions completed on the platform for the year ended 31 December 2016 totalled to a record high of 155.7 million, representing an increase of 174% upon the year ended 31 December 2015, and Gross Transaction Value ("GTV") for the year ended 31 December 2016 totalled to RMB 14.2 billion with 5% increase upon the year ended 31 December 2015. Out of the strategic consideration to expand transaction scale and catch up with the current market preference featured by virtual products with low unit prices, as well as to lower the purchasing barrier of new mobile commerce users, the Group made adjustment in Average Transaction Value ("ATV") which led to a great increase in the number of transactions.

For the year ended 31 December 2016, the Group reported revenue, net of business tax and relevant surcharge, of RMB 302.3 million, gross profit of RMB 104.6 million representing a margin of 34.6%, earnings before interest, taxes, depreciation and amortisation of RMB 14.8 million, and net loss of RMB 4.4 million. The decline in gross profit margin from the year ended 31 December 2015 to the year ended 31 December 2016 was primarily the result of launching marketing initiatives like offering promotions to enhance user engagement. The net loss of RMB 4.4 million was mainly caused by an interest expense of RMB 8.0 million accrued on the RMB 140.0 million loan from Grand Ease Holdings Limited, an associated entity of the CEO, Ms. Zhang, for the initial payment for the acquisition of Jiangsu Ofpay E-commerce Limited ("Ofpay"), without which the Group could have reported net profit of RMB 3.6 million for the year ended 31 December 2016. The Group expects that the interest expense will stop being accrued after the shareholders of the Group approve the divestment of Ofpay as the loan will be extinguished as one of the payment methods of the consideration from Ms. Zhang who has offered to acquire 40% equity interest in Ofpay from the Group.

Strategically, the Group will continue to focus on scale expansion and grow in line with the prosperous mobile commerce development trend in China. Increasing the user base and user engagement will continue to be the tactical focus of the Group. Also, the Group will continue to study the market preference and consumer behaviour as the foundation for product mix optimisation. In the long term, the Group is determined to unlock the potential of its proprietary big data and monetize the Online-to-Offline ("O2O") project with the cloud Point of Sale ("POS") partner.

Environmental policies and compliance

The Group sources substantially all its revenue from China, and the operation is impacted by the economic, political and legal factors in the country. The Group has been always taking advantage of the favourable external factors and abiding by all the applicable laws, rules and regulations to ensure that the business moves forward smoothly.

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DIRECTORS' REPORT

BUSINESS REVIEW - Continued

Environmental policies and compliance - Continued

According to the Report on the Work of the Government delivered by Li Keqiang, Premier of the State Council, at the Fifth Session of the 12th National People's Congress of the People's Republic of China on 5th March 2017, China's GDP for the year ended 31 December 2016 reached RMB 74.4 trillion, increasing by 6.7% upon the year ended 31 December 2015, and the driving force mainly came from the consumption sector. The government expects the GDP growth from the year ended 31 December 2016 to the year ended 31 December 2017 to be around 6.5%. High technology and innovation will continue to be strongly encouraged and supported by the country to optimise the economic structure and improve competitiveness, and electronic commerce is expected to cover more regions of the country including rural areas. Also, for the year ended 31 December 2016, there were 340 million newly added users of the 4th Generation mobile communication technology in China, favourable to the development of the mobile commerce industry in the country.

At the same time, China's economy, including the mobile commerce market, is subject to rigorous supervision and regulation from the government. Generally, the government implements monetary policies including reserve requirement ratio policy, rediscount rate policy, open market operation, etc., and fiscal policies including tax policy, government expenditure, resource allocation, etc., to guide the economy and the market to develop on the right track. Specifically, regarding the mobile commerce industry, the government has imposed Provisional Measures on Online Merchandise Transactions and Relevant Services, Standards of Third Party Electronic Commerce Platform Services, Regulations on Information System Security Protection, etc., based on laws covering Contract Law, Consumer Protection Law, Product Quality Law, Trademark Law, etc. The Group acts carefully to ensure compliance with all the laws, rules and regulations, by setting up specific functions to handle relevant affairs, including law department, internal control and compliance department, public affairs department, etc.

Risk factors

Risk identification is critical, ignorance of which could adversely impact the business.

External risk factors include:

- Risks in laws, rules and regulations:
Mobile commerce is strictly monitored and supervised by Chinese government. Relevant laws, rules and regulations are relatively new since mobile commerce is a newly emerging market in recent years, so the interpretation and enforcement of them involve uncertainties. Besides, the government could probably continue to issue new laws and regulations and require the market players to react in a timely manner. The Group has to constantly follow up with any change in laws, rules and regulations and take action immediately to avoid any non-compliance which could probably result in punishment from the government that could hurt the Group's reputation and earnings.

BUSINESS REVIEW - Continued

Risk factors - Continued

- Risks in macro economy:
China's economy differs from those developed economies in many aspects, including the extent of government involvement, level of development, growth rate, control of foreign currency, and allocation of resources. Chinese government continues to play a significant role in economic regulation including allocation of resources, setting monetary and fiscal policies, and providing preferential treatment to particular industries or companies, all of which could probably affect us. Besides, China's economic growth rate has been uneven, both geographically and among various sectors of the economy, which could probably affect our regional strategic deployment.
- Risks in suppliers:
Regarding certain special categories of products, stability of supplies could involve uncertainty. For instance, the Group has added the petrol card into its product portfolio, and the ultimate suppliers are those Chinese oil companies who are monopolists in the oil industry. If they decide not to distribute the petrol cards online any longer, then it will be hard to source substitutes. The oil industry is different from other competitive markets so the attitude of petrol card suppliers toward Internet distribution also constitutes risks.

Internal risk factors include:

- Risks in strategic business development:
The Group focuses on long term sustainable interests of our unique ecosystem which requires investment and working capital injection like the development of new initiatives, prepayment for rewards redemption business, launching marketing campaigns, etc. It takes time for some initiatives to generate considerable profits, which cannot be immediately reflected in short term financial results.
- Risks in knowing the consumers:
The offerings of the Group are determined by the changing consumer taste and market preference, and knowing the consumers provides the assurance that the Group offers the right thing. Consumer behaviour continues to evolve and failure to catch up with it could bring harm to the Group.
- Risks in information technology:
As more traffic is generated on our platform, failure to maintain our technology infrastructure like system upgrade and hardware addition could probably lead to system disruptions, slower responses and delays in processing. Besides, failure to maintain our information system, network, database and access authority could adversely affect the operation of the Group.

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DIRECTORS' REPORT

BUSINESS REVIEW - Continued

Risk factors - Continued

For risk control, the Group has established a particular mechanism to prevent the risks from happening and enable quick response by utilizing the Group's business risk alert system. The CTO leads the business risk alert task force, which is composed of people from the quality and risk control department, business lines, and relevant supportive functions. On a quarterly basis, the task force assesses the risks associated with both the external environment and the internal operations, projects on different scenarios, and proposes relevant emergency-response plans and procedures.

