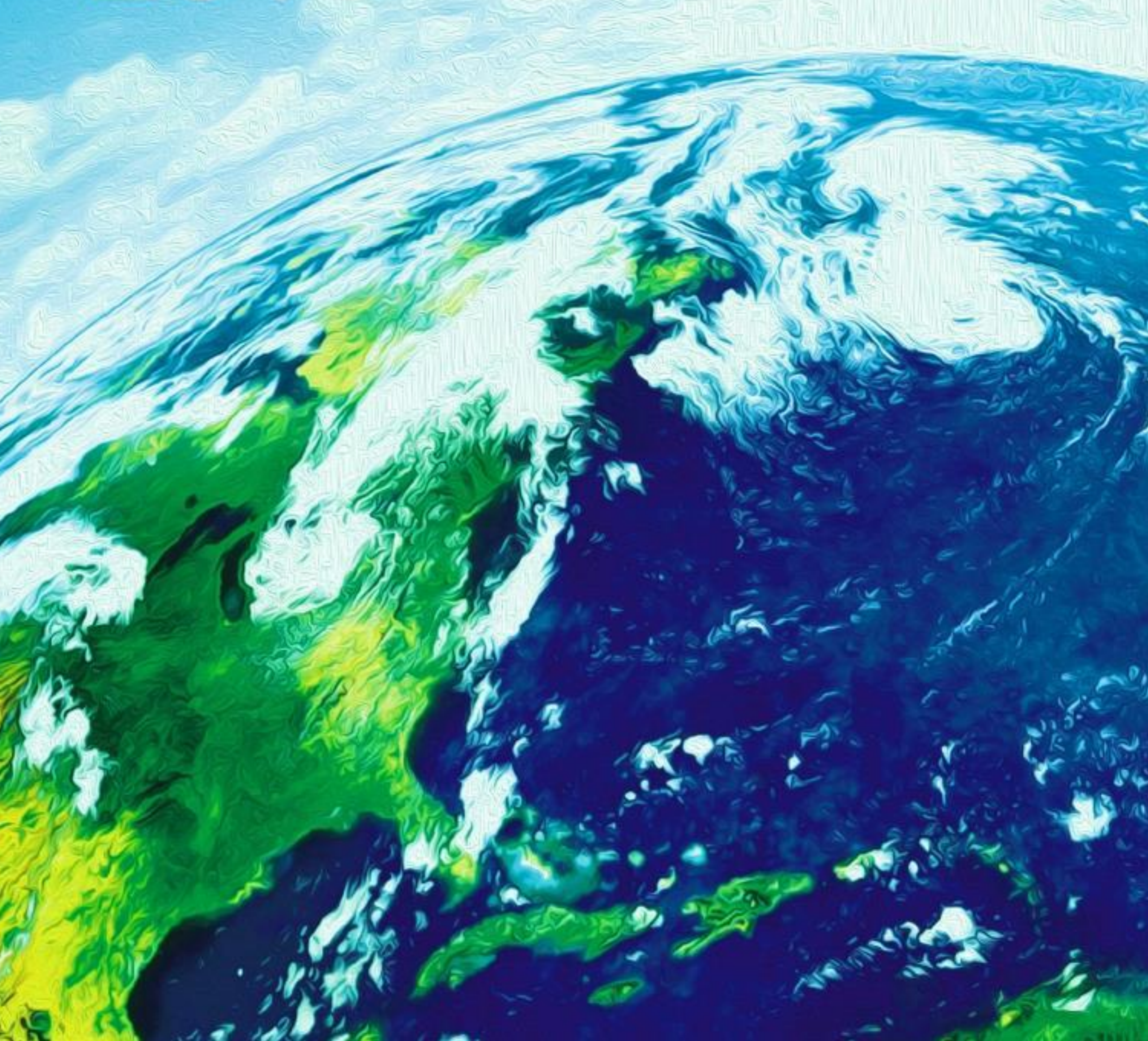
# TTG ANNUAL REPORT 2017



# Chairman's Statement

On behalf of our fellow board members, we are pleased to present the 2017 annual report for TTG Fintech Limited.

The financial year ended 31 March 2017 was a year of IP commercialisation for TTG. TTG formally commenced marketing our POS solution – Tlinx and its related products, to our operating partners, mainly UnionPay Merchants and commercial banks in China. We received positive responses to this campaign and commenced installing products and services into customer systems. To promote penetration of product into our partners' businesses, some fees were discounted or longer credit periods allowed. We expect to monetize these efforts significantly in the forthcoming financial year.

In view of the delay in our revenue recognition programme, our cashflow position was closely monitored during the year. This has now eased through the issue of convertible bonds to principally our three major shareholders and thereafter investors who understand and are confident about TTG's business. TTG's cash position is currently stronger than the previous year.

Work currently completed thus far has laid a solid foundation for TTG's future growth. With the continuing expansion of new payment technologies especially in China, demand for our Fintech technologies and solutions is escalating quickly. Currently 10 banks have already signed agreements to employ TTG's Tlinx services. We are continuing discussions with other banks, and we expect an additional 20 banks will partner with us in the forthcoming financial year ending 31 March 2018.

**Outlook**

Given the increasing demand and recognition of TTG's service in the evolving Fintech market, we believe that TTG will enjoy an improved financial result next year. We will also strive to strengthen our financial position to implement a better funding solution if market conditions allow. We look forward to promising results for next financial year.

Mr Qiang XIONG
Chairman
TTG Fintech Limited

Mr Christopher John RYAN
Co-Chairman
TTG Fintech Limited

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# BOARD OF DIRECTORS

Details of each of the Directors at the date of this report are set out below:

**Mr XIONG Qiang – Chairman & Cheif Executive Officer**

Mr Xiong graduated from Jiangxi University of Finance and Economics with a bachelor degree.

Mr Xiong is a successful entrepreneur in the field of China mobile internet applications. He has been awarded the "Top 10 Outstanding Entrepreneurs in Brand Building in China". He has also driven Shenzhen e-commerce (communications and wireless internet applications) businesses through which he has substantially gained a wealth of experience in this industry. Mr Xiong is responsible for the formulation of TTG's strategic direction, expansion plans, and the management of TTG's overall business development.

**Mr CHOW Ki Shui Louie - Deputy Chairman & Deputy Chief Executive Officer**

Mr Chow graduated from Xiamen University with a bachelor degree. He co-founded a non-profit educational foundation in China.

Mr Chow has many years of experience in both domestic and international direct investment. Mr Chow is responsible for TTG's strategic planning and corporate finance activities.

**Mr KWOK Kin Kwong Gary - Executive Director, Chief Financial Officer & Company Secretary**

Mr Kwok has a Bachelor of Business Administration (Professional Accountancy) from the Chinese University of Hong Kong.

Mr. Kwok has almost 20 years of experience in the Hong Kong and PRC financial services industry, with extensive knowledge and experience in asset management, corporate finance and accounting. Prior to joining TTG, Mr Kwok was the Deputy General Manager, Investment Division, of CITIC International Assets Management Limited, an investment arm of CITIC Group in Hong Kong. He had also been engaged in handling securities and corporate finance transactions in a few regional investment banks including BOCI (Asia) Limited, and served as an accountant in Deloitte Touche Tohmatsu.

