

**WONHE MULTIMEDIA COMMERCE LIMITED**

(ABN 71 607 288 755)

**ASX LISTING RULES – APPENDIX 4E****FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

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The following information is prepared in accordance with ASX Listing Rule 4.2A.3

**1. Reporting period and previous corresponding period**

Reporting period: - the year ended 31 December 2017

Previous corresponding period: - the year ended 31 December 2016

**2. Results for announcement to the market**

<b>Year</b>	<b>2017 \$000</b>	<b>2016 \$000</b>	<b>\$000 Increase / (Decrease)</b>	<b>% Increase / (Decrease)</b>
2.1 Revenue from continuing operations	76,070	66,165	9,905	15%
2.2 Profit from continuing activities after tax attributable to members	5,635	8,191	(2,556)	(31%)
2.3 Net profit for the period attributable to members	5,635	8,191	(2,556)	(31%)

**2.4 Commentary on "Results for Announcement to the Market"**

A brief explanation of any of the figures in 2.1 to 2.4 above, necessary to enable the figures to be understood, is contained in the attached Preliminary Financial Report for the Year ended 31 December 2017.

**3 Net Tangible Assets per Security**

	<b>2017 cents</b>	<b>2016 Cents</b>	<b>cents Increase/ (Decrease)</b>	<b>% Increase/ (Decrease)</b>
Net tangible assets per security	40.78	40.92	0.14	0.3%

**4. Details of entities over which control has been lost during the period**

None

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**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

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**5. Dividends**

No dividends have been proposed or declared.

**6. Details of dividend reinvestment plans**

None.

**7. Details of Associates and Joint Ventures**

Not applicable

**8. Foreign entities, Accounting Standards used in this report**

All accounts compiled using Australian Accounting Standards.

**9. Audit status**

The financial report is based on accounts that are in the process of being audited and therefore no audit report is attached.



Frank Cannavo

Director

28 February 2018

**WONHE MULTIMEDIA COMMERCE LIMITED  
AND ITS CONTROLLED ENTITIES**

**ABN 71 607 288 755**

**Preliminary Financial Report for the Year Ended  
31 December 2017**

**WONHE MULTIMEDIA COMMERCE LIMITED**  
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## **WONHE MULTIMEDIA COMMERCE LIMITED**

### **REVIEW OF OPERATIONS**

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#### **Principal Activities**

Wonhe Multimedia Commerce Ltd was incorporated on 27 July 2015. In August 2015, through a Share Sale Agreement with World Win International Holdings Group Ltd (“World Win”), the Company acquired 100% of the shares in Kuayu International Holdings Group Ltd (“Kuayu”), a company incorporated in Hong Kong and which owns and operates the WONHE business in China via its Chinese subsidiaries.

The WONHE operating subsidiary company is Shenzhen WONHE Technology Co., Ltd (“Shenzhen WONHE”), a company incorporated in China. Shenzhen WONHE derives revenues from the sale of the Commercial Routers, receives a commission from the retail sales to users who purchase products from a retailer via the WONHE App and derives revenue from targeted advertisements. Shenzhen WONHE also owns the user data that is compiled and aggregated from its Commercial Routers.

The WONHE business operates solely within the People's Republic of China.

#### **Operating Results and Financial Position**

During the period the Group made a profit of \$5.635 million (2016: \$8.191 million) after a tax expense of \$2.552 million (2016: \$2.414 million). Net assets at 31 December 2017 were \$63.476 million (2016: \$59.569 million), including cash and cash equivalents of \$70.468 million (2016: \$38.672 million).

The Group generated \$10.453 million in cash from operations.

During the previous period Shenzhen WONHE has entered into an agreement entitled “Wireless Network Coverage Project in Beijing Area” with Guangdong Kesheng Enterprise Co., Ltd (“Guangdong Kesheng”). The agreement initially contemplated that the two parties shall work together to develop a wireless network in certain designated areas of Beijing. The agreement was subsequently varied, and Shenzhen WONHE no longer participates in the construction of the project. Rather, the company has agreed to supply routers and have its contributions repaid in three equal instalments with the unpaid proportion accruing interest at a rate of 4.75% pa.

During the year, the Group entered into an agreement with Beijing Qing Fu Asset Management Ltd for the sale and assignment of the loan receivables for consideration of RMB119,513,836 (AUD22.879 million). As a consequence, the Group recorded a loss during the current period on the loan of RMB21.392 million (AUD4.166 million).