Particulars of important events affecting the Group or the Company that have occurred since the end of the financial year

Details of important events affecting the Group or the Company that have occurred since the end of the financial year are set out in note 21(a) to the financial statements. The shareholders of the Group have approved the divestment of Ofpay and payment methods of the consideration from Ms. Zhang on 27 March 2017.

Employee relations management

Human resource is highly valued by the Group. The Group provides its employees with comprehensive benefits to incentivise them including public housing fund, social insurance, allowance, bonus, festival gifts, to name just a few. Moreover, the Group helps employees with their career development by providing professional trainings, career advisory services and an effective, transparent and reasonable promotion mechanism to ensure fairness and employee satisfaction.

Business partner relations management

The Group provides comprehensive incentive solutions to business partners for them to be fully engaged with their customers and employees. The Group believes that solid partnership is the key to the business success, so it is always making efforts in maintaining and strengthening the commercial partnerships it has established and continuing to establish new ones actively. The Group has excellent technical, operational and implementation capacity, which enables it to provide its business partners with one-stop solution packages covering the entire operation process.

User relations management

The Group is devoted to offering outstanding user service and experience. The Group has a 7*24 hotline and diversified online user service platforms like the Wechat terminal to handle the inquiries, problems and complaints from the users in a timely manner. Our efficient user service team and user relations management system are welcomed by users, as well as our business partners.

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DIRECTORS' REPORT

BUSINESS REVIEW - Continued

Merchant relations management

The Group has a set of merchant management mechanisms including the merchant admittance mechanism which obligates rigorous check of potential merchants' qualifications, background and reputation in the industry, and the merchant evaluation mechanism which reviews their products and services on a regular basis. On one hand, the Group actively sources more high quality and diversified merchants, boards them onto our platform to improve our offerings and provides incentives to them; on the other hand, for those merchants who fail in the admittance and evaluation process, the Group will not include them into the portfolio or will temporarily take their products and services off our platform and send notifications to them requiring immediate rectification for re-evaluation later.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board



Mr. Ross Benson
Chairman

Hong Kong, 29 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 99 WUXIAN LIMITED

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of 99 Wuxian Limited ("the Company") and its subsidiaries (herein referred to as the "Group") set out on pages 15 to 73, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKASs") issued by the 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF 99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

Key Audit Matters - Continued

Revenue recognition and presentation

Refer to notes 4(i), 5(b) and 7 to the consolidated financial statements

In the Group's industry, a variety of contracts and arrangements may be entered into by the Group and its customers. Due to the complexity of these contracts and arrangements, there are risks in relation to the accuracy and completeness of amounts recorded as revenue and the proper presentation of revenue. Careful consideration and judgment are required to determine the recognition policy and presentation of revenue.

Our audit procedures included:

- Understanding the systems involved in recording revenues and those revenues requiring the exercise of significant management judgement;
- Testing the operating effectiveness of associated internal controls;
- Performing analytical reviews;
- Reviewing management records to identify any material new revenue streams; and
- Performing substantive audit procedures including reviewing customer contracts and third party correspondence.

Recoverability of trade and other receivables

Refer to notes 5(e), 21 and 36(a) to the consolidated financial statements

Trade and other receivables were significant to the Group representing approximately 76% of the Group's total assets. The recoverability of trade and other receivables requires management judgment due to the specific risks associated with each trade and other receivable. Management concluded that there was no impairment necessary for the Group's trade and other receivables.

Our audit procedures included:

- Assessing the recoverability of trade and other receivables and the appropriateness of any impairment to be recognised taking into account facts and circumstances for each receivable;
- Reviewing cash received subsequent to year end and third party correspondence to obtain evidence for the collectability on trade and other receivables;
- Reviewing the repayment histories and credit worthiness of the Group's debtors; and
- Assessing the adequacy of the Group's disclosures regarding trade and other receivables, the related risks such as credit risk and the aging of trade and other receivables.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF 99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

Key Audit Matters - Continued

Valuations of property, plant and equipment, intangible assets and goodwill

Refer to notes 5(e), 16, 17 and 18 to the consolidated financial statements

Property, plant and equipment of approximately HK\$7.6 million, intangible assets of approximately HK\$51.4 million, and goodwill of approximately HK\$3.4 million represent significant balances recorded in the consolidated statement of financial position of the Group. These assets are mainly allocated to the cash generating unit ("CGU") in relation to the Group's provision of services on a mobile marketplace in the People's Republic of China as at 31 December 2016.

The CGU is tested for impairment annually. Management determined the recoverable amount of this CGU based on cash flow projections. Any shortfall in the recoverable amount against the carrying amounts of these assets would be recognised as impairment loss. Recoverable amount of the CGU is determined based on estimates of growth rates, operating margins and discount rates. The determination of recoverable amount requires significant judgement of management and independent external valuations were obtained in order to support management's estimates.

Our audit procedures included:

- Assessing the qualifications and competences of independent valuers who were employed by the management;
- Assessing the valuation methodology and estimates of growth rates, operating margins and discount rates in relation to impairment assessment; and
- Challenging the reasonableness of key assumptions in the cash flow projection.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the directors' report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and highlights, chief executive officer's and chairman's review, operating and financial review, the board of directors & senior management team, corporate governance, additional information and corporate directory, which are expected to be made available to us after that date.

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



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF 99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

Other Information in the Annual Report - Continued

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 on the other information that we obtained prior to the date of this auditor's report, 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.

Directors' Responsibilities for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of 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 Audit Committee assists the 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 99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

**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 HKSA's 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 HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF 99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - Continued

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

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

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

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

BDO Limited
Certified Public Accountants
Wong Kwok Wai
Practising Certificate Number: P06047

Hong Kong, 29 March 2017

99 WUXIAN LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

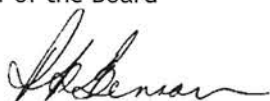
	Notes	2016 RMB	2015 RMB
Revenue	7	302,315,180	192,334,487
Cost of sales		<u>(197,686,275)</u>	<u>(64,129,905)</u>
Gross profit		104,628,905	128,204,582
Other revenue	8	2,242,550	1,602,704
Other gains and losses, net	9	213,905	(533,541)
Selling and distribution expenses		(32,227,102)	(27,121,526)
Administration expenses		(66,494,665)	(85,952,076)
Finance costs	10	<u>(8,930,696)</u>	<u>-</u>
(Loss)/profit before income tax	11	(567,103)	16,200,143
Income tax expense	13	<u>(3,818,034)</u>	<u>(5,999,956)</u>
(Loss)/profit for the year		(4,385,137)	10,200,187
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(4,385,137)</u>	<u>10,200,187</u>
(Loss)/earnings per share (RMB)	14		
Basic and diluted		<u>(0.0038)</u>	<u>0.0095</u>