Mr. Kwok is now a member of the Hong Kong Institute of Certified Public Accountants (HKICPA).

# BOARD OF DIRECTORS

**Mr RYAN, Christopher John - Non-Executive Director, Co-Chairman**

Chris is an Executive Director of Investorlink Corporate Limited, a Sydney based corporate finance and advisory firm, and an Executive Director of Investorlink Group Limited.

As well as being Co-Chairman of TTG Fintech Limited. Chris is also a Non-Executive Director of Propertylink (Holdings) Limited (ASX Code: PLG) , eCargo Holdings Limited (ASX Code:ECG), 99 Wuxian Limited (ASX Code: NNW) and Retech Technology Co., Limited (ASX Code: RTE). Chris either chairs or is a member of the remuneration and nomination committees, and audit and risk committees of these entities.

Chris has diverse experience and expertise in mergers and acquisitions together with initial public offerings.

Chris has advised on ASX listings since 1986.

Chris's qualifications include Bachelor of Financial Administration, University of New England, and a Fellow of the Institute of Chartered Accountants in Australia and New Zealand.

**Mr CAI Wensheng - Non-Executive Director**

Mr Cai is the Chairman of Meitu.com which is listed on the Stock Exchange of Hong Kong Limited (HKEx: 1357).

Mr. Cai is a well-known figure in the internet industry in China. Mr Cai founded 265.com in May 2003, which was subsequently acquired by Google in 2007.

Mr Cai is currently a director of other famous TMT ventures including cnzz.com, 4399.com, flashget, youhua.com, baofeng. com, Zcom magazine.

Mr Cai has on a few occasions organised the China Internet Webmaster General Assembly.

# BOARD SKILLS & EXPERIENCE

A summary of the Directors' skills and experience relevant to TTG as at the end of the reporting period is set out below.

| Skills and Experience (out of 5 Directors) | |
|---|---|
| **Leadership and Management** | |
| Executive management | **3** |
| Corporate Governance | **5** |
| Strategy | **4** |
| Policy Development | **5** |
| **Corporate** | |
| Business Operation | **3** |
| Legal | **2** |
| Investor Relation | **4** |
| Marketing | **2** |
| International Operation Management | **3** |
| **Capital Markets** | |
| Capital Raising | **4** |
| Capital Management | **5** |
| Corporate Actions | **5** |
| **Finance and Risk** | |
| Risk Management and Compliance | **3** |
| Financial | **2** |
| **Sector Experience** | |
| Software Development | **3** |
| IT Technology | **3** |

# DIRECTORS REPORT

Your directors present their report on the consolidated entity consisting of TTG Fintech Limited ("TTG") and the entities it controlled for the year ended 31 March 2017 (hereinafter referred to as the "Group").

TTG is a company incorporated and domiciled in Hong Kong and has its registered office located at:

1806, Park In Commercial Centre
56 Dundas Street, Kowloon
Hong Kong

Its principal place of business is located at:

Level 12, Block 2, Xunmei Tech Plaza
No. 8 Keyuan Blvd,
Nanshan District
Shenzhen 518000
PRC

## Directors

The following persons were directors of TTG and its subsidiaries during the year and up to the date of this report, unless otherwise disclosed below:

1. TTG Fintech Limited

   *Executive Directors*

   XIONG Qiang (Chairman & Chief Executive Officer)
   CHOW Ki Shui Louie (Deputy Chairman & Deputy Chief Executive Officer)
   KWOK Kin Kwong Gary (Chief Financial Officer)

   *Non-executive Directors*

   RYAN Christopher John (Co-Chairman)
   CAI Wensheng

Please refer to Directors on pages 4 to 6 for details of their experience.

In accordance with Article 104 of the company's Articles of Association, Mr. KWOK Kin Kwong Gary and Mr. RYAN Christopher John retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

2. Shenzhen Taotaogu Information Technology Company Limited (深圳市淘淘谷信息科技有限公司)

   XIONG Qiang
   CHOW Ki Shui Louie
   WU Linyan

# DIRECTORS REPORT

3. Shenzhen Taotaogu E-commerce Company Limited (深圳市淘淘谷電子商務有限公司)

   XIONG Qiang

4. Shenzhen Taotaogu Investment Co., Limited (深圳市淘淘谷投資有限公司)

   CHOW Ki Shui Louie

5. Xiamen Taotaogu Information Technology Company Limited (厦门市淘淘谷信息技术有限公司)

   WANG Haibin

6. Jiangxi Taotaogu E-commerce Company Limited (江西淘淘谷電子商務有限公司)

   LING Chen

7. Neimenggu Taotaogu Information Technology Services Company Limited (内蒙古淘淘谷信息技术服务有限公司)

   LING Song

8. TTG Mobilie Coupon Company Limited (renamed from TTG Fintech Limited on 30 September 2013)

   XIONG Qiang
   CHOW Ki Shui Louie
   KWOK Kin Kwong Gary

9. TTG Techfin Limited

   XIONG Qiang
   CHOW Ki Shui Louie
   KWOK Kin Kwong Gary

## Directors Interest in Shares/CDI

As at the date of report, the directors have the following interests in fully-paid shares/CDI in the Company.

| | |
|---|---|
| XIONG Qiang | 222,200,000 |
| CHOW Ki Shui | 108,250,000 |
| KWOK Kin Kwong Gary | 3,500,000 |
| RYAN, Christopher John | 6,056,000 |
| CAI, Wensheng | 76,287,500 |

As at the date of report, the directors have the following interests in share options in the Company.

| | |
|---|---|
| KWOK Kin Kwong Gary | 6,377,474 |
| RYAN, Christopher John | 1,200,000 |

# DIRECTORS REPORT

The share options in which Mr. RYAN, Christopher John has an interest is held under related superannuation fund Stradbroke Plaza Pty Ltd as trustee for Ryan Retirement Fund (previously known as Chris Ryan & Sabine Ryan and Lois Ryan as trustee for Ryan Retirement Fund) (“Ryan Retirement Fund”).

The options are exercisable from 1 July 2016 to 30 June 2021 at an exercise price of A$0.80. In the event there are outstanding options yet to be exercised upon the expiry of the exercise period for the Tranche 5, they can be extended for another 12 months up to 30 June 2022, after which it is the discretion of the Board to extend further.

Each option can be converted into 1 ordinary share.

| Tranche | Percentage of options eligible to be exercised | Prescribed exercise date | Exercise date |
|---|---|---|---|
| Tranche 1 | 10% | 1 July 2016 | 1 July 2016 to 30 Jun 2017 |
| Tranche 2 | 10% | 1 July 2017 | 1 July 2017 to 30 Jun 2018 |
| Tranche 3 | 20% | 1 July 2018 | 1 July 2018 to 30 Jun 2019 |
| Tranche 4 | 20% | 1 July 2019 | 1 July 2019 to 30 Jun 2020 |
| Tranche 5 | 40% | 1 July 2020 | 1 July 2020 to 30 Jun 2021 |

There are no partly-paid shares at the date of report.

## Principal activities

TTG is a financial technology service provider. Its core business is based in China, with the goal to expand into other east Asian and southeast Asian countries.

The consolidated entity operates within the software and information services industry in the People’s Republic of China. The main business of the consolidated entity derives its income from its self-developed technologies called Financial Electronic Authentication (“FEA”) which provides the solution for clearing and settlement for multi parties, and “Tlinx”, a smart cloud-supported point of sales (“POS”) system.

