99 WUXIAN LIMITED

(incorporated in Hong Kong with limited liability)

Directors' Report and
Financial Statements
For the year ended 31 December 2018

99 WUXIAN LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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99 WUXIAN LIMITED

DIRECTORS' REPORT

The directors of 99 Wuxian Limited ("The Company") present their annual report together with the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Company for the year ended 31 December 2018 and the financial position of the Company as at that date are set out in the financial statements on pages 15 to 105.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2018.

DIRECTORS

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

Ms. Amalisia Zhang ("Ms. Zhang")
Mr. Christopher Ryan
Mr. Haoming Yu
Mr. Ross Benson
Mr. Simon Green
Mr. Wen Tao

In accordance with the Company's Articles of Association, Messrs Christopher Ryan and Wen Tao will retire by rotation and, being eligible, offer themselves for re-election for forthcoming AGM.

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

Mr. Ding Zhi Wei
Ms. Liu Yan
Mr. Ma Jian Guo
Ms. Qian Jing Wen
Mr. Sheng Yun Dong
Mr. Wang Hao Qi
Mr. Wen Tao
Ms. Zhang
Ms. Zhang Qi
Mr. Zhang Ying Jin
Mr. Jiang Chuan Wen

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Ms. Zhang, a beneficial shareholder in Jiangsu Ofpay E-commerce Limited ("Ofpay"), held an interest in contracts for the provision of mobile recharge services in the sum of RMB195,838,438 and RMB49,745,352 with Shanghai Handpal Information Technology Co., Ltd ("Shanghai Handpal") and Shanghai Handqian Information Technology Co.,Ltd respectively, subsidiaries of the Company. The directors are of the opinion that these services are based on standard commercial terms, published prices and conditions similar to those offered to the major customers of the service provider.

Ms. Zhang, as a beneficial shareholder in Ofpay, held an interest in contracts for the provision of mobile recharge services of RMB566,645,535 with Shanghai Handpal to Ofpay. The directors are of the opinion that these services are subject to standard commercial terms, the published prices and conditions similar to those offered to the major customers of Shanghai Handpal.

Save as disclosed above and elsewhere in the financial statements, there are no other 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 during or at the end of the financial year.

EQUITY-LINKED AGREEMENTS

In November 2017, the Company and a subsidiary 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 I") respectively for general working capital purpose. Equity-linked Loans I carry a coupon rate of 10% per annum, which were paid quarterly on 17 February 2018, 17 May 2018, 17 August 2018 and 17 November 2018. The lenders of Equity-linked Loans I are entitled to unlisted call options (the "Call Option I") 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$0.10 per option at any time prior to 17 November 2020.

In November 2018, the Company and a subsidiary redeemed part of the Equity-linked Loans I at a price equal to the sum of principal amount of RMB4,056,026 upon maturity. The terms and conditions of the principal amount of outstanding Equity-linked Loans I of RMB12,168,079 (the "Modified Equity-linked Loans I") were amended and modified. The Maturity Date of Modified Equity-linked Loans I was extended by four months, from 17 November 2018 to 17 March 2019. The coupon rate is adjusted from 10% to 13% per annum. The Call Options I were extended by six months and convertible at any time prior to 17 May 2021. Except for the above, all other terms and conditions of the Modified Equity-linked Loans I remain unchanged from the original terms.

In January 2018, the Company obtained an equity-linked loan with principal amount of A$250,000 (equivalent to RMB1,271,050) ("Equity-linked Loan II") for general working capital purpose. Equity-linked Loan II carries a coupon rate of 10% per annum, which has been paid quarterly on 22 April 2018, 22 July 2018, 22 October 2018 and 22 January 2019. The lender of Equity-linked Loan II is entitled to unlisted call options which would provide the lender the right to acquire a maximum of total 2,500,000 CDIs of the Company at a fixed price of A$0.10 per option at any time prior to 22 January 2021.

EQUITY-LINKED AGREEMENTS - Continued

In February 2018, the Company's subsidiary obtained an equity-linked loan with principal amount of RMB1,500,000 ("Equity-linked Loan III") for general working capital purpose. Equity-linked Loan III carries a coupon rate of 10% per annum, which has been paid quarterly on 20 May 2018, 20 August 2018, 20 November 2018 and 20 February 2019. The lender of Equity-linked Loan III is entitled to unlisted call options which would provide the lender the right to acquire a maximum of total 3,000,000 CDIs of the Company at a fixed price of A$0.10 per option at any time prior to 20 February 2021.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

Since the establishment, the Company has established a business to business to customer ("B2B2C") M-commerce platform to satisfy business partners' demands of bringing offline customers to online, attracting potential new customers and improving customer engagement.

Business partners' have driven the development of the Company as their requirements for customer acquisition, marketing, customer activeness and engagement, customer incentives, customer retention and loyalty management, customer lifecycle extension expand The Company's technology and accumulated m-commerce experience, provides the foundation for further development of its business model which derives revenue from the provision of M-commerce Marketing Solutions and Cloud Services. The Company provides various products and services, including 99 Mobile Marketplace, Business Costs Procurement Tools, Loyalty Marketing Program Development, Online Insurance, Insurance Supply Chain Management, Employee Benefits, Offline to Online Integration and Customer Behaviour Data Analysis.

BUSINESS REVIEW - Continued

Business overview and key operating and financial metrics - Continued

With the development of business, the Company's business partners have expanded from the banking sector to the insurance sector, financial institutions and non-financial institutions. In 2018, the Company increased to 1400 Business Partners, an increase of 133% compared from 2017. This expansion in Business Partners has provided the Company with further insight in understanding the demands of business partners and a more comprehensive partner network coverage of the Chinese consumer market.

The Company reported revenue of RMB 128.8 million in 2018, an increase of 5% from 2017. The reported gross profit of RMB 125.2 million, and net loss of RMB 9.2 million. The gross profit increased by 61% from 2017, mainly due to the introduction of higher margin product participation, expanded service offerings in Cloud Delivered Services, and better control on market campaign costs. The net loss decreased by 46% from 2017, mainly due to the improvement of gross profit.

The Company will continue research activities and engage with business partners and their customers to ensure strong visibility to key needs and demands. This process, broadens the cooperation with current and potential business partners, enhances the Company's provision of services. The Company's continuously strives to improve operation efficiency, and optimise the technology and operating systems.

Environmental policies and compliance

The Company generates the majority of its revenue from China. The Company's operations are therefore impacted by the economic, political and legal factors in the country. The Company is complying with all the applicable laws, rules and regulations.

According to the Report, "Work of the Government 2019" delivered by Mr Li Keqiang, Premier of the State Council of the People's Republic of China, China's Gross Domestic Product ("GDP") in 2018 increased by 6.6% compared with 2017 and the total amount of GDP reached over RMB 90 trillion. In 2019, the Chinese Government has forecast China GDP will increase in a range of 6% to 6.5%. In addition, Per Capita Disposable Income ("PCDI") of Chinese residents increased by 6.5%. The Chinese Government, through its domestic policies encourages the development of technology and innovation to stimulate the development of the economy. Moreover, the government fully promotes "Internet plus" through all aspects of the economy. The Governments favourable view of technology development and innovation supports to the development of the Company's business.

BUSINESS REVIEW - Continued

Environmental policies and compliance - Continued

China has implemented uniform standards and rules and promoted reform in credit supervision and "Internet + supervision". 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 Company in different aspects including taxation and interest rates. According to Report on the "Work of the Government of 2019", the government will implement positive fiscal policy and prudent monetary policy in 2019 to promote sustained economic and social development. 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, based on laws covering Contract Law, Consumer Protection Law, Product Quality Law, and Trademark Law. The Company acts carefully and ensure 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, and public affairs department. These measures are designed to mitigate non-compliance risks to the Company.