**WONHE MULTIMEDIA COMMERCE LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Note</b>	<b>2017</b> <b>\$000</b>	<b>2016</b> <b>\$000</b>
<i>Continuing Operations</i>			
Revenue from Sale of Goods	<b>4</b>	<b>76,070</b>	66,165
Other income			-
Finance revenue	<b>4</b>	<b>1,378</b>	610
		<b>77,448</b>	66,775
<b>Expenses</b>			
Cost of goods sold		<b>(51,967)</b>	(44,566)
Research and development expenses		<b>(6,216)</b>	(1,071)
Directors' expenses and fees		<b>(88)</b>	(94)
Depreciation of property, plant and equipment		<b>(138)</b>	(280)
Selling expenses		<b>(5,610)</b>	(778)
General and administrative expenses		<b>(1,076)</b>	(1,248)
Finance cost	<b>5</b>	<b>(4,166)</b>	(8,127)
Other expenses		-	(6)
<b>Profit before income tax</b>		<b>8,187</b>	10,605
Income tax expense		<b>(2,552)</b>	(2,414)
<b>Net (Loss)/Profit</b>		<b>5,635</b>	8,191
<b>Other Comprehensive income/(loss)</b>			
<i>Items that may be reclassified to profit or loss in the future:</i>			
Exchange differences on translation of foreign operations		<b>(1,301)</b>	(1,186)
Other comprehensive loss net of tax		<b>(1,301)</b>	(1,186)
<b>Total comprehensive income/(loss)</b>		<b>4,334</b>	7,005
Net Profit for the period is attributable to:			
Non-controlling interest			-
Owners of Wonhe Multimedia Commerce Limited		<b>5,635</b>	8,191
		<b>5,635</b>	8,191
Total comprehensive income for the year is attributable to:			
Non-controlling interest			-
Owners of Wonhe Multimedia Commerce Limited		<b>4,334</b>	7,005
		<b>4,334</b>	7,005
Basic earnings per share (cents per share)			
		<b>3.71</b>	5.39
Diluted earnings per share (cents per share)			
		<b>3.71</b>	5.39

*The above statement should be read in conjunction with the accompanying notes.*

**WONHE MULTIMEDIA COMMERCE LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 \$000	2016 \$000
<b>Current Assets</b>			
Cash and cash equivalents		70,468	38,672
Trade and other receivables		7,296	11,015
Loans advanced	5	-	10,695
Inventory		3	2
<b>Total Current Assets</b>		<b>77,767</b>	<b>60,384</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		454	597
Loans advanced	5	-	16,342
Other receivable - income tax		1,502	97
Other receivable – deposit		29	24
Intangible assets		4	13
<b>Total Non-Current Assets</b>		<b>1,989</b>	<b>17,073</b>
<b>Total Assets</b>		<b>79,756</b>	<b>77,457</b>
<b>Current Liabilities</b>			
Trade and other payables		2,083	2,847
Loans from ultimate parent entity		13,516	14,365
Loan from shareholders		681	676
<b>Total current liabilities</b>		<b>16,280</b>	<b>17,888</b>
<b>Total Liabilities</b>		<b>16,280</b>	<b>17,888</b>
<b>Net Assets</b>		<b>63,476</b>	<b>59,569</b>
<b>Equity</b>			
Issued capital	6	2,908	2,908
Retained earnings		16,874	11,239
Other reserves	7	38,595	39,896
Statutory reserve fund	8	5,099	5,526
<b>Total Equity</b>		<b>63,476</b>	<b>59,569</b>

*The above statement should be read in conjunction with the accompanying notes.*

**WONHE MULTIMEDIA COMMERCE LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Issued capital	Retained earnings	Statutory reserve	Other reserves	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2016</b>	<b>2,908</b>	<b>4,892</b>	<b>4,136</b>	<b>41,082</b>	<b>53,018</b>
Profit for the year	-	8,191	-	-	8,191
Other comprehensive income	-	-	284	(1,186)	(902)
Total comprehensive income	-	8,191	284	(1,186)	7,289
Appropriation of statutory reserve		(1,106)	1,106	-	-
<b>Transactions with owners in their capacity as owners:</b>					
Issue of shares	-	-	-	-	-
Dividends paid		(738)			(738)
<b>As at 31 December 2016</b>	<b>2,908</b>	<b>11,239</b>	<b>5,526</b>	<b>39,896</b>	<b>59,569</b>

  