By combining bank-card and non-bank-card bank accounts, this FEA technology allows clearing and settlement of digital currencies and payment of commissions. With the use of FEA technology, currency is not just a medium and consideration of exchange, but also a means of communication, sharing, analysis, transmission, promotion, data sourcing and labelling, and targeted marketing. FEA technology is now used in TTG’s Tlinx systems, ULPOS platform, and is being extended to other applications.

Tlinx can be applied to different types of POS, both traditional and smart. Tlinx accommodates varying payment methodologies (e.g. cash, bank card, debit card, QR code, NFC, mobile payment, payment by royalty points, etc.) to be transacted on one hardware portal. Commercial banks, merchants, POS acquirers, traditional POS manufacturers, Management Information System (MIS) manufacturers, electronic tax invoice system providers, retail chains and other private companies all benefit from the use of our Tlinx.

# DIRECTORS REPORT

Tlinx allows for data transmission and supports risk analysis of bank loan financing for commercial banks and financiers, MIS functions and financial planning for merchants, as well as numerous CRM functions (e.g. promotion of merchants, coupon, transaction data management, customer loyalty data analysis and management, etc) for diverse industries such as beverage, retail chain stores and B2C e-commerce.

In addition, TTG's technology serves to upgrade the traditional POS to the intelligent POS so that the clients with existing traditional POS facilities can enjoy the above value added services.

TTG's revenue model is based on:

1. System development fees
2. System maintenance fees
3. Sales revenue of POS to banks/merchants
4. Rental of POS to banks/merchants
5. Transaction fees generated on transactions that employ the FEA and Tlinx technologies.

## Financial Review

| | Year ended 31 March 2017 RMB '000 | Year ended 31 March 2016 RMB '000 | % change |
|---|---|---|---|
| Revenue | 6,150 | 5,267 | 16.8% |
| Loss after income tax expense | (22,853) | (19,319) | 18.3% |
| Loss attributable to members of the company | (22,579) | (18,919) | 19.3% |

Revenues increased by RMB0.9 million, or 17% to RMB6.1 million. TTG's revenue is mainly derived from distribution of our smart cloud-supported POS system called Tlinx. The increase in revenue represents the higher penetration and acceptance of Tlinx in the region. Gross profit increased to RMB1.3 million accordingly.

Other income and other net income dropped from RMB1.3 million to RMB0.5 million mainly due to the decrease in government grant of RMB0.4 million during the year.

General administrative expenses increased by 14%, or RMB2.3 million, to RMB18.6 million. TTG employs stringent controls over its administrative costs as the business expands.

TTG has increased sales and marketing to speed up our business expansion. As a result sales and marketing expenses increased by RMB2.1 million or 57% to RMB5.6 million for the financial year. The major items include:

# DIRECTORS REPORT

1. Increase in sales staff with additional salaries of RMB0.7 million;

2. Increase in sales office rental of RMB0.7 million.

Non-cash financial gain, as a result of the issue of the convertible bonds, amounted to RMB2.2 million during the financial year.

Together with share of results of associates of RMB0.8 million and the non-controlling interests of RMB0.3 million, our loss attributable to shareholders increased by 19.6%, or RMB3.7 million, to RMB22.6 million.

## Loss per share

Loss per share increased from RMB3.0 cents per share to RMB3.5 cents per share. The increase in loss per share is mainly due to increase in net loss as discussed above.

## Net current assets and net tangible asset

The Group had net current liabilities of RMB19.2 million as at 31 March 2017, compared to RMB0.7 million at 31 March 2016.

Net tangible liabilities amounted to RMB15.2 million as at 31 March 2017, compared to the net tangible assets of RMB6.7 million as at 31 March 2016.

Both decreases are mainly due to the net effect of losses attributable to shareholders.

The net tangible liability per share was RMB2.4 cents at 31 March 2017, compared to the net tangible asset of 1.0 cent per share at 31 March 2016.

## Dividends

No dividends have been paid nor are any dividends proposed to be paid during the financial year.

## Share Repurchase

No shares were repurchased during the financial year.

## Financial Statements

The loss of the Company for the year ended 31 March 2017 and the state of the Company's affairs as at that date are set out in the financial statements on pages 38 to 95.

# DIRECTORS REPORT

## Reserves

Movements in capital and reserves of the Company during the year are set out in note 27(b) to the financial statements.

## Transfer to Reserves

Please refer to Consolidated Statement of Changes in Equity for the group's transfer to reserves and note 26 to the financial statements for the company's changes in equity.

## Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year are set out in note 12 to the financial statements.

## Share Capital

Details of the movements in share capital of the Company during the year are set out in note 24 to the financial statements.

## Controlled entities acquired or disposed of

The Company did not acquire or dispose of any controlled entities during the financial year.

## Associates and joint venture entities

As at 31 March 2017, the Company held investments in two associates:

1. 37.5% of 深圳市智慧付信息技术有限公司 (English translated name: Shenzhen Intelligent Preferential Pay Co., Limited, or "IPP")
2. 47.5% of 深圳市大售后信息技术有限公司 (English translated name: Shenzhen Dashouhou Information Technology Co., Ltd)

## Pledge of assets

During the year ended 31 March 2017, IPP entered into syndicated loan agreements under which IPP was granted a facility in the aggregate sum of RMB3,000,000 of which RMB2,500,000 were utilised as at 31 March 2017. The syndicate under the syndicated loan agreements are arranged by Wuhan Yifan Wealth Investment Co., Ltd. (武漢億房財富投資有限公司), a company registered in the PRC, with participation from a consortium of individual and/or corporate investors. Such facility was secured by an equity pledge over the Company's interest in 10% of the registered capital of IPP.

# DIRECTORS REPORT

## Capital Commitments

The Group's capital commitments as at 31 March 2017 are set out in note 32(a) to the financial statements.

## Foreign exchange exposure

The Group is exposed to currency risk primarily through cash and bank balances that are denominated in a foreign currency, i.e. a currency other than functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars, United States Dollars ("USD") and Australia Dollars ("AUD").

The Group's revenue is denominated and settled in RMB. The Group incurred most of its operational expenses and capital outlays in RMB. The directors considered its exposure to foreign currency exchange risk arising from its operating activities is insignificant as the majority of the Group's operating activities are denominated in functional currency of the respective group entities.

## Share Options Under Share Option Scheme

On 1 October 2016, the Company granted 20,000,000 share options to a consultant at the exercise price of AUD0.30 per option share ("October 2016 Option").

Details of the share option scheme including those options issued in prior financial year are set out in Note 25 of the financial statements.

## Convertible Bonds and Other Share Options (Issue during Financial Year)

1. Issue of HKD1.6 million two-year convertible bonds to independent investors

In 24 June 2016, the Company issued two-year zero-coupon convertible bonds to two independent investors at a nominal value of HKD1,000,000 and HKD600,000 respectively. The convertible bonds can be converted into ordinary shares of the Company at a conversion price of AUD0.20 per share. The Company will, at the option of the holders redeem all the convertible bonds anytime from 24 June 2017 to 23 June 2018 at par.

