



99 WUXIAN LIMITED

(incorporated in Hong Kong with limited liability)

**Directors' Report and
Financial Statements**

For the year ended 31 December 2017

99 WUXIAN LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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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 2017.

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 34 to the financial statements.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2017 and the financial position of the Group as at that date are set out in the financial statements on pages 16 to 84.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2017.

DIRECTORS

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

Ms. Amalisa Zhang ("Ms. Zhang")	
Mr. Christopher John Ryan	
Mr. Haoming Yu	(appointed on 1 April 2017)
Mr. Ross Benson	
Mr. Simon Green	
Mr. Wen Tao	
Mr. YongKuan Duan	(resigned on 1 April 2017)

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:

Ms. Qian Jing Wen
Mr. Sheng Yun Dong
Mr. Wen Tao
Mr. Wang Hao Qi

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DIRECTORS' REPORT

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year, Ms. Zhang, was interest in a contract for the divestment of Jiangsu Ofpay E-commerce Limited ("Ofpay") of Renminbi ("RMB") 200 million from the Group. The directors are of the opinion that this transaction was made reference to the market price. The consideration would be settled by cash of RMB20,000,000; discharge of other loan with a principal amount of RMB140,000,000 to the Company from Grand Ease Holdings Limited ("Grand Ease", of which Ms. Zhang is a beneficial shareholder); 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 ranging within 3% to the RMB deposit rate provided by China Merchants Bank, Hong Kong Branch plus 50%.

During the year, Ms. Zhang, being a beneficial shareholder of Ofpay, was interest in contracts for the provision of mobile recharge services of RMB35,302,202 to the Group. The directors are of the opinion that this service was made reference to the published prices and conditions similar to those offered to the major customers of the service provider.

Except as disclosed above, no contracts of significance to which the Company's holding companies or subsidiaries 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.

EQUITY-LINKED AGREEMENTS

Ms. Zhang is a beneficial shareholder of 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. Convertible Note matures 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. During the year, Convertible Note was discharged and no Convertible Note has been converted into CDI of the Company.

On 17 November 2017, the Group obtained three equity-linked loans with principal amounts of Australian dollar ("A\$") 950,000, RMB6,250,000 and RMB5,000,000 respectively (collectively "Equity-linked Loans") for general working capital purpose. Equity-linked Loans carry a coupon rate of 10% per annum, which are paid quarterly in arrears on 17 February 2018, 17 May 2018, 17 August 2018 and 17 November 2018. The lenders of Equity-linked Loans were entitled to unlisted call options ("Call Options") which would provide the lenders the right to acquire a maximum of total 31,429,825 CDIs of the Company at fixed price of A\$0.1 per option at any time prior to 17 November 2020. During the year, no Call Options have been exercised and converted into CDI of the Company by lenders. Details of the terms and conditions of Equity-linked Loans are set out in note 26(e) to the financial statements.

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DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Except for Convertible Note as disclosed above, at no time during the year was the Company, its holding companies, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 market leading m-commerce gateway providing online marketplace, rewards redemption and employee benefit services in China under a business to business to consumer ("B2B2C") model, focusing on helping business partners incentivise their customers and employees by linking them with high quality merchants for transactions via its unique ecosystem.

The Group plays in a huge and fast growing market. According to the 2017 China E-commerce Annual Report released by China Central Television and Chinese Academy of Social Sciences, during the period from October 2016 to September 2017, the size of China's online retail market totalled to RMB 6.6 trillion, with 38% increase upon the prior corresponding period, benefiting from the growing penetration rate of Internet and the growing number of online shoppers which had reached 514 million by the mid of 2017. To catch up with the growth trend, scale expansion is the top priority for the Group, particularly via securing more business partners and acquiring their users, as well as enhancing user engagement and stickiness. By 2017 the Group had secured around 600 high quality business partners from both financial institutions and non-financial institutions via diversified channels, which had taken the registered user base to a total of 73.6 million, up by 14% compared with 2016.

Apart from the increase in the number of business partners and registered users, the growth in the number of transactions also reflected the implementation of the scale expansion strategy. The number of transactions completed in 2017 reached a new record high of 211.5 million, representing an increase of 36% upon 2016. The gross transaction value ("GTV") totalled to RMB 13.8 billion, with a slight 3% decrease compared with 2016 which was a comprehensive result of the increase in the number of transactions and the decline in the average transaction value ("ATV") in 2017. The decline in ATV was mainly caused by telecom products' unit price downward movement which was driven by users' preference transition from voice service to data service, as well as lower unit price products promoted in the joint marketing campaigns launched with business partners to catch up with the market preference.

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DIRECTORS' REPORT

BUSINESS REVIEW - Continued

Business overview and key operating and financial metrics - Continued

In 2017, the Group reported net revenue of RMB 122.4 million, decreasing from RMB 302.3 million in 2016, mainly due to the tax legislation in the People's Republic of China (the "PRC") which replaces business tax with value-added tax ("VAT"). VAT is imposed at a rate of 6% on the value added portion of a company's products sales or services. For commission and service income which was previously subject to business tax but now is subject to VAT, VAT is equal to the commission and service income (that is on a net basis, exclusive of VAT) multiplied by 6%. For sales of merchandise, VAT is equal to Output VAT (revenue on a gross basis exclusive of VAT multiplied by 6%) minus Input VAT (cost exclusive of VAT multiplied by 6%). PRC still remains in a tax reform transitional period, and the rules for implementation of the tax reform have uncertainties. As a result, the Group has elected to focus on revenue generated from commissions and service with a decreased emphasis on sales of merchandise. Notwithstanding, the Group's net revenue in 2017 was approximately comparable to the gross profit in 2016.

In 2017 the Group reported gross profit of RMB 77.8 million and net loss of RMB 17.0 million. Decline in the gross profit from 2016 to 2017 was a result of launching joint marketing campaigns with business partners and offering promotional discounts to users to enlarge the user base and enhance user engagement. Apart from the decline in gross profit, net loss was also caused by a significant increase in selling expenses by RMB 30.5 million, a large portion of which was mainly spent on media advertising activities which the management viewed as non-recurring ones.

In 2017, the Group completed the divestment of Ofpay and Allpay (International) Finance Service Corporation Limited ("Allpay"). The divestment of Ofpay generated a gain of RMB40 million and exempted the Group from all its conditional payment obligations associated with the Ofpay acquisition deal. Also, the investment cost in Allpay of Hong Kong Dollar 10 million together with other expenses associated with it was recovered. These two divestments enabled the Group to focus its capabilities on its own m-commerce business in China.

In late 2017 the Group invested in a PRC insurance broking license with which the Group is now able to sell insurance products on its platform. At the beginning of 2018, the Group is close to entering into several contracts with insurance business partners about cooperation on the sale of insurance products. The Group thinks of this insurance brokerage business as a new point of growth because it will not only enrich and further optimize the product mix but also strengthen the Group's relationship with the insurance business partners with the service scope to be enlarged to cover not only the old businesses including the online marketplace, rewards redemption and employee benefit services but the new insurance brokerage business as well.