99 WUXIAN LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 RMB	2015 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	16	7,637,278	9,973,468
Intangible assets	17	51,377,475	53,156,773
Goodwill	18	3,440,400	3,440,400
Deposit paid	21	-	160,000,000
Deferred tax assets	25	13,708,010	17,825,095
Interest in an associate	19	8,722,500	-
Total non-current assets		84,885,663	244,395,736
CURRENT ASSETS			
Inventories	20	10,617,890	17,369,679
Trade and other receivables	21	437,483,838	194,299,772
Cash and cash equivalents		44,016,056	40,910,686
Total current assets		492,117,784	252,580,137
NON-CURRENT LIABILITIES			
Other loans	24	139,562,471	-
Deferred tax liabilities	25	8,101,463	8,408,143
Total non-current liabilities		147,663,934	8,408,143
CURRENT LIABILITIES			
Trade and other payables	22	73,641,578	52,811,804
Amount due to a related party	23	122,206	140,000,000
Other loans	24	17,083,000	-
Tax payables		948,586	3,875,704
Total current liabilities		91,795,370	196,687,508
NET CURRENT ASSETS		400,322,414	55,892,629
NET ASSETS		337,544,143	291,880,222
CAPITAL AND RESERVES			
Share capital	26	313,675,893	272,015,374
Reserves	27	23,868,250	19,864,848
		337,544,143	291,880,222

On behalf of the Board



Mr. Ross Benson
Director



Ms. Amalisia Zhang
Director

99 WUXIAN LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital RMB (Note 26)	Other reserve RMB (Note 27)	Retained earnings RMB	Total RMB
Balance at 1 January 2015	272,015,374	-	9,664,661	281,680,035
Profit for the year	-	-	10,200,187	10,200,187
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	10,200,187	10,200,187
Balance at 31 December 2015 and 1 January 2016	272,015,374	-	19,864,848	291,880,222
Loss for the year	-	-	(4,385,137)	(4,385,137)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(4,385,137)	(4,385,137)
Issuance of shares	41,660,519	-	-	41,660,519
Capital contribution (note 24(a))	-	8,388,539	-	8,388,539
Transactions with owners	41,660,519	8,388,539	-	50,049,058
Balance at 31 December 2016	313,675,893	8,388,539	15,479,711	337,544,143

99 WUXIAN LIMITED

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

	2016 RMB	2015 RMB
Cash flows from operating activities		
(Loss)/profit before income tax	(567,103)	16,200,143
Adjustments for:		
Interest income	(40,840)	(45,204)
Finance costs	8,930,696	-
Depreciation of property, plant and equipment	3,631,099	3,192,793
Amortisation of intangible assets	2,825,537	2,154,068
Loss on disposal of property, plant and equipment	-	277,306
Exchange (gain)/loss, net	(213,905)	533,541
Operating profit before changes in working capital	14,565,484	22,312,647
Decrease/(increase) in inventories	6,751,789	(137,819)
Increase in trade and other receivables	(86,105,011)	(56,013,762)
Increase in trade and other payables	20,829,774	41,313,945
Increase in amount due to a related party	122,206	-
Cash (used in)/generated from operations	(43,835,758)	7,475,011
Interest income	40,840	45,204
Income taxes paid	(13,802)	(2,704,863)
Net cash (used in)/generated from operating activities	(43,808,720)	4,815,352
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,294,909)	(8,768,085)
Additions of intangible assets	(1,046,239)	(2,382,321)
Investment in an associate	(8,722,500)	-
Deposit paid for acquisition of equity interests of an entity	-	(160,000,000)
Net cash used in investing activities	(11,063,648)	(171,150,406)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	41,746,374	-
Share issue expenses	(85,855)	-
Proceeds from borrowings	30,775,800	-
Repayment of borrowings	(13,692,800)	-
Interest paid	(979,686)	-
Advance from a related party	-	140,000,000
Net cash generated from financing activities	57,763,833	140,000,000
Net increase/(decrease) in cash and cash equivalents	2,891,465	(26,335,054)
Cash and cash equivalents at the beginning of year	40,910,686	67,779,281
Effect of exchange rate changes on cash and cash equivalents	213,905	(533,541)
Cash and cash equivalents at the end of year	44,016,056	40,910,686

99 WUXIAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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1. GENERAL

99 Wuxian Limited (the “Company”) is a limited liability company incorporated in Hong Kong. Its CHESS Depositary Interests (“CDIs”) are listed on the Australian Securities Exchange (“ASX”) (stock code: NNW). The principle place of business is located at 3F, Hong Kong Prosperity Tower, Meng Zi Rd, Huangpu District, Shanghai, 200023. The address of the registered office is located at 27/F., Alexandra House, 18 Chater Road, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of subsidiaries are described in note 32 to the financial statements. The Company and its subsidiaries are referred to as the “Group” hereinafter.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs - effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The adoption of these amendments has no material impact on the Group’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 - Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

(b) New/revised HKFRSs that have been issued but are not yet effective - Continued

HKFRS 9 (2014) - Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

(b) New/revised HKFRSs that have been issued but are not yet effective - Continued

HKFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 - Clarifications to HKFRS 15 Revenue from Contracts with Customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

(b) New/revised HKFRSs that have been issued but are not yet effective - Continued

HKFRS 16 - Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company as the majority of the Group's transactions are denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES

A summary of significant accounting policies adopted by the Group is set out below.

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(a) Business combination and basis of consolidation - Continued

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(c) Associates

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(d) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(n)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	The shorter of lease terms and 5 years
Electronic and office equipment	3 years
Motor vehicles	4 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(f) Leasing

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

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(g) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For Loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including trade and other payables, amount due to a related party, borrowings, and debt element of convertible loan note issued, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity and capital contribution, if any, are included in equity.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

(iv) Convertible loan notes - Continued

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The carrying amount of the equity component is not remeasured in subsequent periods. No gain or loss is recognised upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instrument

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Hong Kong Companies Ordinance, Cap. 622, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s. 148 and s. 149 of the Ordinance.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Commission income is recognised when the services on which the commission is calculated are delivered.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Service income is recognised when services are provided. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(i) Revenue recognition - Continued

m-Commerce transactions business

Revenue derived from m-Commerce transactions business primarily arises from mobile recharge, online game recharge services and sales of merchandise on the Group's mobile marketplace. The Group would recognise revenues from above sales transaction and related costs on a gross basis when it acts as a principal.

Following the guidance under HKAS 18 "Revenue", whether the Group acts as a principal is based on a number of criteria, including whether it is a primary obligor, whether it is subject to inventory risk, whether it has latitude in establishing prices, whether it has latitude in selecting suppliers, in a transaction. When the Group is not a principal and is instead acting as an agent, revenues are recognised on a net basis which is commission income based on certain percentage of the sales.

In assessing the recognition basis for mobile recharge and online game recharge services, the management considers the ultimate suppliers are principals if the telecommunication operators and online game operators take responsibilities including copyright dispute, legal risk as well as price determination, while the Group mainly offers the service in provision of mobile marketplace as well as customer service to end users.