2. Issue of RMB6 million two-year convertible bonds to major shareholders and directors

On 5 August 2016, the Company announced to issue one-year zero-coupon convertible bonds to three major shareholders and directors, namely Mr. Xiong Qiang, Mr. Chow Ki Shui Louie and Mr. Cai Wen Sheng at a nominal value of RMB2,000,000 respectively (RMB6 million in total). The convertible bonds can be converted into ordinary shares of the Company at a conversion price of AUD0.25 per share.

One of the directors' payments of RMB750,000 was made on 1 November 2016; however, both TTG and the director agreed that the maturity date of this particular bond is unchanged at 4 August 2017.

Mr. Xiong Qiang, Mr. Chow Ki Shui Louie and Mr. Cai Wensheng have already agreed to convert their bonds into shares upon maturity on 4 August 2017.

# DIRECTORS REPORT

3. Issue of AUD0.5 million convertible bonds to independent investor due on 31 December 2019

On 9 December 2016, the Company issued convertible bonds to an independent investor at a nominal value of AUD500,000 maturing on 31 December 2019. The convertible bonds can be converted into ordinary shares of the Company at a conversion price of AUD0.20 per share.

The Company also granted the subscriber 11,500,000 share options. Each option allows the subscriber to acquire one share at an exercise price of AUD0.20 per share. The expiry date of the options is 31 December 2019.

Please refer to Note 20 of the financial statements for the accounting treatment of the convertible bonds issued during the financial year.

## Convertible Bonds and Other Share Options (Issue after Financial Year End)

1. Issue of HKD15 million zero coupon convertible bonds and formation of the Hong Kong Joint Venture

On 28 April 2017, the Company issued 12,755,000 3-year zero-coupon, unsecured convertible bonds for HKD15 million (approximately A$2,551,000) to Ever Star Creation Limited (the "Ever Star"), an independent unrelated third party.

Upon conversion, the convertible bonds are convertible into a maximum of 12,755,000 CHESS Depositary Interests underlying each ordinary share on identical terms of the existing CDIs on issue at the conversion price of A$0.20 being the face value of each convertible bond.

The Company will also partner with Ever Star and other unrelated parties to form a joint venture company pursuant to the terms and conditions of the joint venture agreement to carry out TTG's services in Hong Kong ("HKJV"). Please see below "Market outside Mainland China" for detailed terms of the HKJV.

2. Issue of RMB6 million zero-coupon convertible bonds and 27,080,982 options to repay the RMB6 million convertible bonds due on 6 March 2017

On 31 May 2017, TTG and two independent investors who each invested in RMB3 million zero-coupon bonds maturing on 6 March 2017 ("Old Convertible Bonds"), each signed another agreement of RMB3 million zero-coupon bonds convertible at A$0.2 maturing on 31 December 2019 with TTG as a full repayment of the Old Convertible Bonds. Upon conversion, the Company will issue a maximum of 5,887,170 fully paid CHESS Depositary Interests.

TTG will further issue to the investors at nil issue price of 27,080,982 options expiring on 31 December 2019 with each carrying an option to acquire one CDIs in the capital of the Company at an exercise price of A$0.20.

# DIRECTORS REPORT

## Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

## Directors' interests in contracts

Except for the directors' interests as disclosed in the note 31 to the financial statements, no contract of significance in relation to the company's business to which the company or any of its holding companies, subsidiaries, or fellow subsidiaries was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year.

## Employee, remuneration policies and share option scheme

At 31 March 2017, the Group had 96 full-time employees (31 March 2016: 96). The salaries of the Group's employees were determined by reference to personal performance, professional qualifications, industry experience and relevant market trends. The Company ensures all levels of employees are paid competitively within market parameters and employees are rewarded on a performance-related basis within the framework of the Group's salary, incentives and bonus schemes. The management reviews the remuneration policy of the Group on a regular basis and evaluates the work performance of the employees. The remuneration of employees includes salaries, allowances, and social insurance.

## Emphasis of Matters

The auditor of the Company has included in the audit opinion with emphasis of matter as suggested below:

We draw attention to note 2(b) to the consolidated financial statements which indicate that the Group incurred a loss attributable to owners of the Company of RMB22,578,976 and net cash outflows from operating activities of RMB13,150,247 for the year ended 31 March 2017 and the Group had net current liabilities of RMB19,204,185 and net debt of RMB13,439,451 as disclosed in note 28 to the financial statements as at 31 March 2017. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the Group to attain profit and positive cashflows from operations and the financial support from investors and shareholders. These conditions, along with other matters as set forth in note 2(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

# DIRECTORS REPORT

Management has already taken the following steps to improve the cash flow situation：

1. Strengthening the sales and marketing;
2. Speeding up the collection process;
3. Receipt of another RMB2.9 million deposit from the Agreement of Sales and Lease back of the Intellectual Properties from the buyer, and another RMB5 million is expected to be received by 30 June 2017 when the formal agreement is completed;
4. Completion of issue of another convertible bonds of HKD15 million from an independent third party in April 2017;
5. The completion of the issue of RMB6 million convertible bonds maturing on 31 December 2019 to repay the outstanding loan of RMB6 million (which was originated from the convertible bonds matured on 6 March 2017; and
6. Additional fund raising.

In this regard, at the date of this report, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due.

## Market and Business Overview

<u>China market</u>

After years of research and development and marketing phase, TTG's FEA and Tlinx solutions are now commercially adopted by major financial institutions in China. Some of the operating partners that already commercialised TTG's Tlinx products up to date include:

1. UnionPay Merchants
2. Jiangxi Jiujiang Bank
3. Jinagxi Shangrao Bank
4. China Merchant Bank – Chengdu Branch
5. China Everbright Bank – Hangzhou Branch

We expect that TTG will sign contracts with 20 additional banks and other operating partners during the financial year ending 31 March 2018.

As set out in Chairman's statement, TTG either lowered various fees or allowed for longer repayment period of our services to enhance penetration of our Tlinx products. Although that affected our revenue and cashflow for the previous financial year, it actually laid a solid foundation for TTG's future growth.

# DIRECTORS REPORT

With the continuing expansion in new payment technologies especially in China, demand for our Fintech technologies and solutions is escalating quickly. Currently almost 10 banks have already signed agreements to employ TTG's' Tlink services. We are also in advanced discussions with a few other banks after year end, and we expect an additional 20 banks will sign agreements with TTG in the year ending 31 March 2018.

Market Outside Mainland China

Apart from the mainland China market, TTG is also expanding into other Asian markets. As disclosed previously, TTG has signed a cooperation agreement with 久昌金融科技股份有限公司 ("TBF", translated name: Taiwan Boom FinTech Co., Ltd ) to expand into the Taiwan market. Due to the sudden sharp decrease in tourists number to Taiwan during the financial year, TTG agreed to slow down the development of the cooperation by extending TBF's payment (apart from the first tranche RMB2 million which was received by TTG during the financial year) until after the business environment improves.

TTG continues to open other markets in the region. According to TTG's announcement on 26 April 2017, TTG formed a Hong Kong Joint Venture with Ever Star and another unrelated party (HKJV is 40% owned by TTG) whereby TTG will provide a non-interest-bearing funding of HKD5 million into the HK JV as operating capital for 3 years.

In addition to the Hong Kong market, TTG is also looking at opening other markets such as Japan, Thailand, Singapore and South Korea. The Company will inform the market once any conclusive agreements are reached.