	Issued capital	Retained earnings	Statutory reserve	Other reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2017</b>	<b>2,908</b>	<b>11,239</b>	<b>5,526</b>	<b>39,896</b>	<b>59,569</b>
Profit for the year	-	5,635			5,635
Other comprehensive income	-	-	(427)	(1,301)	(1,728)
Total comprehensive income for the year	-	5,635	(427)	(1,301)	3,907
Appropriation of statutory reserve		-	-		-
<b>Transactions with owners in their capacity as owners:</b>					
Issue of shares	-	-	-	-	-
Dividends paid	-	-	-	-	-
<b>As at 31 December 2017</b>	<b>2,908</b>	<b>16,874</b>	<b>5,099</b>	<b>38,595</b>	<b>63,476</b>

*The above statement should be read in conjunction with the accompanying notes.*



**WONHE MULTIMEDIA COMMERCE LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 206**

	Note	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		80,968	60,361
Payments to suppliers and employees		(67,688)	(58,369)
Interest received		319	471
Income and other taxes paid		(3,146)	(886)
Net cash provided by operating activities		10,453	1,577
<b>Cash flows from investing activities</b>			
Payments for purchase of property, plant & equipment		-	(75)
Payments for project expenditure		-	(25,561)
Proceeds from disposal of loan receivable		22,879	-
Net cash provided by / (used in) investing activities		22,879	(25,636)
<b>Cash flows from financing activities</b>			
Dividends paid		-	(738)
Loans received from ultimate parent entity		-	14,730
Loans repaid to affiliates		(637)	-
Net cash (used in) / provided by financing activities		(637)	13,992
<b>Net increase / (decrease) in cash held</b>		32,695	(10,067)
Cash and cash equivalents at the beginning of the year		38,672	49,644
Effects of exchange changes on the balances held in foreign currencies		(899)	(905)
Cash and cash equivalents at the end of the year		70,468	38,672

*The above statement should be read in conjunction with the accompanying notes.*

**1. BASIS OF PREPARATION**

This preliminary final report has been prepared in accordance with ASX listing rule 4.3A and the disclosure requirements of ASX Appendix 4E. This preliminary final report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the last annual report issued for the period ended 31 December 2016, the half year report for the period ended 30 June 2017 and any public announcements made by Wonhe Multimedia Commerce Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporation Act 2001. The full annual report for the year ended 31 December 2017 is expected to be available on or before 31 March 2018.

This preliminary financial report has been prepared in accordance with International Financial Reporting Standards (IFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

**2. RESTATEMENT OF COMPARATIVES**

*Correction of prior period error – Balance of Loan Advanced at 31 December 2016*

Subsequent to the issue of the Annual Report for the year ended 31 December 2016, a review of the Group's Financial Report and auditor's file was undertaken by the Australian Securities and Investments Commission. During the review it was noted that there was error contained in the discounting calculation in relation to the Loan Advanced by the Group to Guangdong Kesheng Enterprise Co., Ltd. It was noted that the Group had discounted the loan balance by a factor of 20% to incorporate specific risks associated with the amount receivable and the timing of the repayments. However, in calculating the discounted value of the repayments, it was noted that discounting was applied incorrectly. The comparatives have been restated to reflect the correctly discounted Loan Advanced balance at 31 December 2017.

The effects of the correction of this error on the comparative year figures are as follows: -

- The total loan advance balance was reduced by \$5.407 million, and the Statement of profit or loss for the year ended 31 December 2016 reduced by the same amount.
- Current Loan Advanced balance was reduced by \$0.492 million and Non-current Loan Advanced was reduced by \$4.915 million.

*Statement of profit or loss and other comprehensive income*

When there is a restatement of comparatives, it is mandatory to provide a statement of profit or loss and other comprehensive income for the comparative year.

*Statement of financial position*

When there is a restatement of comparatives it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period. However, as the adjustments impact only the balance as at 31 December 2017. Accordingly, the Group has elected not to show the 1 January 2016 statement of financial position.

**WONHE MULTIMEDIA COMMERCE LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**Consolidated statement of profit or loss and other comprehensive income**