In assessing the recognition basis for sales of merchandise, the management considers the ultimate suppliers are principals if the suppliers are primary obligor, are subject to inventory risk, and have latitude in establishing prices, while the Group mainly offers the service in provision of mobile marketplace as well as customer service to end users.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(i) Revenue recognition - Continued

Mobile marketing

Mobile marketing revenues are mainly derived from marketing activities for business partners, including many financial institutions, through the Group's mobile marketplace.

Mobile marketing revenue would include revenue from mobile recharge, online game recharge services and sales of merchandise. Also, mobile marketing revenue would include marketing service income from business partners.

For marketing service income based on the actual time period that the business partners' marketing activities are carried out, the revenue would be recognised ratably over the period in which the marketing activities are carried out.

For marketing revenue generated from mobile recharge and online game recharge service and sales of merchandise, the revenue would be recognised on the same basis as explained in m-Commerce transactions business above.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(k) Foreign currency - Continued

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(l) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(iv) Other employee entitlements

Employee entitlements to annual leave are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(m) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Licensing arrangement	30 years
Computer software	3 to 4 years

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(n)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(n) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment under cost model;
- investments in subsidiaries and an associate; and
- deposit paid

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or CGU (see note 4(d)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, and it is probable to result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(q) 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 key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (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 the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of 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 and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

5. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

Except as discussed below, the directors of the Company are of the opinion that there are no significant effects on amounts recognised in the financial statements arising from the judgement used by management.

(a) **Determination of functional currency**

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) **Revenue recognition for m-Commerce transaction business**

Certain m-Commerce transactions for mobile recharge, online game recharge, and sales of merchandise are recognised on a net basis. In assessing the recognition basis, the management concluded that the content providers are the principals based on the fact that the content providers retain the responsibility to deliver the services and merchandise, while the Group mainly offers the service in provision of promotion, collecting money on behalf of the content providers as well as customer service to end users through the mobile marketplace. Therefore, the management reports the revenue of these m-Commerce transactions on a net basis.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY - Continued

(c) Income taxes

The Group is subject to income taxes in the jurisdiction it operates. Significant judgment is required in determining the amount of provision for income taxes as well as deferred tax assets and liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Depreciation and amortisation

Property, plant and equipment are depreciated and intangible assets are amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual values. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(e) Impairment

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, intangible assets, deposit paid and investment in an associate, recoverable amounts of these assets need to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate fair value less costs to sell because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which require significant judgment relating to items such as level of sales, selling price and amount of operating costs. The Group uses all readily available information in determining amounts that are reasonable approximations of recoverable amounts, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY - Continued

(e) Impairment - Continued

In considering the impairment losses that may be required for receivables, future cash flows need to be determined. One of the key assumptions that have to be applied is the ability of the debtors to settle the receivables. Although the Group has used all available information to make this estimation, inherent uncertainty exists and actual may be different from the amount estimated.

(f) Consolidation of entities

Where the Group held 100% of equity interests in an entity but the Group has determined that the elements as mentioned in note 4(b) were not fully present, the Group did not consolidate the entity as a subsidiary. Details are given in note 21(a).

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group's operating activities are attributable to a single operating segment focusing on provision of services on a mobile marketplace in the People's Republic of China (the "PRC").

The Group's senior executive management monitors assets and liabilities on a consolidated basis and not by reportable segment. Accordingly, no additional information on assets and liabilities is presented.

99 WUXIAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

6. SEGMENT REPORTING - Continued

(a) Geographic information

All of the Group's operations and assets are located in the PRC (including Hong Kong), in which all of its revenue was derived.

(b) Information about major customers

Revenues for the year of RMB260,473,528 (2015: RMB155,838,767) are derived from three customers (2015: three) which individually contributed more than 10% to the Group's revenue. Details of the revenues from these three customers are as follows:

	2016		2015	
	Revenue	Proportion	Revenue	Proportion
	RMB	to the total	RMB	to the total
		revenues		revenues
Customer A	181,253,288	60%	25,148,630	21%
Customer B	46,642,201	15%	90,765,847	47%
Customer C	32,578,039	11%	39,924,290	13%
Total	<u>260,473,528</u>	<u>86%</u>	<u>155,838,767</u>	<u>81%</u>

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

7. REVENUE

Revenue includes the net invoiced value of goods sold and commission and service income earned by the Group. The amounts of each significant category of revenue recognised during the year are as follows:

	2016 RMB	2015 RMB
Commission and service income	116,196,292	168,568,290
Sales of merchandise	192,740,788	34,695,677
	308,937,080	203,263,967
Less: business tax and relevant surcharge	(6,621,900)	(10,929,480)
Total	302,315,180	192,334,487

8. OTHER REVENUE

	2016 RMB	2015 RMB
Bank interest income	40,840	45,204
Government grants*	2,201,710	1,557,500
	2,242,550	1,602,704

* The Group received unconditional discretionary grants from the relevant PRC government authorities in support of enterprise operating in specified industry.

9. OTHER GAINS AND LOSSES, NET

	2016 RMB	2015 RMB
Exchange gain/(loss), net	213,905	(533,541)

10. FINANCE COSTS

	2016 RMB	2015 RMB
Interest on other loans	8,930,696	-

99 WUXIAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

11. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

	2016 RMB	2015 RMB
Auditor's remuneration	671,633	578,082
Cost of revenue by nature:		
- Promotion and advertising expenses	11,153,429	9,188,579
- Marketing merchandise	183,870,587	44,160,342
- Bank handling charge	74,116	373,144
- Ongoing service fee	2,588,143	10,407,840
	<u>197,686,275</u>	<u>64,129,905</u>
 Employee costs (including directors) comprise:		
- Contribution on defined contribution retirement plan	11,705,007	14,484,000
- Salaries and staff benefits	46,213,409	54,259,199
Operating lease charges in respect of leasehold buildings	4,547,278	5,280,171
Amortisation of intangible assets (note 17(a))	2,825,537	2,154,068
Depreciation of property, plant and equipment	3,631,099	3,192,793
Loss on disposal of property, plant and equipment	<u>-</u>	<u>277,306</u>

12. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) is as follows:

	2016 RMB	2015 RMB
Directors' fees	960,000	960,000
Salaries, bonuses, allowances and benefits	2,205,000	2,205,000
Contribution on defined contribution retirement plan	79,740	63,640
	<u>3,244,740</u>	<u>3,228,640</u>

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

13. INCOME TAX EXPENSE

	2016 RMB	2015 RMB
Current tax - PRC		
- Tax for the year	28,333	23,688,558
- (Over)/under provision in respect of prior years	(20,704)	443,173
	7,629	24,131,731
Deferred tax (note 25)	3,810,405	(18,131,775)
	3,818,034	5,999,956

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Company had no assessable profits for the year.

By reference to the Enterprise Income Tax ("EIT") Law of the PRC as approved by the National People's Congress on 16 March 2007, EIT rate applicable to PRC group companies for the current year is 25% (2015: 25%).