## Outlook

Other than the longer than expected timing to roll out our Tlinx products and monetise our efforts, TTG's board considers the Company's operations for the current financial year have met management expectations. Our Tlinx system has successfully penetrated the rapidly growing Fintech market in China. We are confident that our FEA services will grow significantly in the future.

While timing is difficult to predict, the Company is set to break-even during the financial year ending 31 March 2018.

This report is made in accordance with a resolution of directors.

XIONG Qiang
Chairman
TTG Fintech Limited

Shenzhen, 30 June 2017

# STATEMENT BY DIRECTORS

In accordance with a resolution of the Directors of TTG Fintech Limited (the “Company”), we state that:

1. In the opinion of the Directors:

   a. The consolidated statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Company and its subsidiaries (the “Group”) as at 31 March 2017; and

   b. At the date of this statement there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due.

2. In the opinion of the Directors, the consolidated financial statements give a true and fair view of:

   a. The loss and cash flows of the Group for the year ended 31 March 2017; and

   b. The state of affairs of the Group at 31 March 2017.

On behalf of the Board

Qiang XIONG
Chairman
TTG Fintech Limited

Shenzhen, 30 June 2017

# CORPORATE GOVERNANCE

The Board has adopted the third edition of the ASX Corporate Governance Principles and Recommendations and has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles and Recommendations.

This statement sets out the Company's current compliance with the third edition of the ASX Corporate Governance Principles and Recommendations (Principles or Recommendations).

The Board is responsible for ensuring the existence of an effective corporate governance environment to safeguard the interests of the Company, its shareholders and other stakeholders. The Board considers that the Company generally complies with the Principles and, where the Company does not comply, this is primarily due to the current relative size of the Company and scale of its current operations. Comments on compliance and departures are set out below.

| Principles/recommendations | Does TTG comply? | Particulars of compliance & if not why not |
|---|---|---|
| **PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT** | | |
| Recommendation 1.1<br><br>A listed entity should disclose:<br>(a) the respective roles and responsibilities of its board and management; and<br>(b) those matters expressly reserved to the board and those delegated to management. | Complies | The Board's responsibilities are contained in the Company's Board Charter. A copy of the Board Charter is available on the Company's website at www.ttg.hk.<br><br>The functions of the Board and Chairman are specifically set out in the Board Charter. All senior executives are currently on the Board. |
| Recommendation 1.2<br><br>A listed entity should:<br>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and<br>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | Complies | The Board will undertake the role of the Nomination and Remuneration Committee relating to the appointment and election of director. The Board regularly reviews its composition and succession plans. It established the skills matrix to guide its assessment of the skills and experience of the current directors and any candidates for the new member of the Board.<br><br>The Nomination and Remuneration Committee's responsibilities in relation to director appointments are contained in the Nomination and Remuneration Committee Charter. Before appointing a director, the Company undertakes appropriate checks including bankruptcy checks and police checks whenever a new director is appointed or putting forward to security holders as a candidate for election as a director.<br><br>All material information in relation to whether to elect or re-elect a Director is contained in the Company's notice of annual general meeting and explanatory statement |

# CORPORATE GOVERNANCE

| | | |
|---|---|---|
| Recommendation 1.3:<br><br>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | Complies | The terms and conditions of the appointment of each Director are contained in the letter of appointments and the responsibilities of the Directors are set out in the section 'Board's role and responsibilities" under the Corporate Governance Plan which is available as at:<br><br>http://www.ttg.hk/en_us/contact_us/investor_relation |
| Recommendation 1.4<br><br>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | Complies | The Chairman agrees the agenda of the Board meetings in consultation with the Company Secretary to enable effective decision making and discussion on strategic, operational and compliance issues.<br><br>The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with proper functioning of the Board. |
| Recommendation 1.5<br><br>A listed entity should:<br>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;<br>(b) disclose that policy or a summary of it; and<br>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:<br>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or<br>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. | Does not comply | The Board considers that the Company is not currently of a size with a diversity policy.<br><br>This position will be continuously reviewed at the appropriate stages of the Company's development.<br><br>Whilst the Company does not have a diversity policy in place, it will be unable to provide measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.<br><br>This disclosure will be provided in the Company's annual report once a diversity policy is adopted.<br><br>As at 31 March 2017, TTG had 40 female employees (42%) and 2 female employees held senior executive positions. |

# CORPORATE GOVERNANCE

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| Recommendation 1.6:<br><br>A listed entity should:<br>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and<br><br>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Complies | The Chairman initiates the process of Board, committee and Director performance appraisal. The Board is responsible for the evaluation of its performance and the performance of individual Directors. This internal review is to be conducted on an annual basis and if deemed necessary this internal review will be facilitated by an independent third party<br><br>The Chairman holds discussion with individual Directors when evaluating their performance. This performance evaluation took place in FY17. The Board takes this evaluation into consideration when recommending Directors for election. |
| Recommendation 1.7<br><br>A listed entity should:<br><br>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and<br><br>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | Complies | The Nomination and Remuneration Committees is responsible for reviewing the performance targets for senior management and where appropriate, making recommendations to the Board for approval. The Committee is also responsible to establish process for the review of the performance of individual non-executive directors.<br><br>At the moment the full board assume the function of the Nomination and Remuneration Committee which means the Board is responsible for the evaluation the performance of individual Directors and other senior executives. This internal review is conducted on an annual basis and if deemed necessary this internal review is facilitated by an independent third party.<br><br>In accordance with the process disclosed above, the Company conducted the annual performance reviews for its senior executives during the year |

# CORPORATE GOVERNANCE

| PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE | | |
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| Recommendation 2.1<br><br>The board of a listed entity should:<br>(a) have a nomination committee which:<br><br>(1) has at least three members, a majority of whom are independent directors; and<br><br>(2) is chaired by an independent director, and disclose:<br><br>(3) the charter of the committee;<br><br>(4) the members of the committee; and<br><br>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br><br>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. | Partly complies | The Board has established a Nomination and Remuneration Committee.<br><br>The function of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee Charter which is contained in the Corporate Governance Plan on the Company's website at http://www.ttg.hk/en_us/contact_us/investor_relation<br><br>The Nomination and Remuneration Committee consists of the entire Board which has the current member of five, namely, Mr Christopher Ryan, non-executive Director, Mr Qiang Xiong, executive Director, Mr Louie Chow, executive Director, Mr Gary Kwok, executive Director and Mr Wensheng Cai, non-executive Director, the majority of whom are not independent Directors.<br><br>The Committee is chaired by Mr Chris Ryan, an independent non-executive Director.<br><br>The Company will review the composition of the Committee on a regular basis and ensure the majority of the members are independent directors during the development of the Company.<br><br>Details of the committee meeting during the year are contained on page 31 of the annual report. |
| Recommendation 2.2<br><br>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. | Complies | The Board maintains a board skill matrix of the current Directors of the Board. The Company's Board Skills Matrix is contained on page 5 of the annual report. |