Strategically, the Group will continue to implement its scale expansion strategy, via growing the existing business with current business partners, growing the existing business with new business partners, enhancing user engagement and activeness, expanding the product portfolio and knowing the customer through unlocking the potential of its big data.

BUSINESS REVIEW - Continued

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 capturing the favourable external factors and abiding by all the applicable laws, rules and regulations to ensure that the business moves forward smoothly.

According to the Report on the Work of the Government delivered by Mr Li Keqiang, Premier of the State Council, at The First Meeting of The Thirteenth National People's Congress of People's Republic of China on 5th March 2018, China's Gross Domestic Product ("GDP") in 2017 increased by 6.9% upon 2016, higher than expectation, and the progress of the optimization and upgrade of the economic structure is speeding up. Innovation is a key driver for economic development, in which e-commerce is playing a vital part and Internet-plus is penetrating into a variety of industries. The Group, as a technology company, has received government grants to support its business, benefiting from the government policy's encouragement for innovation.

Apart from the encouragement for innovation, Mr Li Keqiang also mentioned the importance of macro-economic control in the Report on the Work of the Government. China's economy, including the e-commerce and m-commerce market, is subject to rigorous supervision and regulation from the government. Generally, the government implements the monetary policies and fiscal policies which impact the Group in different aspects including taxation, interest rate and so on. Specifically, with regard to the m-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. As to the insurance brokerage business the Group is starting to be engaged in, it is strictly supervised and regulated by the government, for example, the government requires that the insurance brokerage company must obtain a license and complete registration and filing with the government authorities. The Group acts carefully and ensures compliance with all the laws, rules and regulations, by setting up specific functions to handle the relevant affairs, including law department, internal control and compliance department, public affairs department, etc. to avoid risks in this aspect.

BUSINESS REVIEW - Continued

Risk factors

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

External risk factors include:

- Risks in laws, rules and regulations:
M-commerce is, on one hand, greatly encouraged by the government, and on the other hand, highly supervised and regulated by the government. M-commerce is a newly emerging market still at the early stage of development, so the interpretation and enforcement of relevant laws, rules and regulations involve uncertainties. Besides, the regulation on the insurance industry is strict, and with the industry growing, the government could probably continue to issue new laws and regulations and require the market players to react in a timely manner. The Group is constantly following 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.
- 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:
As to certain special categories of products, stability of supply could involve uncertainties. 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 for business development, prepayment for rewards redemption business, marketing campaigns, etc. It takes time to generate considerable profits, which cannot be immediately reflected by short term financial results.

BUSINESS REVIEW - Continued

Risk factors - Continued

Internal risk factors include: - Continued

- 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.

The Group has established a comprehensive risk control and management mechanism to prevent the risks from happening and enable quick response by utilizing the Group's business risk alert system. The chief technical officer 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

The Group received RMB 20 million from the Chief Executive Officer, Ms. Zhang, in March 2018, as part of the consideration for the equity interest in Oipay. Except this, there are no important events affecting the Group that have occurred since the end of the financial year 2017.

Employee relations management

Employees are one of the most valuable resources as viewed by the Group. The Group recruits high quality professionals in technology, sales, finance and other areas and provides them with competitive compensation packages as motivation. Moreover, the Group helps employees with their career development by providing career trainings and an effective, transparent and reasonable promotion mechanism to ensure fairness and employee satisfaction.

BUSINESS REVIEW - Continued

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 the solid partnership is the key to the business success, so it is always making efforts in maintaining and strengthening the 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 satisfying services that fully meet their standards.

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 our users, as well as our business partners.

Merchant relations management

The Group has a set of merchant management mechanism including the merchant admittance mechanism which obligates rigorous check of potential merchants' qualifications, background and industry reputation, 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 for better cooperation; 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. In this way, the Group ensures a high quality merchant mix and product mix.

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DIRECTORS' REPORT

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, 28 March 2018

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 16 to 84, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, 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 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by 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), 22 and 38(a) to the consolidated financial statements

Trade and other receivables were significant to the Group representing approximately 62% of the Group's total assets as at 31 December 2017. 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 RMB5.4 million, intangible assets of approximately RMB75.7 million, and goodwill of approximately RMB3.4 million represent significant balances recorded in the consolidated statement of financial position of the Group as at 31 December 2017. These assets together with the Group's working capital are allocated to the cash generating unit ("CGU") in relation to the Group's provision of services on a online marketplace in the People's Republic of China.

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 amount of this CGU would be recognised as impairment loss. Recoverable amount of the CGU is determined based on estimates of growth rates 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 qualification and competence of independent valuer who was employed by the management;
- Assessing the valuation methodology and estimates of growth rates 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 information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we have obtained the directors' report but have not obtained the remaining other information included in the annual report (the "Remaining Other Information"), which is 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 identified above 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.

When we read the Remaining Other Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit and Risk Management Committee and take appropriate action considering our legal rights and obligations.

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 directors are also responsible for overseeing the Group's financial reporting process. The Audit and Risk Management Committee assists the directors in discharging their responsibility in this regard.

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)

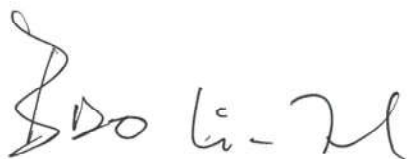
**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements -
Continued**

- 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 the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



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

Hong Kong, 28 March 2018

99 WUXIAN LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 RMB	2016 RMB
Revenue	7	122,356,221	302,315,180
Cost of sales		<u>(44,552,200)</u>	<u>(197,686,275)</u>
Gross profit		77,804,021	104,628,905
Other revenue	8	4,807,993	2,242,550
Other gains and losses, net	9	38,352,510	213,905
Selling and distribution expenses		<u>(62,700,737)</u>	<u>(32,227,102)</u>
Administration expenses		<u>(65,767,485)</u>	<u>(66,494,665)</u>
Operating (loss)/profit		(7,503,698)	8,363,593
Finance costs	10	(8,332,818)	(8,930,696)
Share of result of an associate		<u>(373,191)</u>	<u>-</u>
Loss before income tax	11	(16,209,707)	(567,103)
Income tax expense	13	<u>(825,629)</u>	<u>(3,818,034)</u>
Loss for the year		(17,035,336)	(4,385,137)
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(17,035,336)</u>	<u>(4,385,137)</u>
Loss per share (RMB)	14		
- Basic and diluted		<u>(0.0147)</u>	<u>(0.0038)</u>