The income tax expense for the year can be reconciled to the (loss)/profit per the consolidated statement of comprehensive income as follows:

	2016 RMB	2015 RMB
(Loss)/profit before income tax	(567,103)	16,200,143
Tax calculated at the PRC enterprise income tax rate of 25%	(141,776)	4,050,036
Effect of non-taxable and non-deductible items, net	3,611,079	1,423,684
Tax losses not recognised	9,260	2,778
(Over)/under provision in respect of prior years	(20,704)	443,173
Deductible temporary difference not recognised	360,175	80,285
Income tax expense	3,818,034	5,999,956

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

<u>(Loss)/earnings</u>	2016 RMB	2015 RMB
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	<u>(4,385,137)</u>	<u>10,200,187</u>
<u>Number of shares</u>	2016	2015
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	<u>1,151,598,764</u>	<u>1,070,024,045</u>

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2016 (2015: Nil), nor has any dividend been proposed since the end of reporting period.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB	Electronic and office equipment RMB	Motor vehicle RMB	Total RMB
Cost				
At 1 January 2015	188,500	3,791,206	-	3,979,706
Additions	4,184,829	3,354,196	1,229,060	8,768,085
Disposals	(337,923)	-	-	(337,923)
At 31 December 2015	4,035,406	7,145,402	1,229,060	12,409,868
Additions	226,478	1,068,431	-	1,294,909
At 31 December 2016	4,261,884	8,213,833	1,229,060	13,704,777
Accumulated depreciation				
At 1 January 2015	6,283	256,928	-	263,211
Charge for the year	256,104	1,831,690	146,012	2,233,806
Disposals	(60,617)	-	-	(60,617)
At 31 December 2015	201,770	2,088,618	146,012	2,436,400
Charge for the year	843,965	2,495,109	292,025	3,631,099
At 31 December 2016	1,045,735	4,583,727	438,037	6,067,499
Net Book Value				
At 31 December 2016	3,216,149	3,630,106	791,023	7,637,278
At 31 December 2015	3,833,636	5,056,784	1,083,048	9,973,468

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

17. INTANGIBLE ASSETS

	Licensing arrangement RMB	Computer software RMB	Total RMB
Cost			
At 1 January 2015	55,760,000	141,667	55,901,667
Additions	-	2,382,321	2,382,321
At 31 December 2015	55,760,000	2,523,988	58,283,988
Additions	-	1,046,239	1,046,239
At 31 December 2016	55,760,000	3,570,227	59,330,227
Accumulated amortisation			
At 1 January 2015	2,942,889	30,258	2,973,147
Amortisation expense	1,858,667	295,401	2,154,068
At 31 December 2015	4,801,556	325,659	5,127,215
Amortisation expense	1,858,667	966,870	2,825,537
At 31 December 2016	6,660,223	1,292,529	7,952,752
Carrying amounts			
At 31 December 2016	49,099,777	2,277,698	51,377,475
At 31 December 2015	50,958,444	2,198,329	53,156,773

Notes:

(a) Amortisation expenses have been included in:

	2016 RMB	2015 RMB
Consolidated statement of profit or loss and other comprehensive income:		
- Selling and distribution expenses	-	174,424
- Administration expenses	2,825,537	1,979,644
	<u>2,825,537</u>	<u>2,154,068</u>

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

17. INTANGIBLE ASSETS - Continued

Notes: - Continued

- (b) In accordance with a licensing agreement entered into between the Group and Shanghai Handpay Information & Technology Co., Ltd (“Handpay”) in 2013 and the relevant supplementary agreements entered into in 2015 (together the “Handpay Service Agreements”), the Group acquired all rights, title and interest to the operating results of 99wuxian.com mobile marketplace. The licensing period is 30 years and RMB55,760,000 was paid by the Group to Handpay in 2013 in accordance with the Handpay Service Agreements.

99wuxian.com mobile marketplace conducts its business mainly in business to business to consumer platforms by linking business partners (“Business Partners”) and merchants (“Merchants”), which forms the underlying platforms of all principal business of the Group. Business Partners include large scale companies from the banking, finance and telecommunication sectors with strong customer bases and merchant resources. Merchants include telecommunication companies, online game providers and travel agents which can provide goods or service to customers through 99wuxian.com mobile marketplace.

In accordance with the Handpay Service Agreements, Handpay entitles to an ongoing service fee which was originally calculated as 10% of revenue derived from the 99wuxian.com mobile marketplace and was revised to 3% of the Company’s revenue derived from the 99wuxian.com mobile marketplace with effective from 1 July 2015.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

18. GOODWILL

RMB

As at 1 January 2015, 31 December 2015 and 2016

3,440,400

For the purpose of impairment testing, goodwill is allocated to the CGU in relation to the Group's provision of services on a mobile marketplace in the PRC.

The recoverable amount of the CGU has been determined from value in use calculation based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2%, which does not exceed the long-term growth rate for the mobile payment industry in the PRC.

	2016	2015
Discounted rate	27%	24%
Operating margin	36% - 42%	67%
Growth within the five-year period	2%	2% - 20%

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on past experience.

19. INTEREST IN AN ASSOCIATE

	2016 RMB	2015 RMB
Share of net assets	<u>8,722,500</u>	<u>-</u>

Details of the Group's associate are as follows:

Name	Place of business	Principal activity	Percentage of ownership interest
Allpay (International) Finance Service Corporation Limited ("Allpay")	Hong Kong	Dormant	40%

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

19. INTEREST IN AN ASSOCIATE - Continued

The following table illustrates the summarised financial information of Allpay, which is accounted for using equity method, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016 RMB	2015 RMB
Current assets	21,806,250	-
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Net assets	<u>21,806,250</u>	<u>-</u>
Group's share of the net assets of the associate	<u>8,722,500</u>	<u>-</u>

Allpay was dormant and did not generate any revenue, profit and other comprehensive income for the year ended 31 December 2016 (2015: Nil).

20. INVENTORIES

	2016 RMB	2015 RMB
Marketing merchandise	<u>10,617,890</u>	<u>17,369,679</u>

21. TRADE AND OTHER RECEIVABLES

	Notes	2016 RMB	2015 RMB
Non-current			
Deposit paid	(a)	<u>-</u>	<u>160,000,000</u>
Current			
Trade receivables	(b)	38,960,452	20,582,790
Prepayments and deposits	(a)	240,294,247	39,119,686
Other receivables		3,627,231	5,526,776
Other receivable from Handpay	(c)	<u>154,601,908</u>	<u>129,070,520</u>
		<u>437,483,838</u>	<u>194,299,772</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

21. TRADE AND OTHER RECEIVABLES - Continued

Notes:

- (a) In 2015, the Group has entered into a binding conditional agreement (the “Ofpay Agreement”) to acquire 100% equity interests in Jiangsu Ofpay E-commerce Limited (“Ofpay”) from its equity holders (the “Vendors”). An initial deposit of RMB160,000,000 (“Initial Deposit”) was paid and three deferred payments up to a total maximum of RMB297.4 million will be paid upon certain historical performance targets and consent from the Group being achieved (the “Conditional Deferred Payments Clause”). Up to the date of the report, no payments have been paid by the Group under the Conditional Deferred Payments Clause.