# CORPORATE GOVERNANCE

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| Recommendation 2.3<br><br>A listed entity should disclose:<br><br>(1) the names of the directors considered by the board to be independent directors;<br><br>(2) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and<br><br>(3) the length of service of each director. | Complies | Currently the Board consists of five members, of which Mr Christopher Ryan is an independent non-executive Directors.<br><br>The Board regularly assessed, using the criteria set out in the ASX Corporate Governance Principle and Recommendations, the independence of the Directors in light of their interests and associations disclosed.<br><br>The appointment and rotation of Directors is governed by the Constitution of the Company and the terms and conditions of the each director are contained in the letter of appointment.<br><br>The nomination and remuneration committee is responsible in monitoring the length of service of current Board members, considering succession planning issues and identifying the likely order of retirement by rotation of Directors. |
| Recommendation 2.4<br><br>A majority of the board of a listed entity should be independent directors. | Does not comply | The full Board determines the size and composition of the Board, subject to the limits imposed by the Company's Memorandum and Articles of Association.<br><br>The Board considers that the Company is not currently of a size nor are its affairs of such complexity to justify the expense of the appointment of a majority of independent non-executive Directors.<br><br>The Company has structured its Board with a focus on a combination of skill and experience consistent with its operations and size. The Board believes that this is both appropriate and acceptable at this stage for the Company's development.<br><br>The Board is of the opinion that each Director on the Board holds sufficient experience to make quality independent judgement and decision in their role as Director in the best interests of the Company on all relevant issues. |

# CORPORATE GOVERNANCE

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| Recommendation 2.5<br>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. | Does not comply | The Chairman, Mr Qiang Xiong is an executive Director and is not considered independent under the ASX guidelines. The Board believes that having an executive Chairman is good for the business development and decision making in China and the Company has adequate procedures to ensure the independence of the Chairman's decisions.<br><br>The Board has however appointed a non-executive independent director as co-chairman.<br><br>Given the experience of Mr Qiang Xiong and the size and operations of the Company, Mr Qiang Xiong currently occupies the role of both Chief Executive Officer and Chairman.<br><br>The appointment of Mr Qiang Xiong to both positions will be continuously reviewed at the appropriate stages of the Company's development. |
| Recommendation 2.6<br><br>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | Complies | The nomination and remuneration committee is responsible to design induction and ongoing training and education programs for the Board to ensure that directors are provided with adequate information regarding the operations of the business, the industry and their legal responsibilities and duties. |
| PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY | | |
| Recommendation 3.1<br><br>A listed entity should:<br><br>(a) have a code of conduct for its directors, senior executives and employees; and<br><br>(b) disclose that code or a summary of it. | Complies | All directors, senior executives, employees and consultants are expected to act with the utmost integrity and objectivity and to enhance the reputation and performance of the Company.<br><br>A code of conduct has been established requiring directors and employees to act honestly and in good faith, exercise due care and diligence in fulfilling the functions of office, avoid conflicts and make full disclosure of any possible conflict of interest, comply with the law, encourage the reporting and investigating of unlawful and unethical behavior and comply with the securities trading policy.<br><br>The Code of Conduct is available at<br><br>http://www.ttg.hk/en_us/contact_us/investor_relation |

# CORPORATE GOVERNANCE

| PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING | | |
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| Recommendation 4.1<br><br>The board of a listed entity should:<br>(a) have an audit committee which:<br>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and<br>(2) is chaired by an independent director, who is not the chair of the board,<br>and disclose:<br>(3) the charter of the committee;<br>(4) the relevant qualifications and experience of the members of the committee; and<br>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br><br>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. | Partially complies | The Board has established an Audit and Risk Management Committee<br><br>The function of the Audit and Risk Management Committee is contained in the Audit and Risk Management Committee Charter which assists with ensuring the integrity and reliability of information prepared for use by the Board and the integrity of the Company's internal controls affecting the preparation and provision of that information in determining polices or inclusion in the financial report.<br><br>The Company's Audit and Risk Management Committee Charter is contained in the Corporate Governance Plan which is available at :<br>http://www.ttg.hk/en_us/contact_us/investor_relation<br><br>The Audit and Risk Management Committee currently consists of two members. Of these members, one is executive Director, Mr Gary Kwok and one is Independent non- Executive Director, Mr Chris Ryan. The committee does not have a majority of Independent directors.<br><br>The Committee is chaired by the Co-Chairman of the Company.<br><br>The Board considers the current mix of one Independent non-executive Director and one executive Director and the fact that it is chaired by the Co-Chairman is appropriate for the Company given the current size of the Company and the Board, the role of the committee and the skillset of the relevant Directors that sit on the Committee.<br><br>Details of the relevant qualifications and experience of the members of the committee is contained on pages 4-5 of the annual report.<br><br>Details of the committee meeting during the year are contained on page 31 of the annual report. |
| Recommendation 4.2<br><br>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | Complies | Prior to the recommendation to the Board to approve the financial statements, the Audit and Risk Management Committee reviewed the draft financial statements for the year ended 31 March 2017 and considered that the consolidated statements of the financial position gives a true and fair view of the state of affairs of the Company and its subsidiaries as at 31 March 2017 and there are reasonable grounds to believe that the Group and the Company will be able to pay its debts when they fall due as a going concern.<br><br>During the financial year, the Board requires the Chief Executive Officer and Chief Financial Officer to provide such statement on at least an annual basis.<br><br>The Board confirmed that it has received these statements from the Chief Executive Officer and Chief Financial Officer |

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| Recommendation 4.3<br><br>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | Does Not Comply | The external auditor is based in Hong Kong and they did not attend the 2016 annual general meeting held in Shenzhen, China. However they are prepared to answer any questions from the shareholders prior to the commencement of the annual general meeting. The Chief Financial Officer was in attendance in the meeting to answer any questions relating to the financial position of the company from the shareholders.<br><br>The Company will invite the external auditor to attend its next annual general meeting and any future annual general meeting to answer questions from security holders relevant to the audit |
| PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE | | |
| Recommendation 5.1<br><br>A listed entity should:<br><br>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and<br><br>(b) disclose that policy or a summary of it. | Complies | The Company has established a Continuous Disclosure Policy and Communications Strategy and the Board recognises its duty to ensure that its shareholders and the market are informed of all major developments affecting the Company's state of affairs.<br><br>The policy is available at :<br><br>http://www.ttg.hk/en_us/contact_us/investor_relation |
| PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS | | |
| Recommendation 6.1<br><br>A listed entity should provide information about itself and its governance to investors via its website. | Complies | The Board recognises its duty to ensure that its shareholders and the market are informed of all major developments affecting the Company's state of affairs. The Company has established on its website where shareholders can find information such as financial statements and major development of the Company as well as all relevant corporate governance material . The relevant page shareholders can access those information is at:<br><br>http://www.ttg.hk/en_us/contact_us/investor_relation |
| Recommendation 6.2<br><br>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | Complies | Shareholders are encouraged to fully participate at the Annual General Meeting or other General Meeting of the Company to ensure effective two way communication.<br><br>Shareholders are also able to direct any questions relating to Company's securities to the share registry, Computershare Investor Services Pty Limited. |
| Recommendation 6.3<br><br>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | Complies | The communication strategy is contained in the Continuous Disclosure Policy and Communication Strategy and is designed to ensure that shareholders are informed of all relevant developments. Details of the information can be found on the Company's website under the corporate governance landing page :<br><br>http://www.ttg.hk/en_us/contact_us/investor_relation |