99 WUXIAN LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 RMB	2016 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	16	5,375,343	7,637,278
Intangible assets	17	75,747,496	51,377,475
Goodwill	18	3,440,400	3,440,400
Loan to a director	20	40,000,000	-
Deferred tax assets	27	12,575,701	13,708,010
Interest in an associate	19	-	8,722,500
Total non-current assets		<u>137,138,940</u>	<u>84,885,663</u>
CURRENT ASSETS			
Inventories	21	6,331,802	10,617,890
Trade and other receivables	22	419,659,668	437,483,838
Amount due from a director	20	20,000,000	-
Cash and bank balances	23	93,936,777	44,016,056
Total current assets		<u>539,928,247</u>	<u>492,117,784</u>
NON-CURRENT LIABILITIES			
Derivative financial instruments	26	1,500,449	-
Other loans	26	-	139,562,471
Deferred tax liabilities	27	7,794,783	8,101,463
Total non-current liabilities		<u>9,295,232</u>	<u>147,663,934</u>
CURRENT LIABILITIES			
Trade and other payables	24	186,480,229	73,641,578
Amount due to a related party	25	127,164	122,206
Derivative financial instruments	26	5,342,198	-
Bank and other loans	26	154,393,304	17,083,000
Current tax liabilities		920,253	948,586
Total current liabilities		<u>347,263,148</u>	<u>91,795,370</u>
NET CURRENT ASSETS		<u>192,665,099</u>	<u>400,322,414</u>
NET ASSETS		<u>320,508,807</u>	<u>337,544,143</u>
CAPITAL AND RESERVES			
Share capital	28	313,675,893	313,675,893
Reserves	29	6,832,914	23,868,250
		<u>320,508,807</u>	<u>337,544,143</u>

On behalf of the Board



Mr. Ross Benson
Director



Ms. Amalisa Zhang
Director

99 WUXIAN LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital RMB (Note 28)	Other reserve RMB (Note 29)	Retained earnings RMB	Total RMB
Balance at 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
Issuance of convertible note (note 26(d))	-	8,388,539	-	8,388,539
Transactions with owners	41,660,519	8,388,539	-	50,049,058
Balance at 31 December 2016 and 1 January 2017	313,675,893	8,388,539	15,479,711	337,544,143
Loss for the year	-	-	(17,035,336)	(17,035,336)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(17,035,336)	(17,035,336)
Extinguishment of convertible note (note 26(d))	-	(8,388,539)	8,388,539	-
Balance at 31 December 2017	313,675,893	-	6,832,914	320,508,807

99 WUXIAN LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 RMB	2016 RMB
Cash flows from operating activities		
Loss before income tax	(16,209,707)	(567,103)
Adjustments for:		
Interest income	(73,806)	(40,840)
Finance costs	8,332,818	8,930,696
Depreciation of property, plant and equipment	3,813,988	3,631,099
Amortisation of intangible assets	2,948,783	2,825,537
Share of result of an associate	373,191	-
Gain on disposal of an associate	(147,291)	-
Gain on divestment in an entity	(40,000,000)	-
Change in fair value of derivative financial instruments	1,239,846	-
Exchange loss/(gain), net	554,935	(213,905)
Operating (loss)/profit before changes in working capital	(39,167,243)	14,565,484
Decrease in inventories	4,286,088	6,751,789
Increase in trade and other receivables	(142,175,830)	(86,105,011)
Increase in trade and other payables	107,438,651	20,829,774
Increase in amount due to a related party	4,958	122,206
Cash used in operations	(69,613,376)	(43,835,758)
Interest income	73,806	40,840
Income taxes paid	(28,333)	(13,802)
Net cash used in operating activities	(69,567,903)	(43,808,720)
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,552,053)	(1,294,909)
Additions of intangible assets	(318,804)	(1,046,239)
Acquisition of a subsidiary	(26,600,000)	-
Investment in an associate	-	(8,722,500)
Proceeds from disposal of an associate	8,496,600	-
Increase in pledged deposit	(46,400,000)	-
Net cash used in investing activities	(66,374,257)	(11,063,648)

99 WUXIAN LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 RMB	2016 RMB
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	41,746,374
Share issue expenses	-	(85,855)
Proceeds from borrowings	287,598,905	30,775,800
Repayments of borrowings	(144,685,800)	(13,692,800)
Interest paid	(7,895,289)	(979,686)
Net cash generated from financing activities	135,017,816	57,763,833
Net (decrease)/increase in cash and cash equivalents	(924,344)	2,891,465
Cash and cash equivalents at the beginning of year	44,016,056	40,910,686
Effect of exchange rate changes on cash and cash equivalents	(554,935)	213,905
Cash and cash equivalents at the end of year	42,536,777	44,016,056

99 WUXIAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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 (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 34 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 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

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.

The adoption of the amendments has led to the additional disclosure presented in note 36(b).

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.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group’s accounting policies.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 9	Financial Instruments ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ¹
HKFRS 16	Leases ²
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²

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

² Effective for annual periods beginning on or after 1 January 2019

HKFRS 9 - 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.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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 - Financial Instruments - Continued

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.

Amendments to HKFRS 9 - Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met - instead of at fair value through profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

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

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

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

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 than 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

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

HK(IFRIC)-Int 22 - Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC)-Int 23 - Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

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.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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, except for derivative financial instruments which are measured at fair value as explained in the accounting policies set out below.

(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 2017

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.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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, investments 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 2017

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 2017

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.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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 2017

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 2017

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 fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including trade and other payables, amount due to a related party and bank and other loans, 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.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

(iv) Convertible loan notes

The component of convertible loan notes that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible loan notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible loan notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible loan notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

(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.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

(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.

(vii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(viii) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(i) Revenue recognition - Continued

m-Commerce transactions business - Continued

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
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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 2017

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.

NOTES TO THE FINANCIAL STATEMENTS
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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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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
Insurance license	25 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 2017

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

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 2017

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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 2017

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 2017

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 and intangible assets, recoverable amounts of these assets need to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present values, which require significant judgment relating to items such as level of sales, selling price, amount of operating costs and discount rate. 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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 chief operating decision maker monitors assets and liabilities on a consolidated basis and not by reportable segment. Accordingly, no additional information on assets and liabilities is presented.