As confirmed by the Group’s legal advisor, the Group could not unilaterally direct the relevant activity of Ofpay as certain conditions under the Ofpay Agreement had not been fulfilled.

In December 2016, the Group has entered into a binding conditional agreement (the “Ofpay Divestment Agreement”) with Ms. Amalisa Zhang (“Ms. Zhang”, a director of the Company), certain independent investors (the “Investors”) and the Vendors to divest 100% equity interests in Ofpay, and contract amounts of RMB200,000,000, RMB175,000,000 and nil will be received from Ms. Zhang, the Investors and the Vendors respectively. Upon the completion of Ofpay Divestment Agreement, Ms. Zhang, the Investors and the Vendors would respectively hold 40%, 35% and 25% equity interests in Ofpay and the Conditional Deferred Payments Clause would be cancelled. The contract amount from Ms. Zhang would be settled by cash of RMB20,000,000; discharge of other loan to the Company from Grand Ease Holdings Limited (“Grand Ease”, a holder of the Company’s CDIs and of which Ms. Zhang is a beneficial shareholder) (note 24(a)); and a loan receivable of RMB40,000,000 due from Ms. Zhang to the Company for a maximum of 3 years, which would be secured by equity interests of the Company held by Grand Ease and bear interest at the RMB deposit rate provided by China Merchants Bank, Hong Kong Branch plus 50% (the “Payment Method”).

Both Ofpay Divestment Agreement and Payment Method by Ms. Zhang are subject to the approval from the shareholders of the Company (the “Shareholders’ Approval”). The Shareholders’ Approval has been obtained on 27 March 2017.

As at 31 December 2016, the directors of the Company expected the Initial Deposit would be utilised within twelve months and included it in current assets.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

21. TRADE AND OTHER RECEIVABLES - Continued

Notes: - Continued

- (b) Trade receivables arose from m-Commerce transactions and mobile marketing business.

The ageing of trade receivables which are past due but not impaired is as follows:

	2016 RMB	2015 RMB
Neither past due nor impaired	30,868,705	16,955,927
Less than 1 month past due	891,389	275,503
1 to 3 months past due	2,452,859	677,261
More than 3 months but less than 12 months past due	<u>4,747,499</u>	<u>2,674,099</u>
	<u>38,960,452</u>	<u>20,582,790</u>

During the year, the Group discounted part of its trade receivables with full recourse to financial institutions. In the event of default by the debtors, the Group is obliged to pay the financial institutions the amount in default. Interest is charged ranging from 12% to 18% on the proceeds received from the financial institutions until the date the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

As the Group retains substantially significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of these trade receivables, and includes the proceeds of the discounting transactions as other loan (note 24(b)). The carrying amount of the transferred assets and their associated liabilities approximates their fair value. As at 31 December 2016, these trade receivables have been fully settled by the debtors to the Group.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

21. TRADE AND OTHER RECEIVABLES - Continued

Notes: - Continued

- (c) Other receivable due from Handpay is mainly derived from the operation of 99wuxian.com. According to the Handpay Service Agreements, during the transition period, Handpay would continue to perform all third party contracts entered into with respect to the 99wuxian.com mobile marketplace until renewal of existing contracts. Handpay continues to collect revenue and pay expenses on behalf of the Group (note 34). The amount is unsecured, interest free and repayable on demand.

Impairment on trade and other receivables

The Group recognised impairment loss on trade and other receivables based on the accounting policy stated in note 4(g)(ii). At the reporting dates, the Group reviewed receivables for evidence of impairment on both an individual and collective basis. At 31 December 2016, no impairment provision was made according to the Group's assessment as there was no recent history of default in respect of these trade debtors (2015: nil).

Trade receivables which were neither past due nor impaired related to a wide range of trade debtors for who there was no recent history of default.

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

The other classes within trade and other receivables do not contain impaired assets. The management expects to collect the receivable due from Handpay and hence no provision for impairment has been made as at 31 December 2016 (2015: nil).

22. TRADE AND OTHER PAYABLES

	2016 RMB	2015 RMB
Trade payables	3,398,409	1,232,674
Accruals and other payables	12,596,403	15,249,438
Receipts in advance	57,646,766	36,329,692
	<u>73,641,578</u>	<u>52,811,804</u>

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23. AMOUNT DUE TO A RELATED PARTY

	2016 RMB	2015 RMB
Amount due to		
- a related company	122,206	-
- a shareholder	-	140,000,000
	<u>122,206</u>	<u>140,000,000</u>

A director of the Company is a director of the related company. The amounts due from related parties are unsecured, interest-free and repayable on demand.

24. OTHER LOANS

	Notes	2016 RMB	2015 RMB
Non-current			
Other loan from a shareholder	(a)	139,562,471	-
Current			
Other loans from financial institutions	(b)	<u>17,083,000</u>	<u>-</u>
Total borrowings		<u>156,645,471</u>	<u>-</u>

The Group's other loans are denominated in RMB and repayable as follows:

	2016 RMB	2015 RMB
Within one or on demand	17,083,000	-
In the second year	-	-
In the third to fifth year	<u>139,562,471</u>	<u>-</u>
	<u>156,645,471</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS
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24. OTHER LOANS - Continued

Notes:

- (a) On 17 March 2016, all conditions precedent under a convertible note agreement ("CN Agreement") entered into between the Company and Grand Ease have been agreed. Pursuant to the CN Agreement, the Company issued to Grand Ease a 3-year convertible note ("Convertible Note") with a principal amount of RMB140,000,000 at a coupon rate of 7%. At the sole discretion of the Company, the Convertible Note can be early settled by a combination of paying cash or issuance of the Company's CDIs at an initial conversion price of RMB0.6563 per CDI (subject to adjustment), subject to the completion of acquisition of Ofpay.

On initial recognition, the fair value of other loan is determined by the directors of the Company with reference to the valuation performed by a firm of independent professional valuers using discount cash flow method. The difference of RMB8,388,539 between the cash consideration received and the fair value of Convertible Note was accounted as capital contribution in equity.

On 5 May 2016, a supplementary agreement has been entered and Grand Ease agreed to exempt the Company from the obligation to pay interest for the Convertible Note for the period from 17 March 2016 to 31 December 2016. The effective interest rate on Convertible Note adjusted from 9.5% to 7.2% accordingly.

During the year, interest expense in total of RMB7,951,010 was amortised as finance costs.

- (b) Other loans from financial institutions represent the amounts of financing obtained in factoring transactions on the Group's trade receivables with full recourse (note 21(b)). Up to the date of this report, other loan of RMB7,083,000 was settled by the Group.