# CORPORATE GOVERNANCE

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| Recommendation 6.4<br><br>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | Complies | All shareholders have the right to access details of their holdings, provide email address contacts and make certain elections via the Company's share registry, Computershare Investor Services Pty Limited by accessing the web site www.computershare.com.au. Shareholders have the right of option of receiving all or a selection of communication electronically. |
| PRINCIPLE 7 – RECOGNISE AND MANAGE RISKS | | |
| Recommendation 7.1<br><br>The board of a listed entity should:<br><br>(a) have a committee or committees to oversee risk, each of which:<br>(1) has at least three members, a majority of whom are independent directors; and<br>(2) is chaired by an independent director,<br>and disclose:<br>(3) the charter of the committee;<br>(4) the members of the committee; and<br>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br><br>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. | Partially Complies | The Board has established an Audit and Risk Management Committee<br><br>The function of the Audit and Risk Management Committee is contained in the Audit and Risk Management Committee Charter which assists with ensuing the integrity and reliability of information prepared for use by the Board and the integrity of the Company's internal controls affecting the preparation and provision of that information in determining polices or for inclusion in the financial report.<br><br>The Company's Audit and Risk Management Committee Charter is contained in the Corporate Governance Plan which is available at :<br><br>http://www.ttg.hk/en_us/contact_us/investor_relation<br><br>The Audit and Risk Management Committee currently consists of two members. Of these members, one is Independent non-executive Director, Mr Chris Ryan and one is an Executive Director, Mr Gary Kwok. The committee does not have a majority of Independent directors.<br><br>The Committee is chaired by the Co-Chairman, Mr Chris Ryan of the Company, who is the independent non-executive Director.<br><br>The Board considers the current mix of one non-executive Director and one executive Director and the fact that it is chaired by the Co-Chairman is appropriate for the Company given the current size of the Company and the Board, the role of the committee and the skillset of the relevant Directors that sit on the Committee.<br><br>Details of the relevant qualifications and experience of the members of the committee is contained on pages 4-5 of the annual report.<br><br>Details of the committee meeting during the year are contained on page 31 of the annual report. |

# CORPORATE GOVERNANCE

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| Recommendation 7.2<br><br>The board or a committee of a board should:<br><br>(a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and<br><br>(b) disclose, in relation to each reporting period, whether such a review has taken place | Complies | The Audit and Risk Management Committee has reviewed the risk management programme which was developed by senior management and was approved by the Board.<br><br>The Board receives regular reports from management on progress in addressing and managing risks.<br><br>The Audit and Risk Management Committee will continue the process to review the risk management framework at least annually and will disclose such review accordingly. |
| Recommendation 7.3<br><br>A listed entity should disclose:<br>(a) if it has an internal audit function, how the function is structured and what role it performs; or<br>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.. | Partially Complies | The Board considers that the Company is not currently of a size to warrant an internal audit function.<br><br>The Company has established other internal control functions to prevent operational and financial risks as discussed above which are monitored by the Board and Chief Financial Officer.<br><br>This position will be reviewed at the appropriate stages of the Company's development. |
| Recommendation 7.4<br><br>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. | Complies | The Company does not have any material exposure to economic, environmental and social sustainability risk. The material risks, if any, will be disclosed at the Directors' Report of the Annual Report |

# CORPORATE GOVERNANCE

<table>
<tr><th colspan="3">PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</th></tr>
<tr><td>Recommendation 8.1<br><br>The board of a listed entity should:<br><br>(a) have a remuneration committee which:<br>(1) has at least three members, a majority of whom are independent directors; and<br>(2) is chaired by an independent director,<br>and disclose:<br>(3) the charter of the committee;<br>(4) the members of the committee; and<br>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br><br>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</td><td>Partially Complies</td><td>The Board has established a Nomination and Remuneration Committee.<br><br>The function of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee Charter contained in the Corporate Governance Plan which can be available at:<br><br>http://www.ttg.hk/en_us/contact_us/investor_relation<br><br>The full Board fulfills the function of the Committee with the members of five, namely, Mr Qiang Xiong the executive Director, Mr Louie Chow, executive Director, Mr Gary Kwok, executive Director, Mr Wensheng Cai non-executive Director and Mr Chris Ryan, non-executive Director. Of these members, the majority are non-independent directors except Mr Chris Ryan.<br><br>The Committee is chaired by Mr Chris Ryan, an independent non-executive Director.<br><br>Given the size, scale and nature of the Company's business, the Board does not consider the non-compliance with the ASX principles and recommendations with respect to the majority of members being independent, to be materially detrimental to the Company.<br><br>Details of the committee meeting throughout the period are contained on page 31 of the annual report.</td></tr>
<tr><td>Recommendation 8.2<br><br>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</td><td>Complies</td><td>Under the Nomination and Remuneration Committee Charter, the Nomination and Remuneration Committee is responsible for determining, reviewing and making recommendations to the Board on the total level of remuneration of non-executive Directors and for individual fees for non-executive Directors and the Chair including any additional fees payable for membership of Board Committees, the total remuneration package for the CEO, executive Director, Company Secretary and the Chief Financial Officer.</td></tr>
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# CORPORATE GOVERNANCE

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| Recommendation 8.3<br><br>A listed entity which has an equity-based remuneration scheme should:<br><br>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and<br><br>(b) disclose that policy or a summary of it. | Does Not Comply | The Company has established an equity-based remuneration scheme which provides eligible employees and advisors with an opportunity to acquire an ownership interest or exposure to an ownership interest in the Company. The issue of any securities according to the scheme is governed by the Incentive Plan Rules .<br><br>Currently the Company don't have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme.<br><br>However, the nomination and remuneration committee is responsible in monitoring board members and senior executives to ensure no transactions in associated products are entered into which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme. |

# CORPORATE GOVERNANCE

## Meetings Attendance Record

| | Board | Audit Committee | Remuneration Committee |
|---|---|---|---|
| Number of meetings held for the period | 4 | 4 | 1 |
| *Executive Directors:* | | | |
| XIONG Qiang | 4/4 | N/A | 1/1 |
| CHOW Ki Shui Louie | 4/4 | N/A | 1/1 |
| KWOK Kin Kwong Gary | 4/4 | 4/4 | 1/1 |
| *Non-executive Directors:* | | | |
| RYAN, Christopher John | 4/4 | 4/4 | 1/1 |
| CAI Wensheng | 4/4 | N/A | 1/1 |

# FINANCIAL TECHNOLOGY SERVICE

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TTG FINTECH LIMITED**
(Incorporated in Hong Kong with limited liability)

**OPINION**

We have audited the consolidated financial statements of TTG Fintech Limited ("the Company") and its subsidiaries (the "Group") set out on pages 38 to 95, which comprise the consolidated statement of financial position as at 31 March 2017, 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 March 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certificated Public accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**BASIS OF OPINION**

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

**MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to note 2(b) to the consolidated financial statements which indicates that the Group incurred a loss attributable to owners of the Company of RMB22,578,976 and net cash outflows from operating activities of RMB13,150,247 for the year ended 31 March 2017 and the Group had net current liabilities of RMB19,204,185 and net debt of RMB13,439,451 as disclosed in note 28 to the financial statements as at 31 March 2017. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the Group to attain profit and positive cash flows from operations and the financial support from investors and shareholders. These conditions, along with other matters as set forth in note 2(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not modified in respect of this matter.