	<b>2016 Reported \$000</b>	<b>Adjustment \$000</b>	<b>2016 Amended \$000</b>
<i>Continuing Operations</i>			
Revenue from Sale of Goods	66,165	-	66,165
Other income	-	-	-
Finance revenue	610	-	610
	<u>66,775</u>	<u>-</u>	<u>66,775</u>
<b>Expenses</b>			
Cost of goods sold	(44,566)	-	(44,566)
Research and development expenses	(1,071)	-	(1,071)
Directors' expenses and fees	(94)	-	(94)
Depreciation of property, plant and equipment	(280)	-	(280)
Selling expenses	(778)	-	(778)
General and administrative expenses	(1,248)	-	(1,248)
Finance cost	(2,720)	(5,407)	(8,127)
Other expenses	(6)	-	(6)
	<u>16,012</u>	<u>(5,407)</u>	<u>10,605</u>
<b>Profit before income tax</b>			
Income tax expense	(2,414)	-	(2,414)
<b>Net (Loss)/Profit</b>	<u>13,598</u>	<u>(5,407)</u>	<u>8,191</u>
<b>Other Comprehensive income/(loss)</b>			
<i>Items that may be reclassified to profit or loss in the future:</i>			
Exchange differences on translation of foreign operations	(1,186)	-	(1,186)
Other comprehensive loss net of tax	<u>(1,186)</u>	<u>-</u>	<u>(1,186)</u>
<b>Total comprehensive income/(loss)</b>	<u>12,412</u>	<u>-</u>	<u>7,005</u>
Net Profit for the period is attributable to:			
Non-controlling interest	-	-	-
Owners of Wonhe Multimedia Commerce Limited	13,598	(5,407)	8,191
	<u>13,598</u>	<u>(5,407)</u>	<u>8,191</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest	-	-	-
Owners of Wonhe Multimedia Commerce Limited	12,412	(5,407)	7,005
	<u>12,412</u>	<u>(5,407)</u>	<u>7,005</u>
Basic earnings per share (cents per share)	8.95		5.39
Diluted earnings per share (cents per share)	8.95		5.39

**WONHE MULTIMEDIA COMMERCE LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**Consolidated statement of financial position**

	<b>2016 Reported \$'000</b>	<b>Adjustment \$'000</b>	<b>2016 Restated \$'000</b>
<b>Current Assets</b>			
Cash and cash equivalents	38,672	-	38,672
Trade and other receivables	11,015	-	11,015
Loans advanced	11,187	(492)	10,695
Inventory	2	-	2
<b>Total Current Assets</b>	<b>60,876</b>	<b>(492)</b>	<b>60,384</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	597	-	597
Loans advanced	21,257	(4,915)	16,342
Other receivable – income tax	97	-	97
Other receivable - deposit	24	-	24
Intangible assets	13	-	13
<b>Total Non-Current Assets</b>	<b>21,988</b>	<b>(4,915)</b>	<b>17,073</b>
<b>Total Assets</b>	<b>82,864</b>	<b>(5,407)</b>	<b>77,457</b>
<b>Current Liabilities</b>			
Trade and other payables	2,847	-	2,847
Loans from ultimate parent entity	14,365	-	14,365
Loan from shareholders	676	-	676
<b>Total current liabilities</b>	<b>17,888</b>	<b>-</b>	<b>17,888</b>
<b>Total Liabilities</b>	<b>17,888</b>	<b>-</b>	<b>17,888</b>
<b>Net Assets</b>	<b>64,976</b>	<b>(5,407)</b>	<b>59,569</b>
<b>Equity</b>			
Issued capital	2,908	-	2,908
Retained earnings	16,646	(5,407)	11,239
Other reserves	39,896	-	39,896
Statutory reserve fund	5,526	-	5,526
<b>Total Equity</b>	<b>64,976</b>	<b>(5,407)</b>	<b>59,569</b>

**3. SEGMENT INFORMATION**

The Company views only one segment in the operation and treats the operation in terms of revenue and costs, as well as G&A expenses as a whole. Although the Company can breakdown the revenue from each type of product, as well as the direct cost associated with the purchase, management does not operate it as separate segments therefore management consider that Segment reporting disclosure is not necessary for the Company based on the current operation model.

**WONHE MULTIMEDIA COMMERCE LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>2017</b>	2016
	<b>\$'000</b>	\$'000
<b>4. REVENUE</b>		
Sale of Home media and Routers	<b>76,070</b>	66,165
Interest received	<b>1,378</b>	610

**5. LOANS ADVANCED**

In the previous period the Group entered into an agreement with Guangdong Kesheng Enterprise Co., Ltd ("Guangdong Kesheng") whereby the amounts invested under a previous agreement between the companies by Shenzhen WONHE Technology Co., Ltd would be repaid in 3 instalments, together with interest charged at 4.75% per annum. The initial loan amount repayable was RMB 175,755,641 and the total amount repayable would be RMB192,452,427. At 31 December 2016 the Group recorded a finance expense of RMB40,623,150 as a result of applying a discount of 20% against the loan receivable. The carrying value in Australian Dollars at 31 December 2016 amounted to \$27.037 million.