Risk factors

Risk identification is important to ensure management of adverse impacts on the Company.

External risk factors include:

- Risks in laws, rules and regulations:
  The Chinese Government has implemented relevant laws, rules and regulations in recent years to strictly monitor and supervise the M-commerce business. There are still some uncertainties in interpretation and enforcement of relevant laws, rules and regulations since the M-commerce market is just in an early stage in China. Besides, the Government may issue new laws, rules and regulations to fit in the developing M-commerce business and require the market players to react in a timely manner. The Company 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 Company's reputation and earnings.

BUSINESS REVIEW - Continued

Risk factors - Continued

- Risks in macro economy:
  China's economy differs from those developed economies in many aspects, including the extent of government involvement, level of development, growth rate, control of foreign currency, and allocation of resources. The 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 the Company's regional strategic deployment.

- Risks in suppliers:
  As to certain special categories of products, stability of supply could involve uncertainties. For instance, the Company 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.

- Risks in business partners:
  Quite a few Company's business partners are financial institutions, such as banks and insurance companies, the development of which are easily influenced by policy, regulation and economic environment. If the economy declines or the regulations are tightened, the demands of the Company's business partners will decrease, which will adversely affect the Company's business development.

Internal risk factors include:

- Risks in strategic business development:
  The Company focuses on long term sustainable interests in the process of business development, which requires investment and working capital injection for new projects, prepayment for rewards redemption business, expenditure on marketing activities, etc. It takes time to generate considerable profits, which cannot be immediately reflected by short term financial results.

- Risks in knowing the consumers:
  The Company provides comprehensive products and services to satisfy the developing demands of consumers. Knowing consumers provides the assurance that the Company offers optimal solutions. Consumer behaviour continues to evolve and any failure by the Company to recognise these changes would be detrimental.

BUSINESS REVIEW - Continued

Risk factors - Continued

- Risks in information technology:
  As the Company's business develops, and more traffic is generated on its platforms, any failure to maintain technology infrastructure including system upgrades and hardware enhancements could lead to system disruptions, slower responses and delays in processing. Any failure to maintain information systems, networks, databases and access authorities could seriously affect the operations of the Company.

  To better control information technology risk, the Company has established a comprehensive risk control and management mechanisms to prevent the risks from occurring while enabling quick response times by utilising the Company's business risk alert systems. The CTO leads the business risk alert task force, which is composed of people from the quality and risk control department, business lines, and relevant supportive functions. On a quarterly basis, the task force assesses the risks associated with both the external environment and internal operations, projects on different scenarios, and proposes relevant emergency-response plans and procedures.

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

The Company has no important events affecting the Company that have occurred since the end of the financial year.

Employee relations management

The Company always regards staff personnel as one of its most valuable resources and takes well defined measures to constantly improve employee management. Firstly, the Company recruits high quality professionals in technology, sales and finance and provides them with competitive compensation packages as motivation. The Company also offers employees various and flexible benefits to deliver a message of employee care. Moreover, the Company assists employees with career development by providing trainings and an effective, transparent and reasonable promotion mechanism to encourage fairness and employee satisfaction.

Business partner relations management

The Company provides M-commerce Marketing Solutions and Cloud Services for business partners to help them to be fully engaged with their customers and employees. The Company believes that having a solid partnership is the key factor to the business success, so the Company is always striving to maintain, strengthen the establish partnership well-being while developing new business partners. Depending on the Company's strong technology, excellent research and development capabilities, and better understanding of evolving demands, it will provide its business partners with satisfying products and services.

BUSINESS REVIEW - Continued

Customer relations management

The Company is devoted to offering outstanding customer service and experience. The Company has a 7*24 hotline and diversified online customer service platforms such as WeChat terminals to handle the inquiries, problems and complaints from the customers in a timely manner. The Company's efficient customer service team and customer relations management system are welcomed by its customers, as well as its business partners.

Merchant relations management

The Company has a set of merchant management mechanisms 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. The Company actively sources more high quality and diversified merchants, boards them onto the platform to improve its offerings and provides incentives to them for better cooperation. For those merchants who fail in the admittance and evaluation process, the Company will not include them into the portfolio or will temporarily take their products and services off the platform and send notifications to them requiring immediate rectification for re-evaluation later. In this way, the Company ensures a high quality merchant mix and product mix.

AUDITOR

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

On behalf of the Board

Mr. Ross Benson
Chairman

Hong Kong, 29 March 2019

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 policies and procedures applied to revenue recognition and those revenues requiring the exercise of significant management judgement;
- Understanding the systems involved in recording revenues and 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 4(g)A(ii), 5(e), 21 and 36(a) to the consolidated financial statements

Trade and other receivables were significant to the Group representing approximately 65% of the Group's total assets as at 31 December 2018. Management performed periodic assessment on the recoverability of the trade and other receivables and the sufficiency of provision for impairment based on information including credit profile of different debtors, ageing of the receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant debtors. Management also considered forward-looking information that may impact the debtors' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the impairment assessment of trade and other receivables under the expected credit losses model involved the use of significant management judgements and estimates.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF 99 WUXIAN LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of 99 Wuxian Limited ("the Company") and its subsidiaries (herein referred to as the "Group") set out on pages 15 to 105, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by 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.

Key Audit Matters - Continued

Recoverability of trade and other receivables - Continued

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.

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 RMB3.3 million, intangible assets of approximately RMB72.5 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 2018. 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF 99 WUXIAN LIMITED
(incorporated in Hong Kong with limited liability)

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.

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.

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

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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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.

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

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the 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, 29 March 2019

99 WUXIAN LIMITED

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

	Notes	2018 RMB	2017 RMB
Revenue	7	128,814,460	122,356,221
Cost of sales		(3,609,945)	(44,552,200)
Gross profit		125,204,515	77,804,021
Other revenue	8	7,936,294	4,807,993
Other gains and losses, net	9	571,181	38,352,510
Selling and distribution expenses		(66,964,810)	(62,700,737)
Administration expenses		(60,935,446)	(65,767,485)
Reversal of impairment losses on trade and other receivables	36(a)	183,749	-
Operating profit/(loss)		5,995,483	(7,503,698)
Finance costs	10	(18,333,768)	(8,332,818)
Share of result of an associate		-	(373,191)
Loss before income tax	11	(12,338,285)	(16,209,707)
Income tax credit/(expense)	13	3,168,796	(825,629)
Loss for the year		(9,169,489)	(17,035,336)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(9,169,489)	(17,035,336)
Loss per share (RMB)	14		
- Basic and diluted		(0.008)	(0.0147)

99 WUXIAN LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 RMB	2017 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	16	3,327,924	5,375,343
Intangible assets	17	72,475,121	75,747,496
Goodwill	18	3,440,400	3,440,400
Loan to a director	19	40,000,000	40,000,000
Deferred tax assets	26	17,123,341	12,575,701
Total non-current assets		136,366,786	137,138,940
CURRENT ASSETS			
Inventories	20	1,099,015	6,331,802
Trade and other receivables	21	448,443,362	419,659,668
Amount due from a director	19	-	20,000,000
Tax recoverable		4,355,850	-
Cash and bank balances	22	105,585,682	93,936,777
Total current assets		559,483,909	539,928,247
NON-CURRENT LIABILITIES			
Derivative financial instruments	25	3,314,450	1,500,449
Deferred tax liabilities	26	7,488,103	7,794,783
Total non-current liabilities		10,802,553	9,295,232
CURRENT LIABILITIES			
Trade and other payables	23	96,520,203	186,480,229
Contract liabilities	7	134,370,547	-
Amount due to a related party	24	136,057	127,164
Amount due to a director	24	13,980,000	-
Derivative financial instruments	25	5,959,304	5,342,198
Bank and other loans	25	122,116,552	154,393,304
Current tax liabilities		1,431,734	920,253
Total current liabilities		374,514,397	347,263,148
NET CURRENT ASSETS		184,969,512	192,665,099
NET ASSETS		310,533,745	320,508,807
CAPITAL AND RESERVES			
Share capital	27	313,675,893	313,675,893
Reserves	28	(3,142,148)	6,832,914
		310,533,745	320,508,807