(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 RMB63,315,877 (2016: RMB260,473,528) are derived from two customers (2016: three) which individually contributed more than 10% to the Group's revenue. Details of the revenues from these two customers are as follows:

	2017		2016	
	Revenue RMB	Proportion to the total revenues	Revenue RMB	Proportion to the total revenues
Customer A	43,632,076	36%	-	-
Customer B	19,683,801	16%	32,578,039	11%
Customer C	-	-	181,253,288	60%
Customer D	-	-	46,642,201	15%
Total	<u>63,315,877</u>	<u>52%</u>	<u>260,473,528</u>	<u>86%</u>

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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:

	2017 RMB	2016 RMB
Commission and service income	121,028,830	116,196,292
Sales of merchandise	2,391,519	192,740,788
	123,420,349	308,937,080
Less: business tax and relevant surcharge	(1,064,128)	(6,621,900)
Total	122,356,221	302,315,180

8. OTHER REVENUE

	2017 RMB	2016 RMB
Bank interest income	73,806	40,840
Government grants*	4,734,187	2,201,710
	4,807,993	2,242,550

* 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

	2017 RMB	2016 RMB
Exchange (loss)/gain, net	(554,935)	213,905
Gain on divestment in an entity (note 22(b))	40,000,000	-
Gain on disposal of an associate (note 19)	147,291	-
Change in fair value of derivative financial instruments (note 26(e))	(1,239,846)	-
	38,352,510	213,905

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NOTES TO THE FINANCIAL STATEMENTS
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10. FINANCE COSTS

	2017 RMB	2016 RMB
Interests on bank and other loans	<u>8,332,818</u>	<u>8,930,696</u>

11. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2017 RMB	2016 RMB
Auditor's remuneration	764,694	671,633
Cost of revenue by nature:		
- Promotion and advertising expenses	350,631	11,153,429
- Marketing merchandise	1,853,536	183,870,587
- Technical support service fee	41,594,340	-
- Bank handling charge	747,729	74,116
- Ongoing service fee	<u>5,964</u>	<u>2,588,143</u>
	<u>44,552,200</u>	<u>197,686,275</u>
Employee costs (including directors) comprise:		
- Contribution on defined contribution retirement plan	12,030,394	11,705,007
- Salaries and staff benefits	48,097,846	46,213,409
Operating lease charges in respect of leasehold buildings	5,105,621	4,547,278
Amortisation of intangible assets (note 17)	2,948,783	2,825,537
Depreciation of property, plant and equipment (note 16)	<u>3,813,988</u>	<u>3,631,099</u>

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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:

	2017 RMB	2016 RMB
Directors' fees	960,000	960,000
Salaries, bonuses, allowances and benefits	2,205,000	2,205,000
Contribution on defined contribution retirement plan	86,629	79,740
	<u>3,251,629</u>	<u>3,244,740</u>

13. INCOME TAX EXPENSE

	2017 RMB	2016 RMB
Current tax - PRC		
- Tax for the year	-	28,333
- Over provision in respect of prior years	-	(20,704)
	-	7,629
Deferred tax (note 27)	825,629	3,810,405
	<u>825,629</u>	<u>3,818,034</u>

Hong Kong profits tax is calculated at 16.5% (2016: 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.

PRC Enterprise Income Tax ("EIT") is provided at the rates applicable to the subsidiaries in the PRC on the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretations thereof. By reference to the 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% (2016: 25%).

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

13. INCOME TAX EXPENSE - Continued

Shanghai Handpal Information Technology Co., Ltd. ("Shanghai Handpal") has been accredited as a High-tech Enterprise by the Accrediting Bodies under the Administrative Measures for Determination of High and New Technology Enterprises on 24 November 2016 and is subject to preferential tax rate of 15% for three years commencing from 1 January 2016, on the condition that the annual written approval from the relevant government authorities is obtained.

Annual written approval for a year commencing from 1 January 2016 was obtained by Shanghai Handpal from government authorities on 3 April 2017. The Group therefore still applied the tax rate of 25% to accrue for the EIT of Shanghai Handpal for the year ended 31 December 2016 for the preparation of this report.

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

	2017 RMB	2016 RMB
Loss before income tax	(16,209,707)	(567,103)
Tax calculated at the PRC EIT rate of 25%	(4,052,427)	(141,776)
Effect of non-taxable and non-deductible items, net	3,667,946	3,611,079
Effect of tax losses not recognised	1,033,161	9,260
Over provision in respect of prior years	-	(20,704)
Deductible temporary difference not recognised	250,842	360,175
Utilisation of tax losses previously not recognised	(73,893)	-
Income tax expense	825,629	3,818,034

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NOTES TO THE FINANCIAL STATEMENTS
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14. LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

<u>Loss</u>	2017	2016
	RMB	RMB
Loss for the purposes of basic loss per share	<u>(17,035,336)</u>	<u>(4,385,137)</u>
<u>Number of shares</u>	2017	2016
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>1,159,682,763</u>	<u>1,151,598,764</u>

No adjustment has been made to the basic loss per share amount presented in respect of a dilution as the impact of the call options and conversion option outstanding had an anti-dilutive effect on the basic loss per share presented.

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NOTES TO THE FINANCIAL STATEMENTS
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15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2017 (2016: Nil), nor has any dividend been proposed since the end of reporting period.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB	Electronic and office equipment RMB	Motor vehicle RMB	Total RMB
Cost				
At 1 January 2016	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
Additions	6,327	1,545,726	-	1,552,053
At 31 December 2017	4,268,211	9,759,559	1,229,060	15,256,830
Accumulated depreciation				
At 1 January 2016	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
Charge for the year	874,124	2,647,839	292,025	3,813,988
At 31 December 2017	1,919,859	7,231,566	730,062	9,881,487
Net Book Value				
At 31 December 2017	2,348,352	2,527,993	498,998	5,375,343
At 31 December 2016	3,216,149	3,630,106	791,023	7,637,278

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

17. INTANGIBLE ASSETS

	Licensing arrangement RMB (note (b))	Insurance license RMB (note (c))	Computer software RMB	Total RMB
Cost				
At 1 January 2016	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
Additions	-	-	318,804	318,804
Acquisition of a subsidiary	-	27,000,000	-	27,000,000
At 31 December 2017	55,760,000	27,000,000	3,889,031	86,649,031
Accumulated amortisation				
At 1 January 2016	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
Amortisation expense	1,858,667	-	1,090,116	2,948,783
At 31 December 2017	8,518,890	-	2,382,645	10,901,535
Carrying amounts				
At 31 December 2017	47,241,110	27,000,000	1,506,386	75,747,496
At 31 December 2016	49,099,777	-	2,277,698	51,377,475

Notes:

(a) Amortisation expenses have been included in:

	2017 RMB	2016 RMB
Consolidated statement of profit or loss and other comprehensive income:		
- Administration expenses	2,948,783	2,825,537

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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.

- (c) In November 2017, the Group entered into an equity transfer agreement and a series of supplementary agreements (together the “Beijing Dingli Agreements”) to acquire 95% equity interests of Beijing Dingli Insurance Brokers Limited (“Beijing Dingli”), at a consideration of RMB27,000,000 from existing shareholders of Beijing Dingli (the “Dingli Vendors”), and a restricted bank deposit of RMB5,000,000 of Beijing Dingli previously funded by Dingli Vendors should be borne and repaid by the Group (the “Restricted Bank Balance”).

Beijing Dingli is principally engaged in provision of agency services on insurance products with an insurance brokerage license (the “License”) in the PRC.

The directors of the Company consider the acquisition would enhance the diversity and flexibility of insurance services and products offered on 99wuxian.com mobile marketplace.