During the year, the Group entered into an agreement with Beijing Qing Fu Asset Management Ltd for the sale and assignment of the loan receivables for consideration of RMB119,513,836 (AUD22.879 million). As a consequence, the Group recorded a loss during the current period on the loan of RMB21.392 million (AUD4.166 million).

**6. CONTRIBUTED EQUITY**

	<b>NUMBER OF SHARES</b>		<b>SHARE CAPITAL</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
			<b>\$'000</b>	\$'000
Ordinary shares – fully paid (no par value)	<b>151,951,802</b>	151,951,802	<b>2,908</b>	2,908
Total Share Capital			<b>2,908</b>	2,908

**Terms and Conditions of Issued Capital**

**Ordinary Shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands each holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

**WONHE MULTIMEDIA COMMERCE LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 \$'000	2016 \$'000
<b>7. RESERVES</b>		
Foreign currency translation reserve	(7,009)	(5,071)
Other reserve – common control transaction	45,604	45,604
	<b>38,595</b>	<b>40,533</b>

**(i) Nature and Purpose of Reserves**

***Foreign currency translation reserve***

This reserve is used to record the exchange differences arising on translation of foreign operations where the foreign operations functional currency is different from the Group's presentation currency.

***Common control transaction***

In August 2016 the Company entered into a Share Sale Agreement with World Win International Holdings Group Ltd, the Company acquired 100% of the shares in Kuayu International Holdings Group Ltd ("Kuayu"). The ultimate controlling party of the Group prior to the acquisition of Kuayu remained the ultimate controlling party of the Group after the acquisition. Consequently, the transaction was deemed to be between entities under common control and therefore did not qualify for accounting under AASB 3 *Business Combinations*. The assets and liabilities were incorporated into the Group at their pre-combination carrying amounts without any adjustments for fair values, and no goodwill has been recorded on the transaction. The difference between the carrying value of the net assets and the cost of the transaction has been recorded directly in equity.

**8. STATUTORY RESERVE**

Pursuant to corporate law of PRC, Shengshihe and Shenzhen WONHE are required to transfer 10% of their net income, as determined under PRC accounting rules and regulations, to a statutory reserve fund.

**9. DIVIDENDS**

There are no dividends proposed or declared for the year ended 31 December 2017.

**10. CONTROLLED ENTITIES**

NAME OF ENTITY	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	EQUITY HOLDINGS	
			2017 %	2016 %
Kuayu International Holdings Group Ltd	PR China	No trading activities	100	100
Shenzhen WONHE Technology Co., Ltd	PR China	Sale of domestic and commercial routers	100	100
Shengshihe Consulting Co., Ltd	PR China	Consulting	100	100

The ultimate parent entity of the Group is WONHE High-Tech International Inc., a company incorporated in the USA.

**11. EVENTS OCCURRING AFTER REPORTING DATE**

Other than the proposed dividend the directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operation of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

**12. SIGNIFICANT RESTRICTIONS**

According to Chinese laws and regulations, in the event that the Company needs to finance its Chinese operations in the future, it is able to provide funding by means of capital contributions to Shenzhen WONHE and/or loans to Shengshihe. These loans would be subject to applicable government registration and approval requirements.

Cash transfers from Chinese subsidiaries to their parent companies outside China are subject to government control of currency conversion, and the Company may receive the majority or all of its revenues in RMB. Under the current corporate structure of the WONHE Group, the Company's income is primarily derived from its China subsidiaries. Under existing Chinese foreign exchange regulations, payment of current account items, including profit distributions, interest payments and expenditures from trade-related transactions can be made in foreign currency without prior regulatory approval by complying with certain procedural requirements.

As profit and dividends are current account items, the profit and dividends generated in China may be paid to shareholders outside China without prior approval, as long as the Company complies with certain procedural requirements. However, the Chinese government also may, at its discretion, restrict access in the future to foreign currencies for current account transactions. If changes to the foreign exchange control system prevents the Company's China subsidiaries' from obtaining sufficient foreign currency to satisfy their currency demands, they may not be able to pay dividends in foreign (non-RMB) currencies to the Company.

Any inability to obtain the requisite approval for converting RMB into foreign currencies, any delays in obtaining such approval or future restrictions on currency exchange may restrict the ability of the Company's China Subsidiaries to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy its obligations.

The level of cash held by the Company's PRC based subsidiaries was \$69.973 million at 31 December 2017 (2016: \$38.370 million).

In addition, under PRC regulations, the Company's operating subsidiary, Shenzhen WONHE, may pay dividends only out of its accumulated profits, determined in accordance with the accounting standards and regulations prevailing in the PRC ("PRC GAAP").