On behalf of the Board

Mr. Ross Benson
Director

Ms. Amalisia Zhang
Director

99 WUXIAN LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital RMB (Note 27)	Other reserve RMB (Note 28)	Retained earnings/ (accumulated losses) RMB	Total RMB
Balance at 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	-	(8,388,539)	8,388,539	-
Balance at 31 December 2017 and 1 January 2018	313,675,893	-	6,832,914	320,508,807
Initial application of HKFRS 9 (note 2(a)A)	-	-	(805,573)	(805,573)
Restated balances at 1 January 2018	313,675,893	-	6,027,341	319,703,234
Loss for the year	-	-	(9,169,489)	(9,169,489)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(9,169,489)	(9,169,489)
Balance at 31 December 2018	313,675,893	-	(3,142,148)	310,533,745

99 WUXIAN LIMITED

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

	2018 RMB	2017 RMB
Cash flows from operating activities		
Loss before income tax	(12,338,285)	(16,209,707)
Adjustments for:		
Interest income	(2,502,900)	(73,806)
Finance costs	18,333,768	8,332,818
Depreciation of property, plant and equipment	2,464,484	3,813,988
Amortisation of intangible assets	3,933,114	2,948,783
Amortisation of deferred initial differences on derivative financial liabilities	2,350,913	-
Reversal of impairment loss of trade receivables	(183,749)	-
Loss arising from modification of equity-linked loans	630,714	-
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	(1,321,332)	1,239,846
Exchange loss, net	119,437	554,935
Operating profit/(loss) before changes in working capital	11,486,164	(39,167,243)
Decrease in inventories	5,232,787	4,286,088
Increase in trade and other receivables	(29,405,518)	(142,175,830)
Increase in trade and other payables and contract liabilities	44,410,521	107,438,651
Increase in amount due to a related party	8,893	4,958
Cash generated from/(used in) operations	31,732,847	(69,613,376)
Interest income	2,502,900	73,806
Income taxes paid	(5,529,893)	(28,333)
Net cash generated from/(used in) operating activities	28,705,854	(69,567,903)
Cash flows from investing activities		
Purchases of property, plant and equipment	(417,065)	(1,552,053)
Additions of intangible assets	(660,739)	(318,804)
Acquisition of a subsidiary	-	(26,600,000)
Proceeds from disposal of an associate	-	8,496,600
Repayment from a director	20,000,000	-
Decrease/(increase) in pledged deposit	2,800,000	(46,400,000)
Net cash generated from/(used in) investing activities	21,722,196	(66,374,257)

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

	2018 RMB	2017 RMB
Cash flows from financing activities		
Advance from a director	13,980,000	-
Proceeds from borrowings	175,621,850	287,598,905
Repayments of borrowings	(213,648,826)	(144,685,800)
Interest paid	(11,812,732)	(7,895,289)
Net cash (used in)/generated from financing activities	(35,859,708)	135,017,816
Net increase/(decrease) in cash and cash equivalents	14,568,342	(924,344)
Cash and cash equivalents at the beginning of year	42,536,777	44,016,056
Effect of exchange rate changes on cash and cash equivalents	(119,437)	(554,935)
Cash and cash equivalents at the end of year	56,985,682	42,536,777

99 WUXIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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 32 to the financial statements. The Company and its subsidiaries are referred to as the "Group" hereinafter.

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

(a) Adoption of new/revised HKFRSs - effective 1 January 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

A. <u>HKFRS 9 - Financial Instruments</u>

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following table summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings as of 1 January 2018:

	RMB
Retained earnings as at 31 December 2017	6,832,914
Increase in expected credit losses ("ECLs") in trade and other receivables	(805,573)
Restated retained earnings as at 1 January 2018	6,027,341

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

(a) Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

A. <u>HKFRS 9 - Financial Instruments - Continued</u>

(i) Classification and measurement of 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 fair value through profit or loss ("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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivative is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

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

(a) Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

A. HKFRS 9 - Financial Instruments - Continued

(i) Classification and measurement of financial instruments - Continued

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Upon the adoption of HKFRS 9, the Group's financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss. The Group has no financial asset classified as FVOCI or FVTPL during the year.

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

(a) Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

A. HKFRS 9 - Financial Instruments - Continued

(i) Classification and measurement of financial instruments - Continued

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amounts as at 1 January 2018 under HKAS 39 RMB	Carrying amounts as at 1 January 2018 under HKFRS 9 RMB
Trade and other receivables	Loans and receivables	Amortised cost	294,668,648	293,863,075
Amount due from a director	Loans and receivables	Amortised cost	20,000,000	20,000,000
Loan to a director	Loans and receivables	Amortised cost	40,000,000	40,000,000
Cash and bank balances	Loans and receivables	Amortised cost	93,936,777	93,936,777

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECLs model". HKFRS 9 requires the Group to recognise ECLs for trade receivables, other financial assets at amortised cost, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current year.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

(a) Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

A. HKFRS 9 - Financial Instruments - Continued

(ii) Impairment of financial assets - Continued

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due.

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

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

(a) Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

A. HKFRS 9 - Financial Instruments - Continued

(ii) Impairment of financial assets - Continued

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined for trade receivables as follows:

	Expected loss rate (%)	Gross carrying amount (RMB)	Loss allowance (RMB)
Neither past due nor impaired	0.1%	127,099,684	127,100
Less than 1 month past due	0.5%	5,949,102	29,746
1 to 3 months past due	0.5%	4,636,585	23,183
More than 3 months	1%-8%	17,278,083	625,544
		154,963,454	805,573

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 was RMB805,573. The reversal of loss allowances for trade receivables is RMB183,749 during the year ended 31 December 2018.

(b) Impairment of other financial assets

Other financial assets at amortised cost of the Group include loan to a director, amount due from a director and other receivables. Applying the ECL model results in immaterial impairment on 1 January 2018 and for the year ended 31 December 2018.

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

(a) Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

A. HKFRS 9 - Financial Instruments - Continued

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessment have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held.

If an investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

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

(a) Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

B. HKFRS 15 - Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The transition to HKFRS 15 had no impact on the opening balance of retained earnings.

The following table summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018. There was no material impact on the Group's consolidated income statement and consolidated statement of comprehensive income or consolidated statement of cash flows for the year ended 31 December 2018.

Impact on the consolidated statement of financial position as of 31 December 2018 (increase/(decrease)):

	Amount prepared under		
	HKFRS 15 RMB	Previous HKFRS RMB	Increase/ (decrease) RMB
Liabilities			
Current liabilities			
- Contract liabilities	134,370,547	-	134,370,547
- Trade and other payables	96,520,203	230,890,750	(134,370,547)
Total current liabilities	374,514,397	374,514,397	-
Total liabilities	385,316,950	385,316,950	-

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

(a) Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

B. HKFRS 15 - Revenue from Contracts with Customers - Continued

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's goods and services are set out below:

Revenue recognition

Commission and service income
Commission and service income is derived from various comprehensive services such as provision of mobile recharge, online game recharge and merchandise sourcing services on mobile and online marketplaces in the People's Republic of China (the "PRC"). Revenue is recognised upon on the completion of services. HKFRS 15 did not result in significant impact on the Group's accounting policies on recognition of commission and service income.

Sale of merchandises
The Group's contracts with customers for the sale of merchandises generally include one performance obligation. The Group has concluded that revenue from sale of merchandises should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the merchandises. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

No element of financing is deemed present as the revenue are generally made with a credit term of 30 days, which is consistent with market practice.

Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent in the provision of services and sale of merchandises requires judgements and considerations of all relevant facts and circumstances. The Group is a principal in a transaction if the Group obtains control of services/merchandises provided before they are transferred to customers. If control is unclear, when the Group is primarily responsible for fulfilling the promise to provide the specified good or service in a transaction, has inventory risk and/or has latitude in establishing price and selecting supplier, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned. Adoption of HKFRS 15 did not have any impact on the Group's determination as principal or as an agent.

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

(a) Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

B. HKFRS 15 - Revenue from Contracts with Customers - Continued

Contract liability

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Prior to the adoption of HKFRS 15, the Group recognised its contract liabilities under trade and other payables as receipt in advance from customers in the consolidated statement of financial position. Upon the adoption of HKFRS 15, reclassifications have been made from other payables and accruals to contract liabilities.

As of 1 January 2018, an increase in contract liabilities of approximately RMB147,399,972, and a decrease in trade and other payables of approximately RMB147,399,972 were recognised.

C. 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.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

D. 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 Interpretations 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.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020

<u>HKFRS 16 - Leases</u>
HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not 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.

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

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

HKFRS 16 - Leases - Continued
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.

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.

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 FVOCI if specified conditions are met - instead of at FVTPL.

Annual Improvements to HKFRSs 2015-2017 Cycle - Amendments to HKFRS 3, Business Combinations
The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

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

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

Annual Improvements to HKFRSs 2015-2017 Cycle - Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Amendments to HKFRS 3 - Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 - Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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

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

Annual Improvements to HKFRSs 2015-2017 Cycle - Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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.

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.

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.

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.

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.

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.

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.

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

A. Accounting policies applied from 1 January 2018

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

A. Accounting policies applied from 1 January 2018 - Continued

(i) Financial assets - Continued

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or 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. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

A. Accounting policies applied from 1 January 2018 - Continued

(i) Financial assets - Continued

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables, and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

A. Accounting policies applied from 1 January 2018 - Continued

(ii) Impairment loss on financial assets - Continued

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a default event occurs when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group considers a financial asset to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for a security because of financial difficulties.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

A. Accounting policies applied from 1 January 2018 - Continued

(ii) Impairment loss on financial assets - Continued

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

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

<u>Financial liabilities at FVTPL</u>

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale 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.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

A. Accounting policies applied from 1 January 2018 - Continued

(iii) Financial liabilities - Continued

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including trade and other payables, amounts due to a related party and a director 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.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

A. Accounting policies applied from 1 January 2018 - 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 notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; 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 notes 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.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

A. Accounting policies applied from 1 January 2018 - Continued

(v) Effective interest method

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

(vi) Equity instrument

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

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

(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 FVTPL 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 contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the the accounting policy set out in 4(g)A(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

A. Accounting policies applied from 1 January 2018 - Continued

(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 HKFRS 9.

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

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

B. Accounting policies applied until 31 December 2017

(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 FVTPL 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.

(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.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

B. Accounting policies applied until 31 December 2017- Continued

(ii) Impairment loss on financial assets- Continued

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.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL 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 FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. 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 FVTPL 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 FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

B. Accounting policies applied until 31 December 2017- Continued

(iii) Financial liabilities- Continued

Financial liabilities at amortised cost

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

(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 notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; 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 notes 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.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

B. Accounting policies applied until 31 December 2017 - Continued

(v) Effective interest method

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

(vi) Equity instrument

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

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

(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 FVTPL 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 contact 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.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Financial instruments - Continued

B. Accounting policies applied until 31 December 2017 - Continued

(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.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(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.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(i) Revenue recognition

A. Accounting policies applied from 1 January 2018

Revenue recognition

Commission and service income
Commission and service income is derived from various comprehensive services such as provision of mobile recharge, online game recharge and merchandise sourcing services on mobile and online marketplaces in the PRC. Revenue is recognised upon on the completion of services.

Sale of merchandises
The Group's contracts with customers for the sale of merchandises generally include one performance obligation. The Group has concluded that revenue from sale of merchandises should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the merchandises.

No element of financing is deemed present as the revenue are generally made with a credit term of 30 days, which is consistent with market practice.

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

Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent in the provision of services and sale of merchandises requires judgements and considerations of all relevant facts and circumstances. The Group is a principal in a transaction if the Group obtains control of services/merchandises provided before they are transferred to customers. If control is unclear, when the Group is primarily responsible for fulfilling the promise to provide the specified good or service in a transaction, has inventory risk and/or has latitude in establishing price and selecting supplier, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(i) Revenue recognition - Continued

B. Accounting policies applied until 31 December 2017

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.

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(i) Revenue recognition - Continued

B. Accounting policies applied until 31 December 2017 - 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.

C. Contract liabilities (accounting policies applied from 1 January 2018)

A contract liability represents the Company's obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

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.

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.

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.

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.

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; and
- investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal 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.

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.

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.

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 merchandise sourcing services are recognised on a net basis. In assessing the recognition basis, the management concluded that the Group did not obtain control of goods or services provided before they are transferred to customers, while the Group mainly offers the service in sourcing the content providers on behalf of the customers, 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.

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.

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 offering various services.

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

No revenue are derived from customers which individually contributed more than 10% to the Group's revenue for the year ended 31 December 2018. Revenue of RMB63,315,877 are derived from two customers which individually contributed more than 10% to the Group's revenue for the year ended 31 December 2017. Details of the revenues from these major customers are as follows:

	2018		2017	
	Revenue RMB	Proportion to the total revenues	Revenue RMB	Proportion to the total revenues
Customer A	N/A*	N/A	43,632,076	36%
Customer B	N/A*	N/A	19,683,801	16%
Total	N/A	N/A	63,315,877	52%

*The corresponding revenue contributed less than 10% of the total revenue of the Group.

7. REVENUE

Revenue includes the net invoiced value of goods sold and commission income earned by the Group. Revenue from contracts with customer within the scope of HKFRS 15 during the year are disaggregated by each significant category of revenue as follows:

	2018 RMB	2017 RMB
Revenue from contracts with customers		
- Commission and service income	127,199,749	121,028,830
- Sales of merchandise	2,319,228	2,391,519
	129,518,977	123,420,349
Less: other tax and relevant surcharge	(704,517)	(1,064,128)
Total	128,814,460	122,356,221

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	31 December 2018 RMB	1 January 2018 RMB
Receivables	179,968,993	154,963,454
Contract liabilities	134,370,547	147,399,972

The contract liabilities mainly relate to the advance considerations received from customers. Contract liabilities as at 1 January 2018 of RMB147,399,972 was recognised as revenue during the year and the contract liabilities as at 31 December 2018 was arising from the advance considerations received from customers.

The Group has applied the practical expedient and decided not to disclose the amount of the remaining performance obligations for contracts as performance obligations under the contracts had an original expected duration of one year or less.

8. OTHER REVENUE

	2018 RMB	2017 RMB
Interest income		
- Bank deposits	1,302,900	73,806
- Loan to a director	1,200,000	-
Government grants*	2,773,516	4,734,187
Others	2,659,878	-
	7,936,294	4,807,993

* 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

	2018 RMB	2017 RMB
Exchange loss, net	(119,437)	(554,935)
Gain on divestment in an entity (note 19(a))	-	40,000,000
Gain on disposal of an associate (note)	-	147,291
Change in fair value of derivative financial instruments (note 25(d))	1,321,332	(1,239,846)
Loss arising from modification of equity-linked loans	(630,714)	-
	571,181	38,352,510

Note:

On 18 October 2017, the Group disposed of all of its 40% equity interest in Allpay (International) Finance Service Corporation Limited ("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. Upon completion of the disposal, Allpay ceased to be an associate of the Group. Allpay had no revenue and a net loss of RMB932,978 during the year ended 31 December 2017.