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

17. INTANGIBLE ASSETS - Continued

Notes: - Continued

(c) (Continued)

In accordance with the Beijing Dingli Agreements, the operations, assets (excluding the License and Restricted Bank Balance) and liabilities of Beijing Dingli existed on the acquisition completion date are beneficially owned by Dingli Vendors after the acquisition completion date. Also, Dingli Vendors will not share any profit or loss of Beijing Dingli irrespective of their holding of 5% equity interests in Beijing Dingli.

The acquisition is determined by the directors of the Company to be acquisition of assets through acquisition of subsidiary rather than as business combination because the assets acquired did not constitute a business as defined under HKFRS 3 (revised) "Business Combination". The acquisition was completed in December 2017 and accounted as purchase of License and Restricted Bank Balance.

18. GOODWILL

	2017 RMB	2016 RMB
As at 1 January and 31 December	<u>3,440,400</u>	<u>3,440,400</u>

For the purpose of impairment testing, goodwill is allocated to the CGU in relation to the Group's provision of services via online 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. The discount rate applied to the cash flow projections is 23% (2016: 27%). Cash flows beyond the five-year period are extrapolated using an estimated average growth rate of 17% (2016: 2%), which does not exceed the long-term growth rate for the mobile payment industry in the PRC.

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

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NOTES TO THE FINANCIAL STATEMENTS
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19. INTEREST IN AN ASSOCIATE

	2017 RMB	2016 RMB
Share of net assets	-	8,722,500

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	Nil (2016: 40%)

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:

As at 31 December	2017 RMB	2016 RMB
Current assets	-	21,806,250
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Net assets	-	21,806,250
Group's share of the net assets of the associate	-	8,722,500
 Year ended 31 December	 2017 RMB	 2016 RMB
Revenue	-	-
Loss for the year	932,978	-

On 18 October 2017, the Group disposed of all of its 40% equity interest in Allpay at a cash consideration of Hong Kong Dollars ("HK\$")10,000,000 (equivalent to RMB8,496,600), resulting in a gain on disposal of RMB147,291 (note 9). Upon completion of the disposal, Allpay ceased to be an associate of the Group.

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20. LOAN TO AND AMOUNT DUE FROM A DIRECTOR

Loan to and amount due from a director of the Company 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) are as follows:

Name of the director	31 December 2017 RMB	Maximum amount outstanding during the year RMB	31 December 2016 RMB	Maximum amount outstanding during the year RMB	1 January 2016 RMB
Ms. Amalisa Zhang ("Ms. Zhang")					
- Loan from the Group (note (a))	40,000,000	40,000,000	-	-	-
- Amount due to the Group (note (b))	<u>20,000,000</u>	<u>20,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>60,000,000</u>		<u>-</u>		<u>-</u>

Notes:

- (a) The loan from the Group bore annual interest rate ranging within 3% to RMB deposit rate provided by China Merchants Bank, Hong Kong Branch plus 50%, secured by equity interests of the Company held by Grand Ease Holdings Limited ("Grand Ease", a holder of the Company's CDIs and of which Ms. Zhang is a beneficial shareholder), and repayable within 3 years.
- (b) Amount due to the Group is interest-free, unsecured and repayable on demand.

21. INVENTORIES

	2017 RMB	2016 RMB
Marketing merchandise	<u>6,331,802</u>	<u>10,617,890</u>

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NOTES TO THE FINANCIAL STATEMENTS
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22. TRADE AND OTHER RECEIVABLES

	Notes	2017 RMB	2016 RMB
Trade receivables	(a)	154,963,454	38,960,452
Prepayments and deposits	(b)	124,991,020	240,294,247
Other receivables		4,570,282	3,627,231
Other receivable from Handpay	(c)	135,134,912	154,601,908
		<u>419,659,668</u>	<u>437,483,838</u>

Notes:

- (a) 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:

	2017 RMB	2016 RMB
Neither past due nor impaired	127,099,684	30,868,705
Less than 1 month past due	5,949,102	891,389
1 to 3 months past due	4,636,585	2,452,859
More than 3 months	17,278,083	4,747,499
	<u>154,963,454</u>	<u>38,960,452</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% (2016: 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 loans (note 26(b)). At 31 December 2017, trade receivables of RMB3,536,909 (31 December 2016: nil) continue to be recognised in the Group's financial statements even though they have been legally transferred to the financial institutions. The carrying amount of the transferred assets and their associated liabilities approximates their fair value as at 31 December 2017.

Because the trade receivables have been transferred to the financial institutions legally, the Group did not have the authority to determine the disposition of the trade receivables.

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NOTES TO THE FINANCIAL STATEMENTS
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22. TRADE AND OTHER RECEIVABLES - Continued

Notes: - Continued

(a) (Continued)

At 31 December 2017, trade receivables of the Group of RMB63,907 were pledged against bank loans of the Group (note 26(a)).

(b) 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 “Ofpay 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. Zhang (a director of the Company), certain independent investors (the “Investors”) and Ofpay Vendors to divest 100% equity interests in Ofpay, and contract amounts of RMB200,000,000 (the “Consideration I”), RMB175,000,000 (the “Consideration II”) and nil will be received from Ms. Zhang, the Investors and Ofpay Vendors respectively. Upon the completion of Ofpay Divestment Agreement, Ms. Zhang, the Investors and Ofpay Vendors would respectively hold 40%, 35% and 25% equity interests in Ofpay and the Conditional Deferred Payments Clause would be cancelled. The Consideration I from Ms. Zhang would be settled by cash of RMB20,000,000; discharge of other loan to the Company from Grand Ease (note 26(d)); and a loan receivable of RMB40,000,000 (note 20) 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 ranging within 3% to 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.

During the year, Consideration II was received and paid to Ofpay Vendors by the Group under Ofpay Divestment Agreement. In December 2017, Ofpay Divestment Agreement has been completed and a gain on divestment of RMB40,000,000 (note 9) was recognised by the Group.

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

22. TRADE AND OTHER RECEIVABLES - Continued

Notes: - Continued

- (c) Other receivable due from Handpay is mainly derived from the operation of 99wuxian.com mobile marketplace. 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 also collects revenue and pay expenses on behalf of the Group. 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 2017, 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 (2016: 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 2017 (2016: nil).

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

23. CASH AND BANK BALANCES

	Notes	2017 RMB	2016 RMB
Cash and bank balances		93,936,777	44,016,056
Less:			
Deposit pledged against bank loans	(a)	(46,400,000)	-
Deposit restricted for insurance brokerage work	(b)	<u>(5,000,000)</u>	<u>-</u>
Cash and cash equivalents for the purpose of the consolidated statement of cash flows		<u>42,536,777</u>	<u>44,016,056</u>

Notes:

- (a) At 31 December 2017, the bank deposit with interest rate of 2% per annum were pledged against bank loan due to be settled within twelve months after the reporting period (note 26(a)), and had a maturity within twelve months after the reporting date.
- (b) In accordance with relevant provision of Insurance Law of the PRC, Beijing Dingli should place 10% of its share capital as restricted statutory deposits.