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NOTES TO THE FINANCIAL STATEMENTS
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25. DEFERRED TAXATION

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

	Tax losses RMB
As at 1 January 2015	-
Credited to profit or loss for the year	<u>17,825,095</u>
As at 31 December 2015	17,825,095
Charged to profit or loss for the year	<u>(4,117,085)</u>
As at 31 December 2016	<u>13,708,010</u>

Deferred tax assets are recognised for tax losses carried forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2016, the Group has unrecognised tax losses of RMB37,040 (2015: RMB11,112). The tax losses will expire in the next one to five financial years for offsetting future taxable profits of the Group.

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

	Fair value adjustment of intangible assets RMB
As at 1 January 2015	8,714,823
Credited to profit or loss for the year	<u>(306,680)</u>
As at 31 December 2015	8,408,143
Credited to profit or loss for the year	<u>(306,680)</u>
As at 31 December 2016	<u>8,101,463</u>

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2016, no deferred tax liability has been recorded on temporary differences of RMB63,748 (2015: RMB28,985) relating to the undistributed earnings of PRC subsidiaries because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that these earnings will not be distributed in the foreseeable future.

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NOTES TO THE FINANCIAL STATEMENTS
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26. SHARE CAPITAL

	Number of ordinary shares	RMB
Issued:		
Fully paid up		
At 1 January 2015 and 31 December 2015	1,070,024,045	272,015,374
Placing of new shares	<u>89,658,718</u>	<u>41,660,519</u>
At 31 December 2016	<u>1,159,682,763</u>	<u>313,675,893</u>

On 3 February 2016, the Company issued 89,658,618 ordinary shares at a price of Australian Dollars ("A\$")0.1 per share.

On 4 April 2016, the Company issued 100 ordinary shares at a price of A\$0.1 per share.

27. RESERVES

Other reserve of the Group and the Company represents voluntary contributions from its equity holder to the Company.

The Company

	Other reserve RMB	Retained earnings RMB	Total RMB
At 1 January 2015	-	9,675,028	9,675,028
Profit for the year	<u>-</u>	<u>64,020,927</u>	<u>64,020,927</u>
At 31 December 2015	-	73,695,955	73,695,955
Loss for the year	-	(14,581,198)	(14,581,198)
Capital contribution (note 24(a))	<u>8,388,539</u>	<u>-</u>	<u>8,388,539</u>
At 31 December 2016	<u>8,388,539</u>	<u>59,114,757</u>	<u>67,503,296</u>

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28. OPERATING LEASE COMMITMENT

At the end of the year, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2016 RMB	2015 RMB
Not later than one year	5,144,738	4,139,120
Later than one year and not later than five years	<u>12,069,668</u>	<u>15,806,267</u>
	<u>17,214,406</u>	<u>19,945,387</u>

Operating lease payments represent rentals payable by the Group for its offices. Leases are negotiated for terms of one to five years at fixed rental.

The contingent ongoing service fee in relation to the Handpay Service Agreements as stated in note 17 to the financial statements recognised as an expenses for the year are RMB2,588,143 (2015: RMB10,407,840).

29. CAPITAL COMMITMENT

There is no capital commitment for the Group at the end of reporting year (2015: Nil).

30. CONTINGENT LIABILITIES

Corporate financial guarantees are given by the Group in respect of certain bank borrowing amounting to RMB12,000,000 of Ofpay. The fair value of this financial guarantee contract of the Group is insignificant and the Company consider that the possibility of default of the parties involved is remote; accordingly, no value has been recognised at the inception of this guarantee contract and at the end of the reporting year.

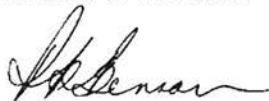
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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2016 RMB	2015 RMB
NON-CURRENT ASSETS			
Intangible asset		49,099,777	50,958,444
Interests in subsidiaries	32	31,787,500	31,787,500
Interest in an associate	19	8,722,500	-
Goodwill	18	3,440,400	3,440,400
Total non-current assets		93,050,177	86,186,344
CURRENT ASSETS			
Trade and other receivables		172,441,006	175,189,759
Amounts due from subsidiaries		260,742,320	94,789,742
Cash and cash equivalents		4,846,415	3,086,770
Total current assets		438,029,741	273,066,271
NON-CURRENT LIABILITIES			
Other loan		139,562,471	-
Deferred tax liabilities		8,101,463	8,408,143
Total non-current liabilities		147,663,934	8,408,143
CURRENT LIABILITIES			
Trade and other payables		1,316,542	1,291,945
Tax payables		920,253	3,841,198
Total current liabilities		2,236,795	5,133,143
NET CURRENT ASSETS		435,792,946	267,933,128
NET ASSETS		381,179,189	345,711,329
CAPITAL AND RESERVES			
Share capital	26	313,675,893	272,015,374
Reserves	27	67,503,296	73,695,955
		381,179,189	345,711,329

On behalf of the Board



Mr. Ross Benson
Director



Ms. Amalisia Zhang
Director

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NOTES TO THE FINANCIAL STATEMENTS
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32. INTERESTS IN SUBSIDIARIES

	2016 RMB	2015 RMB
Unlisted equity interest, at cost	31,787,500	31,787,500
Less: Provision for impairment	-	-
Net carrying amount at 31 December	<u>31,787,500</u>	<u>31,787,500</u>

Particulars of the subsidiaries at 31 December 2016 are as follows:

Name	Form of business structure	Place and date of incorporation	Place of operation and principal activity	Paid up capital	Percentage of ownership interest
<u>Direct</u>					
Ninety nine Trading (Shanghai) Co., Ltd. 耐特耐商贸（上海） 有限公司	Limited liability company	PRC 2 July 2013	Investment holding in PRC	Hong Kong Dollars ("HK\$") 40,000,000	100%
上海泰北金融信息 服务有限公司 ("Shanghai Tapit") (Note (i))	Limited liability company	PRC 24 November 2014	Dormant	Nil	100%
<u>Indirect</u>					
Shanghai Xinshunhui Trading Co., Ltd. 上海鑫顺汇商贸有限 公司	Limited liability company	PRC 27 June 2013	Investment holding in PRC	RMB30,100,000	100%
Shanghai Handpal Information Technology Co., Ltd. 上海瀚之友信息技术 服务有限公司	Limited liability company	PRC 4 July 2013	Provision of services on a mobile marketplace in PRC	RMB30,000,000	100%

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

32. INTERESTS IN SUBSIDIARIES - Continued

Particulars of the subsidiaries at 31 December 2016 are as follows: - Continued

Name	Form of business structure	Place and date of incorporation	Place of operation and principal activity	Paid up capital	Percentage of ownership interest <u>Indirect</u>
Shanghai Handqian Information Technology Co., Ltd. (“Handqian”) 上海瀚乾信息技术服务有限公司	Limited liability company	PRC 20 April 2015	Provision of services on a mobile marketplace in PRC	RMB1,000,000	100%
上海麒迹国际贸易有限公司 (Note (ii))	Limited liability company	PRC 2 August 2010	Dormant	RMB1,000,000	100%
上海诚度信息技术有限公司 (Note (ii))	Limited liability company	PRC 12 January 2016	Dormant	Nil	100%
上海邦道信息技术服务有限公司 (Note (ii))	Limited liability company	PRC 12 January 2016	Dormant	Nil	100%

Notes:

- (i) Shanghai Tapit was established by the Company on 24 November 2014 with registered capital of RMB1,000,000. Upon the fulfilment of certain criteria as stated in an agreement dated 8 September 2014, the Company, Tapit Media Pty Ltd. and Investorlink Group Limited (“Investorlink Group”) would inject to Shanghai Tapit to obtain 55%, 25% and 20% of its equity interests respectively. These criteria have not been fulfilled and the registered capital of the Shanghai Tapit remains unpaid up to the date of this report.
- (ii) These companies were newly incorporated or acquired during the year ended 31 December 2016.