10. FINANCE COSTS

	2018 RMB	2017 RMB
Interest on bank loans	5,218,113	1,041,660
Interest on debt elements of equity-linked loans	8,319,354	-
Interest on other loans	4,796,301	7,291,158
	18,333,768	8,332,818

11. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2018 RMB	2017 RMB
Auditor's remuneration	906,349	764,694
Cost of revenue by nature:		
- Promotion and advertising expenses	-	350,631
- Marketing merchandise	1,690,694	1,853,536
- Technical support service fee	-	41,594,340
- Bank handling charge	1,918,636	747,729
- Ongoing service fee	615	5,964
	3,609,945	44,552,200
Employee costs (including directors) comprise:		
- Contribution on defined contribution retirement plan	12,302,381	12,030,394
- Salaries and staff benefits	46,197,793	48,097,846
Operating lease charges in respect of leasehold buildings	5,233,639	5,105,621
Amortisation of intangible assets (note 17)	3,933,114	2,948,783
Depreciation of property, plant and equipment (note 16)	2,464,484	3,813,988

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:

	2018 RMB	2017 RMB
Directors' fees	960,000	960,000
Salaries, bonuses, allowances and benefits	2,205,000	2,205,000
Contribution on defined contribution retirement plan	95,356	86,629
	3,260,356	3,251,629

13. INCOME TAX CREDIT/(EXPENSE)

	2018 RMB	2017 RMB
Current tax - PRC		
- Tax for the year	1,685,524	-
Deferred tax (note 26)	(4,854,320)	825,629
Income tax (credit)/expense	(3,168,796)	825,629

Hong Kong profits tax is calculated at 16.5% (2017: 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% (2017: 25%).

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.

13. INCOME TAX CREDIT/(EXPENSE) - Continued

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

	2018 RMB	2017 RMB
Loss before income tax	(12,338,285)	(16,209,707)
Tax calculated at the PRC EIT rate of 25%	(3,084,571)	(4,052,427)
Effect of non-taxable and non-deductible items, net	3,132,600	3,667,946
Effect of tax losses not recognised	294,998	1,033,161
Deductible temporary difference not recognised	(509,094)	250,842
Utilisation of tax losses previously not recognised	(3,002,729)	(73,893)
Income tax (credit)/expense	(3,168,796)	825,629

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:

Loss

	2018 RMB	2017 RMB
Loss for the purposes of basic loss per share	(9,169,489)	(17,035,336)

Number of shares

	2018	2017
Weighted average number of ordinary shares for the purposes of basic loss per share	1,159,682,763	1,159,682,763

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 outstanding had an anti-dilutive effect on the basic loss per share presented.

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2017 and 2018, 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 2017	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
Additions	-	417,065	-	417,065
At 31 December 2018	4,268,211	10,176,624	1,229,060	15,673,895
Accumulated depreciation				
At 1 January 2017	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
Charge for the year	861,832	1,310,627	292,025	2,464,484
At 31 December 2018	2,781,691	8,542,193	1,022,087	12,345,971
Net book value				
At 31 December 2018	1,486,520	1,634,431	206,973	3,327,924
At 31 December 2017	2,348,352	2,527,993	498,998	5,375,343

17. INTANGIBLE ASSETS

	Licensing arrangement RMB (note (b))	Insurance license RMB (note (c))	Computer software RMB	Total RMB
Cost				
At 1 January 2017	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
Additions	-	-	660,739	660,739
At 31 December 2018	55,760,000	27,000,000	4,549,770	87,309,770
Accumulated amortisation				
At 1 January 2017	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
Amortisation expense	1,858,667	1,080,000	994,447	3,933,114
At 31 December 2018	10,377,557	1,080,000	3,377,092	14,834,649
Carrying amounts				
At 31 December 2018	45,382,443	25,920,000	1,172,678	72,475,121
At 31 December 2017	47,241,110	27,000,000	1,506,386	75,747,496

Notes:

(a) Amortisation expenses have been included in:

	2018 RMB	2017 RMB
Consolidated statement of profit or loss and other comprehensive income:		
- Administration expenses	3,933,114	2,948,783

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, insurance 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 which 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.

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

	2018 RMB	2017 RMB
As at 1 January and 31 December	3,440,400	3,440,400

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 25% (2017: 23%). Cash flows beyond the five-year period are extrapolated using an estimated average growth rate of 10% (2017: 17%), 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.

19. 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 2018 RMB	Maximum amount outstanding during the year RMB	31 December 2017 RMB	Maximum amount outstanding during the year RMB	1 January 2017 RMB
Ms. Amalisia Zhang ("Ms. Zhang")					
- Loan from the Group (note (a))	40,000,000	40,000,000	40,000,000	40,000,000	-
- Amount due to the Group (note (b))	-	20,000,000	20,000,000	20,000,000	-
	40,000,000		60,000,000		-

Notes:

(a) In 2015, the Group has entered into a binding conditional agreement (the "Ofpay Agreement") to acquire 100% equity interests in Jiangsu Ofpay E-commerce Limited ("Ofpay") from its equity holders (the "Ofpay Vendors"). An initial deposit of RMB160 million 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.

19. LOAN TO AND AMOUNT DUE FROM A DIRECTOR- Continued

Notes: - Continued

(a) - Continued

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 million (the "Consideration I"), RMB175 million 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 due from Grand Ease Holdings Limited ("Grand Ease", a holder of the Company's CDIs and of which Ms. Zhang is a beneficial shareholder) of RMB140,000,000; 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% .

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.

(b) The amount is interest-free, unsecured and repayable on demand.

20. INVENTORIES

	2018 RMB	2017 RMB
Marketing merchandise	1,099,015	6,331,802

21. TRADE AND OTHER RECEIVABLES

	Notes	2018 RMB	2017 RMB
Trade receivables	(a)	179,968,993	154,963,454
Prepayments and deposits		119,538,301	124,991,020
Other receivables		2,022,458	4,570,282
Other receivable from Handpay	(b)	146,913,610	135,134,912
		448,443,362	419,659,668

Notes:

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

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 16.5% to 18% (2017: 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 25(b)). At 31 December 2018, trade receivables of RMB4,839,620 (31 December 2017: RMB3,536,909) have been legally transferred to the financial institutions. The carrying amount of the transferred assets and their associated liabilities approximates their fair values as at 31 December 2018 and 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.

At 31 December 2018, trade receivables of the Group of RMB14,576,483 (31 December 2017: RMB63,907) were pledged against bank loans of the Group (note 25(a)).

21. TRADE AND OTHER RECEIVABLES - Continued

Notes: - Continued

(b) 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.

The other classes within trade and other receivables do not contain impaired assets.

The Group and the Company recognised impairment loss based on the accounting policy stated in notes 4(g)A(ii) and 4(g)B(ii).

Trade receivables are due within 30 days from the date of billing. Further details on the group's credit policy and credit risk arising from trade debtors are set out in note 36.

22. CASH AND BANK BALANCES

	Notes	2018 RMB	2017 RMB
Cash and bank balances		105,585,682	93,936,777
Less:			
Deposit pledged against bank loans	(a)	(43,600,000)	(46,400,000)
Deposit restricted for insurance brokerage work	(b)	(5,000,000)	(5,000,000)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows		56,985,682	42,536,777

22. CASH AND BANK BALANCES - Continued

Notes:

(a) At 31 December 2018, bank deposit with interest rate of 2% (31 December 2017: 2%) per annum were pledged against bank loan due to be settled within twelve months after the reporting period (31 December 2017: within twelve months after the reporting period) (note 25(a)), and had a maturity within twelve months after the reporting date (31 December 2017: 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.