24. TRADE AND OTHER PAYABLES

	Notes	2017 RMB	2016 RMB
Trade payables		6,669,899	3,398,409
Accruals and other payables	(a) & (b)	32,410,358	12,596,403
Receipts in advance		<u>147,399,972</u>	<u>57,646,766</u>
		<u>186,480,229</u>	<u>73,641,578</u>

Notes:

- (a) The Group is in progress to finalise certain tax treatment in relation to Value-added Tax ("VAT") filing with relevant tax authority in the PRC. In the opinion of the management, there is possibility that VAT of RMB33,653,262 may be reversed.
- (b) As at 31 December 2017, accruals and other payables included an amount of RMB5,400,000 (2016: Nil), which was payable to Dingli Vendors for the acquisition of Beijing Dingli.

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

25. AMOUNT DUE TO A RELATED PARTY

The balance is unsecured, interest-free and repayable on demand and represents an amount due to a related company of which a director of the Company is also a director.

26. BANK AND OTHER LOANS

	Notes	2017 RMB	2016 RMB
Bank loans - secured	(a)	96,540,000	-
Other loans - secured	(b)	37,232,000	17,083,000
Other loan - unsecured	(c)	10,000,000	-
Other loan from a shareholder - unsecured	(d)	-	139,562,471
Debt elements of equity-linked loans - unsecured	(e)	10,621,304	-
		<u>154,393,304</u>	<u>156,645,471</u>

The Group's bank and other loans are repayable as follows:

	2017 RMB	2016 RMB
Within one year or on demand	154,393,304	17,083,000
In the second year	-	-
In the third to fifth year	-	139,562,471
	<u>154,393,304</u>	<u>156,645,471</u>

The carrying amounts of the Group's bank and other loans are denominated in the following currencies:

	2017 RMB	2016 RMB
RMB	151,150,386	156,645,471
Australian Dollar ("A\$")	3,242,918	-
	<u>154,393,304</u>	<u>156,645,471</u>

Notes:

- (a) As at 31 December 2017, the effective interest rates of the Group's secured bank loans were ranging from 4.35% to 6.25% per annum.

Bank loans of RMB44,040,000 are secured by a bank deposit of the Group of RMB46,400,000 (note 23) and guaranteed by Ms. Zhang.

Bank loans of RMB52,500,000 are secured by trade receivables of RMB63,907 (note 22(a)).

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

26. BANK AND OTHER LOANS - Continued

Notes: - Continued

- (b) As at 31 December 2017, the effective interest rates of the Group's secured other loans were ranging from 12% to 18% per annum (2016: 12% to 18%).

The balance represents the amounts of financing obtained from financial institutions in factoring transactions on the Group's trade receivables with full recourse (note 22(a)).

- (c) As at 31 December 2017, the effective interest rate of the Group's unsecured other loan was at 12% per annum and other loan is guaranteed by Ms. Zhang.
- (d) 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, 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 Convertible Note 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 voluntary 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 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.

On 27 March 2017, conversion clause was extinguished and Convertible Note became interest-free upon the commencement of Ofpay Divestment Agreement.

As at 22 December 2017, Convertible Note was discharged upon the completion of Ofpay Divestment Agreement.

During the year, interest expense in total of RMB437,529 (2016: RMB7,951,010) was amortised as finance costs.

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

26. BANK AND OTHER LOANS - Continued

Notes: - Continued

- (e) In November 2017, the Group obtained three equity-linked loans with principal amounts of A\$950,000 (equivalent to RMB4,974,105), RMB6,250,000 and RMB5,000,000 (collectively "Equity-linked Loans") respectively for general working capital purpose. Equity-linked Loans carry a coupon rate of 10% per annum, which are paid quarterly in arrears on 17 February 2018, 17 May 2018, 17 August 2018 and 17 November 2018 ("Maturity Date"). The lenders of Equity-linked Loans are entitled to unlisted call options ("Call Options") which would provide the lenders the right to acquire a maximum of total 31,429,825 CDIs of the Company at a fixed price of A\$0.1 per option at any time prior to 17 November 2020. In the event Call Options are exercised by the lenders prior to Maturity Date, the proceeds from Call Options exercised will be repaid by the Group to the lenders as a loan reduction of the principal within 30 days of receipt of the proceeds of Call Options exercised from the lenders. During the year, no Call Options have been exercised and converted into CDI of the Company by lenders.

The Group determined that the feature of Call Options will not result in settlement by the exchange of a fixed amount of cash for a fixed number of the Company's shares. Each of the Equity-linked Loans is separately recognised as derivative financial instruments consisting of Call Options, and a liability component consisting of a straight debt element.

In the opinion of the management, the total transaction price of Equity-linked Loans of RMB16,224,105 was not the best evidence of their aggregated fair value as the total fair value of Equity-linked Loans at initial recognition determined by a firm of independent professional valuer, based on Binominal model that does not only use data from observable markets, was RMB25,405,571. The total loss on initial recognition of Call Options and debt elements determined by the initial differences between fair value and transaction price of Equity-linked Loans are deferred and allocated to the carrying amounts of Call Options and debt element respectively. After initial recognition, the deferred initial differences are recognised as gains or losses only to the extent that they arise from a change in a factor (including time) that market participants would take into account when pricing the Equity-linked Loans. As at 31 December 2017, the unamortised deferred initial differences amounted to RMB3,170,047 was included in Call Options.

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

26. BANK AND OTHER LOANS - Continued

Notes: - Continued

(e) (Continued)

The carrying values and movements of debt elements and derivative financial instruments which are the Call Options of Equity-linked Loans are as follows:

	Debt elements RMB	Derivative financial instruments RMB	Total RMB
Equity-linked Loans at issue date	16,632,723	8,772,848	25,405,571
Deferred initial differences upon issuance	(6,011,419)	(3,170,047)	(9,181,466)
Change in fair value of derivative financial instruments (note 9)	-	1,239,846	1,239,846
Carrying amount as at 31 December 2017	10,621,304	6,842,647	17,463,951
Less:			
Current portion	(10,621,304)	(5,342,198)	(15,963,502)
Non-current portion	-	1,500,449	1,500,449

The change in the fair value of the derivative financial instruments during the year ended 31 December 2017 results in a fair value loss of RMB1,239,846 (note 9). For more detailed information in relation to the fair value measurement of derivative financial instruments, please refer to note 38(e).

Interest expenses are calculated using the effective interest method by applying the effective interest rates ranging from 53% to 58% to the adjusted liability component.