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

33. RELATED PARTY TRANSACTIONS

Transactions with key management personnel/Material interests of directors in transactions, arrangements or contracts

- (a) All members of key management personnel are the directors of the Company. The remuneration paid to them during the year was disclosed in note 12 to the financial statements.
- (b) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

	Type of transaction	2016 RMB	2015 RMB
Investorlink Corporate Limited ("Investorlink Corporate")	Professional services fee	<u>1,677,329</u>	<u>1,454,182</u>

Mr. Ross Benson, director and key management personnel of the Company, is associated with Investorlink Securities Limited ("Investorlink Securities"), Investorlink Corporate and Investorlink Group. Mr. Tony Groth, director and key management personnel of the Company, was also associated with Investorlink Securities, Investorlink Corporate and Investorlink Group until his resignation in June 2015.

Investorlink Group and Investorlink Securities are the shareholders of the Company.

34. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Transactions with Handpay under Handpay Service Agreements are set out below. The amount due from Handpay in respect of these transactions is included in other receivables (note 21(c)).

	2016 RMB	2015 RMB
<i>Operating activities</i>		
Sales received by Handpay on behalf of the Group	90,961,970	109,897,039
Operating cost paid by Handpay on behalf of the Group	(16,260,024)	(28,046,523)
Ongoing service fee charged by Handpay	<u>(2,588,143)</u>	<u>(10,407,840)</u>
	<u>72,113,803</u>	<u>71,442,676</u>

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NOTES TO THE FINANCIAL STATEMENTS
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35. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The capital structure of the Group consists of debts, which includes amount due to a related party disclosed in note 23, other loans disclosed in note 24 and equity attributable to owners of the Company, comprising share capital, reserves and retained earnings. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The Group monitors capital using a gearing ratio, which is total debts divided by the total shareholders' equity. Total shareholders' equity comprises all components of equity attributable to the equity holders. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the reporting dates were as follows:

	2016 RMB	2015 RMB
Total debts	<u>156,767,677</u>	<u>140,000,000</u>
Total shareholders' equity	<u>337,544,143</u>	<u>291,880,222</u>
Gearing ratio	<u>46%</u>	<u>48%</u>

NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business and credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices and practices described below.

(a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group exposed to credit risk from loan and receivables. The Group assesses credit risk based on debtor's past due record, trading history, financial condition or credit rating.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 78.4% (2015: 84.2%) of the total trade and other receivables was due from the one largest debtor of the Group.

(b) Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through bank and other borrowings to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities of the Group for its non-derivative financial liabilities. The table has been drawn up using undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group is expected to pay. The table includes both interest and principal cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting year.

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NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT - Continued

(b) Liquidity risk - Continued

	Carrying amount RMB	Total contractual undiscounted cash flows RMB	Within one year or on demand RMB	More than one year RMB
At 31 December 2016				
Trade and other payables	15,994,812	15,994,812	15,994,812	-
Amount due to a related party	122,206	122,206	122,206	-
Other loans	156,645,471	179,861,699	25,161,699	154,700,000
	<u>172,762,489</u>	<u>195,978,717</u>	<u>41,278,717</u>	<u>154,700,000</u>
At 31 December 2015				
Trade and other payables	16,482,112	16,482,112	16,482,112	-
Amount due to a related party	140,000,000	140,000,000	140,000,000	-
	<u>156,482,112</u>	<u>156,482,112</u>	<u>156,482,112</u>	<u>-</u>

(c) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rate. The Group's fair value interest-rate risk mainly arises from other loans as disclosed in note 24. Other loans were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rates and terms of repayment of the Group's other loans are disclosed in notes 21(b) and 24 to the consolidated financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT - Continued

(d) Currency risk

The following table indicates the approximate change in the Group's profit/loss for the year and retained earnings and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. A positive number in the sensitivity analysis below indicates an increase in profit and other equity where the RMB weakens against the relevant currency. For a strengthening of the RMB against the relevant currency, there would be an equal and opposite impact on the loss and other equity, and the balances below would be negative.

The carrying amounts of the Group's foreign currency denominated assets and monetary liabilities at the reporting date are as follows respectively:

	2016 RMB	2015 RMB
Impact of HK\$		
Cash and cash equivalent	3,507,281	671,123
Overall net exposure	<u>3,507,281</u>	<u>671,123</u>
Impact of A\$		
Cash and cash equivalent	1,687,941	2,746,540
Overall net exposure	<u>1,687,941</u>	<u>2,746,540</u>

	Increase/ (decrease) in foreign exchange rates %	Effect on profit/loss for the year ended 31 December 2016 and retained profits RMB	Increase/ (decrease) in foreign exchange rates %	Effect on profit/loss for the year ended 31 December 2015 and retained profits RMB
HK\$	+5%	175,364	+5%	33,556
	-5%	(175,364)	-5%	(33,556)
A\$	+5%	84,397	+5%	137,327
	-5%	<u>(84,397)</u>	-5%	<u>(137,327)</u>

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NOTES TO THE FINANCIAL STATEMENTS
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37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2016 and 2015 may be categorised as follows:

	2016 RMB	2015 RMB
Financial assets		
Loans and receivables:		
Trade and other receivables	357,189,591	155,180,086
Cash and cash equivalents	<u>44,016,056</u>	<u>40,910,686</u>
	<u>401,205,647</u>	<u>196,090,772</u>
Financial liabilities		
Liabilities measured at amortised cost:		
Trade and other payables	15,994,812	16,482,112
Amount due to a related party	122,206	140,000,000
Other loans	<u>156,645,471</u>	<u>-</u>
	<u>172,762,489</u>	<u>156,482,112</u>

At the end of the reporting period, the carrying values of loans and receivables and financial liabilities at amortised costs are approximately their fair values.

38. EVENT AFTER THE REPORTING DATE

Except as disclosed in elsewhere in this report, there are no material subsequent events undertaken by the Company or the Group after 31 December 2016.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2017.