23. TRADE AND OTHER PAYABLES

	Notes	2018 RMB	2017 RMB
Trade payables		32,846,377	6,669,899
Accruals and other payables	(a) & (b)	63,673,826	32,410,358
Receipts in advance		-	147,399,972
		96,520,203	186,480,229

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. As at 31 December 2018, in the opinion of the management, there is possibility that VAT of RMB52,299,315 (31 December 2017: RMB33,653,262) may be reversed.

(b) As at 31 December 2017, accruals and other payables included an amount of RMB5,400,000, which was payable to Dingli Vendors for the acquisition of Beijing Dingli.

24. AMOUNT DUE TO A RELATED PARTY/A DIRECTOR

The balances are unsecured, interest-free and repayable on demand.

The amount due to a related party represents an amount due to a related company of which a director of the Company is also its director.

25. BANK AND OTHER LOANS

	Notes	2018 RMB	2017 RMB
Bank loans - secured	(a)	82,030,000	96,540,000
Other loans - secured	(b)	25,000,000	37,232,000
Other loan - unsecured	(c)	-	10,000,000
Debt elements of equity-linked loans - unsecured	(d)	15,086,552	10,621,304
		122,116,552	154,393,304

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

	2018 RMB	2017 RMB
Within one year or on demand	122,116,552	154,393,304

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

	2018 RMB	2017 RMB
RMB	117,121,623	151,150,386
Australian Dollar ("A$")	4,994,929	3,242,918
	122,116,552	154,393,304

Notes:

(a) As at 31 December 2018, the effective interest rates of the Group's secured bank loans were ranging from 4.35% to 6.25% (31 December 2017:4.35% to 6.25%) per annum.

As at 31 December 2018, bank loans of RMB41,350,000 (31 December 2017: RMB44,040,000), are secured by a bank deposit of the Group of RMB43,600,000 (31 December 2017: RMB46,400,000) (note 22) and guaranteed by Ms. Zhang.

As at 31 December 2018, bank loans of RMB40,680,000 (31 December 2017: RMB52,500,000) are secured by trade receivables of RMB14,576,483 (31 December 2017: RMB63,907) (note 21(a)).

(b) As at 31 December 2018, the effective interest rates of the Group's secured other loans were ranging from 16.5% to 18% per annum (2017: 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 21(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.

25. BANK AND OTHER LOANS - Continued

Notes: - Continued

(d) Equity-linked Loans I

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 I") respectively for general working capital purpose. Equity-linked Loans I carry a coupon rate of 10% per annum, which are paid quarterly on 17 February 2018, 17 May 2018, 17 August 2018 and 17 November 2018 ("Maturity Date I"). The lenders of Equity-linked Loans I are entitled to unlisted call options ("Call Options I") 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.

On 17 November 2018, the Group redeemed part of the Equity-linked Loans I at a price equal to the sum of principal amount of RMB4,056,026 upon its maturity. The terms and conditions of the principal amount of RMB12,168,079 (the "Modified Equity-linked Loans I") were amended and modified (the "Modification"). The Maturity Date I of Modified Equity-linked Loans I is extended by four months, from 17 November 2018 to 17 March 2019. The coupon rate is adjusted from 10% to 13% per annum. The Call Options I are extended by six months and convertible at any time prior to 17 May 2021. Except for the above, all other terms and conditions of the Modified Equity-linked Loans I remain unchanged from the original terms.

Equity-linked Loan II

In January 2018, the Group obtained an equity-linked loan with principal amount of A$250,000 (equivalent to RMB1,271,050) ("Equity-linked Loan II") for general working capital purpose. Equity-linked Loan II carries a coupon rate of 10% per annum, which is paid quarterly on 22 April 2018, 22 July 2018, 22 October 2018 and 22 January 2019 ("Maturity Date II"). The lender of Equity-linked Loan II is entitled to unlisted call options ("Call Options II") which would provide the lender the right to acquire a maximum of total 2,500,000 CDIs of the Company at a fixed price of A$0.1 per option at any time prior to 22 January 2021.

25. BANK AND OTHER LOANS - Continued

Notes: - Continued

(d) - Continued

Equity-linked Loan III

In February 2018, the Group obtained an equity-linked loan with principal amount of RMB1,500,000 ("Equity-linked Loan III") (together with the Equity-linked Loans I and Equity-linked Loan II referred as the "Equity-linked Loans") for general working capital purpose. Equity-linked Loan III carries a coupon rate of 10% per annum, which is paid quarterly on 20 May 2018, 20 August 2018, 20 November 2018 and 20 February 2019 (together with the Maturity Date I and Maturity Date II referred as the "Maturity Dates"). The lender of Equity-linked Loan III is entitled to unlisted call options (together with the Call Options I and Call Options II referred as the "Call Options") which would provide the lender the right to acquire a maximum of total 3,000,000 CDIs of the Company at a fixed price of A$0.1 per option at any time prior to 20 February 2021.

In the event Call Options are exercised by the lenders prior to Maturity Dates, 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 liabilities consisting of Call Options, and a liability component consisting of a straight debt element.

In the opinion of the management, the total transaction prices of Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III of RMB16,224,105, RMB1,271,050 and RMB1,500,000 respectively were not the best evidence of their aggregated fair values as the total fair values of Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III at initial recognition determined by a firm of independent professional valuer, based on Binominal model that does not only use data from observable markets, were RMB25,405,571, RMB1,827,887 and RMB1,954,025 respectively.

25. BANK AND OTHER LOANS - Continued

Notes: - Continued

(d) - Continued

The total loss on initial recognition of Call Options and debt elements determined by the initial differences between fair values and transaction price are deferred and allocated to the carrying amounts of Call Options and debt elements 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 2018, the unamortised deferred initial differences amounted to RMB1,081,843 (31 December 2017: RMB3,170,047) were included in Call Options.

The Modification of Equity-linked Loans I is accounted for as an extinguishment of the original financial liabilities of the Equity-linked Loans I as the discounted present value of the cash flow of the Modified Equity-linked Loans I is more than 10% difference from the discounted present value of the cash flow of the outstanding Equity-linked Loans I prior to the Modification. The difference between the carrying amounts of the outstanding Equity-linked Loans I prior to the Modification and the amount recognsied as new financial liabilities, being the fair values of the Modified Equity-linked Loans I, has been recognised in other gains or losses. The total fair values of Modified Equity-linked Loans I at the date of the Modification determined by a firm of independent professional valuer, based on Binominal model that does not only use data from observable markets, were RMB14,994,150.

25. BANK AND OTHER LOANS - Continued

Notes: - Continued

(d) - Continued

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

	Debt elements RMB	Derivative financial liabilities RMB	Total RMB
Issuance of equity-linked loans	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 liabilities (note 9)	-	1,239,846	1,239,846
Carrying amount as at 31 December 2017	10,621,304	6,842,647	17,463,951
Issuance of equity-linked loans	2,813,254	968,658	3,781,912
Deferred initial differences upon issuance	(748,153)	(262,709)	(1,010,862)
Redemption of equity-linked loans	(4,056,026)	-	(4,056,026)
Extinguishment of equity-linked loans	(12,168,079)	(2,195,357)	(14,363,436)
Recognition of modified equity-linked loans	12,103,216	2,890,934	14,994,150
Change in fair value of derivative financial liabilities (note 9)	-	(1,321,332)	(1,321,332)
Amortisation of deferred initial differences on derivatives financial liabilities	-	2,350,913	2,350,913
Interest expense	8,319,354	-	8,319,354
Interest paid	(1,798,318)	-	(1,798,318)
Carrying amount as at 31 December 2018	15,086,552	9,273,754	24,360,306
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
Carrying amount as at 31 December 2018	15,086,552	9,273,754	24,360,306
Less:			
Current portion	(15,086,552)	(5,959,304)	(21,045,856)
Non-current portion	-	3,314,450	3,314,450

25. BANK AND OTHER LOANS - Continued

Notes: - Continued

(d) - Continued

The change in the fair value of the derivative financial liabilities during the year ended 31 December 2018 results in a fair value gain of RMB1,321,332 (31 December 2017: fair value loss of RMB1,239,846) (note 9). For more detailed information in relation to the fair value measurement of derivative financial liabilities, please refer to note 36.