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NOTES TO THE FINANCIAL STATEMENTS
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27. DEFERRED TAXATION

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

	Tax losses RMB
As at 1 January 2016	17,825,095
Charged to profit or loss for the year	<u>(4,117,085)</u>
As at 31 December 2016	13,708,010
Charged to profit or loss for the year	<u>(1,132,309)</u>
As at 31 December 2017	<u>12,575,701</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 2017, the Group has unrecognised tax losses of RMB4,132,644 (2016: RMB37,040). The tax losses will expire in the next 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 years are as follows:

	Fair value adjustment of intangible assets RMB
As at 1 January 2016	8,408,143
Credited to profit or loss for the year	<u>(306,680)</u>
As at 31 December 2016	8,101,463
Credited to profit or loss for the year	<u>(306,680)</u>
As at 31 December 2017	<u>7,794,783</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 2017, no deferred tax liability has been recorded on temporary differences of RMB80,067 (2016: RMB63,748) 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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28. SHARE CAPITAL

	Number of ordinary shares	RMB
Issued and fully paid up:		
At 1 January 2016	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 and 31 December 2017	<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 A\$0.1 per share.

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

29. 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 2016	-	73,695,955	73,695,955
Loss for the year	-	(14,581,198)	(14,581,198)
Issuance of Convertible Note (note 26(d))	<u>8,388,539</u>	<u>-</u>	<u>8,388,539</u>
At 31 December 2016	8,388,539	59,114,757	67,503,296
Loss for the year	-	(8,579,291)	(8,579,291)
Extinguishment of Convertible Note (note 26(d))	<u>(8,388,539)</u>	<u>8,388,539</u>	<u>-</u>
At 31 December 2017	<u>-</u>	<u>58,924,005</u>	<u>58,924,005</u>

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31 DECEMBER 2017

30. 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:

	2017 RMB	2016 RMB
Not later than one year	4,858,272	5,144,738
Later than one year and not later than five years	<u>7,382,301</u>	<u>12,069,668</u>
	<u>12,240,573</u>	<u>17,214,406</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 RMB5,964 (2016: RMB2,588,143).

31. CAPITAL COMMITMENT

There is no capital commitment for the Group at the end of reporting year (2016: Nil).

32. CONTINGENT LIABILITIES

As at 31 December 2016, 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 directors of 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 31 December 2016. The Group did not give any corporate financial guarantee as at 31 December 2017.

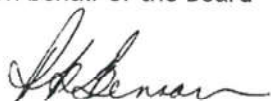
99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2017 RMB	2016 RMB
NON-CURRENT ASSETS			
Intangible asset		47,241,110	49,099,777
Interests in subsidiaries	34	35,659,114	31,787,500
Interest in an associate	19	-	8,722,500
Goodwill	18	3,440,400	3,440,400
Total non-current assets		86,340,624	93,050,177
CURRENT ASSETS			
Trade and other receivables		175,857,145	172,441,006
Amounts due from subsidiaries		124,742,320	260,742,320
Cash and cash equivalents		6,828,478	4,846,415
Total current assets		307,427,943	438,029,741
NON-CURRENT LIABILITIES			
Derivative financial instruments		1,500,449	-
Other loan		-	139,562,471
Deferred tax liabilities		7,794,783	8,101,463
Total non-current liabilities		9,295,232	147,663,934
CURRENT LIABILITIES			
Trade and other payables		2,368,068	1,316,542
Derivative financial instruments		5,342,198	-
Other loans		3,242,918	-
Current tax liabilities		920,253	920,253
Total current liabilities		11,873,437	2,236,795
NET CURRENT ASSETS		295,554,506	435,792,946
NET ASSETS		372,599,898	381,179,189
CAPITAL AND RESERVES			
Share capital	28	313,675,893	313,675,893
Reserves	29	58,924,005	67,503,296
		372,599,898	381,179,189

On behalf of the Board



Mr. Ross Benson
Director



Ms. Amalisia Zhang
Director

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

34. INTERESTS IN SUBSIDIARIES

	2017 RMB	2016 RMB
Unlisted equity interest, at cost	35,659,114	31,787,500
Less: Provision for impairment	-	-
Net carrying amount at 31 December	35,659,114	31,787,500

Particulars of the subsidiaries at 31 December 2017 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	HK\$40,000,000	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%
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%

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

34. INTERESTS IN SUBSIDIARIES - Continued

Particulars of the subsidiaries at 31 December 2017 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	RMB10,000,000 (2016: RMB1,000,000)	100%
上海麒迹国际贸易有限公司	Limited liability company	PRC 2 August 2010	Dormant	RMB1,000,000	100%
上海诚度信息技术有限公司	Limited liability company	PRC 12 January 2016	Provision of services on a mobile marketplace in PRC	Nil	100%
上海邦道信息技术有限公司	Limited liability company	PRC 12 January 2016	Provision of services on a mobile marketplace in PRC	Nil	100%
上海瀚栋信息技术有限公司 ("Shanghai Handdong") (Note (ii))	Limited liability company	PRC 14 September 2016	Dormant	Nil	100%
贵州众投信息技术服务有限公司 (Note (iii))	Limited liability company	PRC 17 February 2017	Dormant	Nil	100%
贵州信由数生征信服务有限公司 (Note (iii))	Limited liability company	PRC 26 September 2017	Dormant	Nil	100%

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34. INTERESTS IN SUBSIDIARIES - Continued

Particulars of the subsidiaries at 31 December 2017 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>
裕富（深圳）商业保理有限公司 (Note (iii))	Limited liability company	PRC 20 April 2016	Dormant	Nil	100%
上海辰畅信息技术有限公司 (Note (iii))	Limited liability company	PRC 14 March 2017	Dormant	Nil	100%
上海易河信息技术有限公司 (Note (iii))	Limited liability company	PRC 10 March 2017	Dormant	Nil	100%
北京鼎立保险经纪有限责任公司 (Note (iii))	Limited liability company	PRC 13 May 2014	Dormant	RMB50,000,000	95%

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) On 3 March 2017, Mr. Wang Haoqi signed a trust agreement with the Group to held the 100% equity interest in Shanghai Handdong on behalf of the Group and became the registered shareholder of Shanghai Handdong. In the opinion of the independent PRC legal advisor of the Group, the trust agreement is legal and complies with PRC laws and regulations.
- (iii) These companies were newly incorporated or acquired during the year ended 31 December 2017.

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35. 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	2017 RMB	2016 RMB
Investorlink Corporate Limited ("Investorlink Corporate")	Professional services fee	785,385	1,677,329

Mr. Ross Benson, director and key management personnel of the Company, is associated with Investorlink Securities Limited ("Investorlink Securities"), Investorlink Corporate and Investorlink Group.