Interest expenses are calculated using the effective interest method by applying the effective interest rates ranging from 12% to 57% (2017: 53% to 58%) to the adjusted liability component.

26. 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 2017	13,708,010
Charged to profit or loss for the year	(1,132,309)
As at 31 December 2017	12,575,701
Credited to profit or loss for the year	4,547,640
As at 31 December 2018	17,123,341

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 2018, the Group has unrecognised tax losses of RMB2,752,679 (2017: RMB4,132,644). The tax losses will expire in the next five financial years for offsetting future taxable profits of the Group.

26. DEFERRED TAXATION - Continued

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 2017	8,101,463
Credited to profit or loss for the year	(306,680)
As at 31 December 2017	7,794,783
Credited to profit or loss for the year	(306,680)
As at 31 December 2018	7,488,103

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 2018, no deferred tax liability has been recorded on temporary differences of RMB4,085,499 (2017: RMB80,067) 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.

27. SHARE CAPITAL

	Number of ordinary shares	RMB
Issued and fully paid up:		
At 1 January 2017, 31 December 2017 and 31 December 2018	1,159,682,763	313,675,893

28. RESERVES

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

<u>The Company</u>

	Other reserve RMB	Retained earnings RMB	Total RMB
At 1 January 2017	8,388,539	59,114,757	67,503,296
Loss for the year	-	(8,579,291)	(8,579,291)
Extinguishment of convertible note	(8,388,539)	8,388,539	-
At 31 December 2017	-	58,924,005	58,924,005
Loss for the year	-	(12,557,378)	(12,557,378)
At 31 December 2018	-	46,366,627	46,366,627

29. 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:

	2018 RMB	2017 RMB
Not later than one year	5,809,190	4,858,272
Later than one year and not later than five years	3,775,738	7,382,301
	9,584,928	12,240,573

Operating lease payments represent rentals payable by the Group for its offices. Leases are negotiated for terms of one to five years (2017: five years) at fixed rental.

30. CAPTIAL COMMITMENT

There is no capital commitment for the Group at the end of reporting year (2017: Nil).

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2018 RMB	2017 RMB
NON-CURRENT ASSETS			
Intangible asset		45,382,443	47,241,110
Interests in subsidiaries	32	126,338,535	35,659,114
Goodwill		3,440,400	3,440,400
Total non-current assets		175,161,378	86,340,624
CURRENT ASSETS			
Trade and other receivables		175,923,175	175,857,145
Amounts due from subsidiaries		32,906,760	124,742,320
Cash and cash equivalents		139,421	6,828,478
Total current assets		208,969,356	307,427,943
NON-CURRENT LIABILITIES			
Derivative financial instruments		3,314,450	1,500,449
Deferred tax liabilities		7,488,103	7,794,783
Total non-current liabilities		10,802,553	9,295,232
CURRENT LIABILITIES			
Trade and other payables		1,411,175	2,368,068
Derivative financial instruments		5,959,304	5,342,198
Other loans		4,994,929	3,242,918
Current tax liabilities		920,253	920,253
Total current liabilities		13,285,661	11,873,437
NET CURRENT ASSETS		195,683,695	295,554,506
NET ASSETS		360,042,520	372,599,898
CAPITAL AND RESERVES			
Share capital	27	313,675,893	313,675,893
Reserves	28	46,366,627	58,924,005
		360,042,520	372,599,898

On behalf of the Board

Mr. Ross Benson
Director

Ms. Amalisia Zhang
Director

32. INTERESTS IN SUBSIDIARIES

	2018 RMB	2017 RMB
Unlisted equity interest, at cost	126,338,535	35,659,114

Particulars of the principal subsidiaries at 31 December 2018 are as follows:

Name	Form of business structure	Place and date of incorporation	Place of operation and principal activity	Paid up capital/ registered capital	Percentage of ownership interest
					Direct
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%
Kyonichi Trading Limited 京日貿易有限公司	Limited liability company	Hong Kong, 27 November 2015	Investment holding	HKD10,000	100%
Aide Trading Limited 艾德貿易有限公司	Limited liability company	Hong Kong, 28 July 2016	Investment holding	HKD10,000	100%
					Indirect
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%

32. INTERESTS IN SUBSIDIARIES - Continued

Particulars of the principal subsidiaries at 31 December 2018 are as follows: - Continued

Name	Form of business structure	Place and date of incorporation	Place of operation and principal activity	Paid up capital/ registered capital	Percentage of ownership interest
Shanghai Handpal 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%
Shanghai Handqian Information Technology Co.,Ltd. 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	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%

32. INTERESTS IN SUBSIDIARIES - Continued

Particulars of the principal subsidiaries at 31 December 2018 are as follows: - Continued

Name	Form of business structure	Place and date of incorporation	Place of operation and principal activity	Paid up capital/ registered capital	Percentage of ownership interest
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	Limited liability company	PRC 17 February 2017	Dormant	Nil	100%
贵州信由数生征信服务有限公司	Limited liability company	PRC 26 September 2017	Dormant	Nil	100%
裕富(深圳)商业保理有限公司 (Note (iii))	Limited liability company	PRC 20 April 2016	Dormant	Nil	100%
上海层畅信息技术有限公司	Limited liability company	PRC 14 March 2017	Provision of services on a mobile marketplace in PRC	Nil	100%
上海易河信息技术有限公司	Limited liability company	PRC 10 March 2017	Provision of services on a mobile marketplace in PRC	Nil	100%
Beijing Dingli 北京鼎立保险经纪有限责任公司	Limited liability company	PRC 13 May 2014	Dormant	RMB50,000,000	95%
海南安鸿信息技术有限公司 (Note (iii))	Limited liability company	The PRC, 19 June 2018	Dormant	Nil	100%

32. INTERESTS IN SUBSIDIARIES - Continued

Particulars of the principal subsidiaries at 31 December 2018 are as follows: - Continued

Name	Form of business structure	Place and date of incorporation	Place of operation and principal activity	Paid up capital/ registered capital	Percentage of ownership interest
中兆国际商业保理（深圳）有限公司 (Note (iii))	Limited liability company	The PRC, 20 July 2017	Dormant	Nil	100%
国汇通融资租赁（深圳）有限公司	Limited liability company	The PRC, 16 July 2017	Dormant	Nil	100%

Notes:

(i) Shanghai Tapit was established by the Company on 24 November 2014 with registered capital of RMB1,000,000. Upon the fulfilment of certain criteria as stated in an agreement dated 8 September 2014, the Company, Tapit Media Pty Ltd. and Investorlink Group Limited ("Investorlink Group") would inject to Shanghai Tapit to obtain 55%, 25% and 20% of its equity interests respectively. These criteria have not been fulfilled and the registered capital of the Shanghai Tapit remains unpaid up to the date of this report.

(ii) 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 2018.

33. RELATED PARTY TRANSACTIONS

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

(a) All members of key management personnel are the directors of the Company. The remuneration paid to them during the year was disclosed in note 12 to the financial statements.

(b) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

	Type of transaction	2018 RMB	2017 RMB
Investorlink Corporate Limited ("Investorlink Corporate")	Professional services fee	1,423,898	785,385
Ms. Zhang	Interest income	1,200,000	-

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.