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

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NOTES TO THE FINANCIAL STATEMENTS
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36. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash and cash equivalents comprise

	2017 RMB	2016 RMB
Cash available on demand	<u>42,536,777</u>	<u>44,016,056</u>

(b) Reconciliation of liabilities arising from financing activities

	Bank loans (note 26(a)) RMB	Other loans (note 26(b)&(c)) RMB	Other loan from a shareholder (note 26(d)) RMB	Equity-linked Loans (note 26(e)) RMB
At 1 January 2017	-	17,083,000	139,562,471	-
Changes from cash flows:				
Proceeds from new bank and other loans	96,540,000	174,834,800	-	16,224,105
Repayment of bank and other loans	-	(144,685,800)	-	-
Interest expenses paid	<u>(1,041,660)</u>	<u>(6,853,629)</u>	<u>-</u>	<u>-</u>
Other changes:				
Change in fair value	-	-	-	1,239,846
Interest expenses	1,041,660	6,853,629	437,529	-
Extinguishment of Convertible Note	<u>-</u>	<u>-</u>	<u>(140,000,000)</u>	<u>-</u>
At 31 December 2017	<u>96,540,000</u>	<u>47,232,000</u>	<u>-</u>	<u>17,463,951</u>

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NOTES TO THE FINANCIAL STATEMENTS
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36. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

- (c) 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 22(c)).

	2017 RMB	2016 RMB
<i>Operating activities</i>		
Sales received by Handpay on behalf of the Group	198,703	90,961,970
Operating cost paid by Handpay on behalf of the Group	(461,040)	(16,260,024)
Ongoing service fee charged by Handpay	(5,964)	(2,588,143)
	<u>(268,301)</u>	<u>72,113,803</u>

37. 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 25, bank and other loans disclosed in note 26 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.

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NOTES TO THE FINANCIAL STATEMENTS
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37. CAPITAL RISK MANAGEMENT - Continued

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:

	2017 RMB	2016 RMB
Total debts	<u>154,520,468</u>	<u>156,767,677</u>
Total shareholders' equity	<u>320,508,807</u>	<u>337,544,143</u>
Gearing ratio	<u>48%</u>	<u>46%</u>

38. FINANCIAL RISK MANAGEMENT

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

These risks are limited by the Group's financial management policies 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 of financial instruments as 45.9% (2016: 78.4%) of the total trade and other receivables was due from the one largest debtor of the Group.

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

38. FINANCIAL RISK MANAGEMENT - Continued

(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.

	Carrying amount RMB	Total contractual undiscounted cash flows RMB	Within one year or on demand RMB	More than one year RMB
At 31 December 2017				
Trade and other payables	39,080,257	39,080,257	39,080,257	-
Amount due to a related party	127,164	127,164	127,164	-
Bank and other loans	154,393,304	168,693,974	168,693,974	-
	<u>193,600,725</u>	<u>207,901,395</u>	<u>207,901,395</u>	<u>-</u>
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>

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

38. FINANCIAL RISK MANAGEMENT - Continued

(c) Interest rate risk

The Group's cash flow interest rate risk mainly arises from bank balances and loan to a director at floating rates as disclosed in notes 23 and 20 while the Group's fair value interest-rate risk mainly arises from bank and other loans at fixed rates as disclosed in note 26. The Group's policy is manage its interest rate risk, working within an agreed framework, to ensure there no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary. The directors considered that the Group's interest rate risk is minimal and 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 loan to a director, bank and other loans are disclosed in notes 20 and 26 to the consolidated financial statements respectively.

(d) Currency risk

The following table indicates the approximate change in the Group's 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 decrease in loss and increase in 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:

	2017 RMB	2016 RMB
Denominated in HK\$		
Cash and bank balances	2,520,437	3,507,281
Overall net exposure	<u>2,520,437</u>	<u>3,507,281</u>
Denominated in A\$		
Cash and bank balances	4,635,075	1,687,941
Derivative financial instruments	(6,842,647)	-
Bank and other loans	(3,242,918)	-
Overall net exposure	<u>(5,450,490)</u>	<u>1,687,941</u>

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31 DECEMBER 2017

38. FINANCIAL RISK MANAGEMENT - Continued

(d) Currency risk - Continued

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

	Increase/ (decrease) in foreign exchange rates %	Effect on profit/loss for the year ended 31 December 2017 and retained profits RMB	Increase/ (decrease) in foreign exchange rates %	Effect on profit/loss for the year ended 31 December 2016 and retained profits RMB
HK\$	+5%	126,022	+5%	175,364
	-5%	(126,022)	-5%	(175,364)
A\$	+5%	(272,525)	+5%	84,397
	-5%	<u>272,525</u>	-5%	<u>(84,397)</u>

(e) Fair value measurements recognised in the consolidated statement of financial position

The fair values of trade and other receivables, amount due from a director, cash and bank balances, trade and other payables, amount due to a related party, and current portion of interest-bearing borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the loan to a director and non-current portion of interest-bearing borrowings have been calculated by discounting the expected future cash flows using the rates currently available for instruments on similar terms, credit risk and remaining maturities which are not materially different from their respective carrying amounts.

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

(e) Fair value measurements recognised in the consolidated statement of financial position - Continued

Fair value hierarchy

The following tables present financial liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial liabilities measured at fair value in the consolidated statement of financial position at the reporting date are grouped into the fair value hierarchy as follows:

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
As at 31 December 2017				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments - Unlisted call options	-	-	6,842,647	6,842,647

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

38. FINANCIAL RISK MANAGEMENT - Continued

(e) Fair value measurements recognised in the consolidated statement of financial position - Continued

There were no significant transfers between levels 1 and 2 and no transfers into or out of level 3 during the years.

The fair value of the derivative financial instruments was calculated using the Binominal model with the major inputs used in the model as follows:

	2017
Stock price	A\$0.14
Volatility	46%
Risk free rate	1.79 - 2.11%

Any changes in the major inputs into model will result in changes in the fair value of the derivative component. Increase in the average expected volatility, stock price and risk free rate would increase the fair value of the unlisted call options.

Assuming all other variables is held constant; an increase in stock price by 10% would increase the unlisted call options by a further RMB1,445,589, an increase in volatility by 10% would increase the unlisted call options by RMB681,160, and an addition in risk free rate by 0.2% would increase the unlisted call options by RMB21,992.

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39. 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 2017 and 2016 may be categorised as follows:

	2017 RMB	2016 RMB
Financial assets		
Loans and receivables:		
Trade and other receivables	294,668,648	357,189,591
Amount due from a director	20,000,000	-
Loan to a director	40,000,000	-
Cash and bank balances	<u>93,936,777</u>	<u>44,016,056</u>
	<u>448,605,425</u>	<u>401,205,647</u>
Financial liabilities		
Liabilities measured at amortised cost:		
Trade and other payables	39,080,257	15,994,812
Amount due to a related party	127,164	122,206
Bank and other loans	<u>154,393,304</u>	<u>156,645,471</u>
	<u>193,600,725</u>	<u>172,762,489</u>
Liabilities measured at fair value through profit or loss:		
Derivative financial instruments	<u>6,842,647</u>	<u>-</u>
	<u>200,443,372</u>	<u>172,762,489</u>

40. 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 2017.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2018.