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash and cash equivalents comprise

	2018 RMB	2017 RMB
Cash available on demand	56,985,682	42,536,777

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS- Continued

(b) Reconciliation of liabilities arising from financing activities

	Bank loans (note 25(a)) RMB	Other loans (note 25(b)&(c)) RMB	Other loan from a shareholder (note 19(a)) RMB	Amount due to a director RMB	Equity-linked Loans (note 25(d)) RMB
At 1 January 2017	-	17,083,000	139,562,471	-	-
Changes from cash flows:					
Proceeds from borrowings	96,540,000	174,834,800	-	-	16,224,105
Repayments of borrowings	-	(144,685,800)	-	-	-
Interest paid	(1,041,660)	(6,853,629)	-	-	-
Other changes:					
Change in fair value	-	-	-	-	1,239,846
Interest expenses	1,041,660	6,853,629	437,529	-	-
Extinguishment of other loan from a shareholder	-	-	(140,000,000)	-	-
At 31 December 2017	96,540,000	47,232,000	-	-	17,463,951
Changes from cash flows:					
Proceeds from borrowings	121,030,000	51,820,800	-	-	2,771,050
Repayments of borrowings	(135,540,000)	(74,052,800)	-	-	(4,056,026)
Advance from a director	-	-	-	13,980,000	-
Interest paid	(5,218,112)	(4,796,302)	-	-	(1,798,318)
Other changes:					
Change in fair value	-	-	-	-	(1,321,332)
Interest expenses	5,218,112	4,796,302	-	-	8,319,354
Amortisation of deferred initial differences on derivatives financial liabilities	-	-	-	-	2,350,913
Extinguishment of equity-linked loans	-	-	-	-	(14,363,436)
Recognition of modified equity-linked loans	-	-	-	-	14,994,150
At 31 December 2018	82,030,000	25,000,000	-	13,980,000	24,360,306

34. NOTES 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 21(b)).

	2018 RMB	2017 RMB
Operating activities		
Sales received by Handpay on behalf of the Group	20,565	198,703
Operating cost paid by Handpay on behalf of the Group	(56,565)	(461,040)
Ongoing service fee charged by Handpay	615	(5,964)
	(35,385)	(268,301)

35. CAPITAL RISK MANAGEMENT

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

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

The capital structure of the Group consists of debts, which includes amount due to a related party and a director disclosed in note 24, bank and other loans disclosed in note 25 and equity attributable to owners of the Company, comprising share capital, reserves and retained earnings/accumulated losses. 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.

35. 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:

	2018 RMB	2017 RMB
Total debts	136,232,609	154,520,468
Total shareholders' equity	310,533,745	320,508,807
Gearing ratio	44%	48%

36. 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 32.8% (2017: 45.9%) of the total trade and other receivables was due from the one largest debtor of the Group.

36. FINANCIAL RISK MANAGEMENT - Continued

(a) Credit risk - Continued

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due within 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

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

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

	Expected loss rate (%)	Gross carrying amount (RMB)	Loss allowance (RMB)
Neither past due nor impaired	0.1%	144,671,266	144,673
Less than 1 month past due	0.5%	3,313,440	16,567
1 to 3 months past due	0.5%	8,190,507	40,953
More than 3 months	1%-8%	24,415,604	419,631
		180,590,817	621,824

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

36. FINANCIAL RISK MANAGEMENT - Continued

(a) Credit risk - Continued

The Group measures loss allowances for other receivables, loan to director and bank balances at an amount equal to lifetime 12 months ECLs. The credit risk on other receivables and loan to director is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly change for the 12 months after the reporting date. The credit risk on bank balances is limited because the counterparties are banks with high credit ratings. Based on the Group's internal credit rating, no material impairment loss allowance is recognised for other receivables, loan to director and bank balances.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4(g)B(ii)). 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. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	RMB
Neither past due nor impaired	127,099,684
Less than 1 month past due	5,949,102
1 to 3 months past due	4,636,585
More than 3 months	17,278,083
	154,963,454

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.

36. FINANCIAL RISK MANAGEMENT - Continued

(a) Credit risk - Continued

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 2018 (2017: nil).

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

	2018 RMB
Balance at 31 December under HKAS 39	-
Impact of initial application of HKFRS 9 (note 2(a)A)	805,573
Adjusted balance at 1 January	805,573
Reversal of impairment loss determined under HKFRS 9	(183,749)
Balance at 31 December	621,824

Decrease in long overdue trade receivables resulted in an decrease in loss allowance of HK$183,749 during year ended 31 December 2018.

36. 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
At 31 December 2018			
Trade and other payables	96,520,203	96,520,203	96,520,203
Amount due to a related party	136,057	136,057	136,057
Amount due to a director	13,980,000	13,980,000	13,980,000
Bank and other loans	122,116,552	128,841,468	128,841,468
	232,752,812	239,477,728	239,477,728
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
	193,600,725	207,901,395	207,901,395

36. 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 22 and 19 while the Group's fair value interest-rate risk mainly arises from bank and other loans at fixed rates as disclosed in note 25. 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 19 and 25 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/accumulated losses 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:

	2018 RMB	2017 RMB
Denominated in HK$		
Cash and bank balances	360,910	2,520,437
Overall net exposure	360,910	2,520,437
Denominated in A$		
Cash and bank balances	124,322	4,635,075
Derivative financial instruments	(9,273,754)	(6,842,647)
Bank and other loans	(4,994,929)	(3,242,918)
Overall net exposure	(14,144,361)	(5,450,490)

36. 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 2018 and retained profits RMB	Increase/ (decrease) in foreign exchange rates %	Effect on profit/loss for the year ended 31 December 2017 and retained profits RMB
HK$	+5%	18,046	+5%	126,022
	-5%	(18,046)	-5%	(126,022)
A$	+5%	(707,218)	+5%	(272,525)
	-5%	707,218	-5%	272,525

(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, amounts due to a related party and a director, and 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 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.

36. 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 2018				
Financial liabilities at FVTPL				
Derivative financial instruments - unlisted call options	-	-	9,273,754	9,273,754

36. FINANCIAL RISK MANAGEMENT - Continued

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

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: - Continued

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
As at 31 December 2017				
Financial liabilities at FVTPL				
Derivative financial instruments - unlisted call options	-	-	6,842,647	6,842,647

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:

	2018	2017
Stock price	A\$0.14	A\$0.14
Volatility	23 - 50%	46%
Risk free rate	1.88 -2.01%	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% (2017: 10%) would increase the unlisted call options by a further RMB1,912,609 (2017: RMB1,445,589), an increase in volatility by 10% (2017: 10%) would increase the unlisted call options by RMB948,199 (2017: RMB681,160), and an addition in risk free rate by 0.2% (2017: 0.2%) would increase the unlisted call options by RMB20,526 (2017: RMB21,992).

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2018 and 2017 may be categorised as follows:

	2018 RMB	2017 RMB
Financial assets		
Assets measured at amortised cost:		
Trade and other receivables	328,905,061	-
Loan to a director	40,000,000	-
Cash and bank balances	105,585,682	-
	474,490,743	-
Loans and receivables:		
Trade and other receivables	-	294,668,648
Amount due from a director	-	20,000,000
Loan to a director	-	40,000,000
Cash and bank balances	-	93,936,777
	-	448,605,425
Financial liabilities		
Liabilities measured at amortised cost:		
Trade and other payables	96,520,203	39,080,257
Amount due to a related party	136,057	127,164
Amount due to a director	13,980,000	-
Bank and other loans	122,116,552	154,393,304
	232,752,812	193,600,725
Liabilities measured at FVTPL:		
Derivative financial instruments	9,273,754	6,842,647
	242,026,566	200,443,372

38. EVENT AFTER THE REPORTING DATE

Except as disclosed in elsewhere in this report, there are no material subsequent events undertaken by the Company or the Group after 31 December 2018.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2019.