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TTG FINTECH LIMITED**
(Incorporated in Hong Kong with limited liability)

(Continued)

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| ***Valuation of convertible bonds and embedded derivatives*** | |
| During the year ended 31 March 2017, the Group issued new convertible bonds with an aggregate principal amount of RMB9,932,541.<br><br>The valuation of fair values of the convertible bonds and embedded derivatives includes significant unobservable inputs and significant management estimates was determined by the directors of the Company based on the valuation by an independent valuer. The fair value of the embedded derivatives of the convertible bonds was determined using the binomial valuation model.<br><br>The accounting policies, disclosure of convertible bonds and accounting estimates and judgements are included in notes 2(l), 20 and 30(a)(iii) to the financial statements, respectively. | Our audit procedures in relation to the valuation of the convertible bonds and embedded derivatives included:<br><br>• obtaining an understanding of the management process for determining fair value of the convertible bonds and embedded derivatives;<br><br>• evaluating competence, capabilities and objectivity of the independent external valuer;<br><br>• assessing whether the valuation methodology and the key assumptions used by the management and external valuer to estimate the fair values of convertible bonds and embedded derivatives are appropriate;<br><br>• comparing input data to supporting evidences, such as market indicators and considering the reasonableness of the data adopted. |

國富浩華 (香港) 會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TTG FINTECH LIMITED**
(Incorporated in Hong Kong with limited liability)

(Continued)

**Information other than the consolidated financial statements and auditor's report thereon**

The directors are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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 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, 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.

**Responsibilities of directors and audit committee for the consolidated financial statements**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TTG FINTECH LIMITED**
(Incorporated in Hong Kong with limited liability)

(Continued)

**Auditor's responsibilities for the audit of the consolidated financial statements** (Continued)
As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- 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 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 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.

國富浩華 (香港) 會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

**INDEPENDENT AUDITOR'S REPORT TO THE SOLE MEMBER OF TTG FINTECH LIMITED**
(Incorporated in Hong Kong with limited liability)

(Continued)

**Auditor's responsibilities for the audit of the consolidated financial statements** (Continued)

From the matters communicated with the audit committee, 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.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 June 2017

Lam Cheung Shing
Practising Certificate Number P03552

TCH1012-2017Cons

**TTG FINTECH LIMITED**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 MARCH 2017**

| | Note | 2017<br>RMB | 2016<br>RMB |
|---|---|---|---|
| **Revenue** | 4 | 6,149,719 | 5,267,490 |
| **Cost of sales** | | (4,828,945) | (4,365,890) |
| **Gross profit** | | 1,320,774 | 901,600 |
| **Other revenue** | 5 | 3,899 | 153,268 |
| **Other net income** | 5 | 468,866 | 1,145,855 |
| | | 1,793,539 | 2,200,723 |
| Selling expenses | | (5,630,354) | (3,579,515) |
| General and administrative expenses | | (18,594,448) | (16,335,783) |
| Change of fair value of embedded derivatives of convertible bonds | 20 | 2,202,194 | (376,361) |
| Share of losses of associates | | (825,756) | (1,164,010) |
| Finance costs | 6(a) | (1,798,542) | (63,689) |
| **Loss before taxation** | 6 | (22,853,367) | (19,318,635) |
| **Income tax** | 7 | - | - |
| **Loss for the year** | | (22,853,367) | (19,318,635) |
| **Other comprehensive income for the year, net of nil tax** | | - | - |
| **Total comprehensive loss for the year** | | (22,853,367) | (19,318,635) |
| **Loss and total comprehensive loss for the year attributable to:** | | | |
| Owners of the Company | | (22,578,976) | (18,919,418) |
| Non-controlling interests | | (274,391) | (399,217) |
| | | (22,853,367) | (19,318,635) |
| **Loss per share (RMB)** | 10 | | |
| Basic | | (0.0354) | (0.0297) |
| Diluted | | (0.0354) | (0.0297) |

The notes on pages 42 to 95 form an integral part of these financial statements.

**TTG FINTECH LIMITED**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 MARCH 2017**

| | Note | 2017<br>RMB | 2016<br>RMB |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 4,709,474 | 4,282,524 |
| Intangible assets | 13 | 746,932 | - |
| Interests in associates | 14 | 1,733,241 | 2,558,997 |
| Prepayment and deposits | 17 | 477,116 | 903,376 |
| | | 7,666,763 | 7,744,897 |
| **Current assets** | | | |
| Inventories | 16 | 1,041,836 | 1,683,999 |
| Trade and other receivables | 17 | 2,245,790 | 3,546,445 |
| Cash and cash equivalents | 18 | 2,534,290 | 5,046,290 |
| | | 5,821,916 | 10,276,734 |
| **Current liabilities** | | | |
| Trade and other payables | 19 | 11,181,905 | 4,177,908 |
| Convertible bonds | 20 | 13,444,196 | 6,440,050 |
| Deferred government grants | 21 | 400,000 | 328,033 |
| | | 25,026,101 | 10,945,991 |
| **Net current liabilities** | | (19,204,185) | (669,257) |
| **Total assets less current liabilities** | | (11,537,422) | 7,075,640 |
| **Non-current liabilities** | | | |
| Convertible bonds | 20 | 2,529,545 | - |
| Other liabilities | 22 | 396,667 | 403,689 |
| | | 2,926,212 | 403,689 |
| **NET (LIABILITIES)/ASSETS** | | (14,463,634) | 6,671,951 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 24 | 72,743,496 | 72,743,496 |
| Reserves | 26 | (86,591,004) | (65,729,810) |
| **Equity attributable to owners of the Company** | | (13,847,508) | 7,013,686 |
| **Non-controlling interests** | | (616,126) | (341,735) |
| **TOTAL (DEFICIT)/EQUITY** | | (14,463,634) | 6,671,951 |

Approved and authorised for issue by the board of directors on 30 June 2017.

| | |
|---|---|
| Xiong Qiang<br>Director | Chow Ki Shui Louie<br>Director |

The notes on pages 42 to 95 form an integral part of these financial statements.

**TTG FINTECH LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 MARCH 2017**

| | | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB (Note 24) | Share option reserve RMB (Note 26) | Accumulated losses RMB | Sub-total RMB | Non-controlling interests RMB | Total equity RMB |
| At 1 April 2015 | | 72,743,496 | - | (48,078,269) | (48,078,269) | 41,482 | 24,706,709 |
| Loss for the year | | - | - | (18,919,418) | (18,919,418) | (399,217) | (19,318,635) |
| Other comprehensive income | | - | - | - | - | - | - |
| Total comprehensive loss | | - | - | (18,919,418) | (18,919,418) | (399,217) | (19,318,635) |
| Contribution from non-controlling interests (note) | | - | - | - | - | 16,000 | 16,000 |
| Equity-settled share-based transaction | 25 | - | 1,267,877 | - | 1,267,877 | - | 1,267,877 |
| | | - | 1,267,877 | - | 1,267,877 | 16,000 | 1,283,877 |
| At 31 March 2016 and 1 April 2016 | | 72,743,496 | 1,267,877 | (66,997,687) | (65,729,810) | (341,735) | 6,671,951 |
| Loss for the year | | - | - | (22,578,976) | (22,578,976) | (274,391) | (22,853,367) |
| Other comprehensive income | | - | - | - | - | - | - |
| Total comprehensive loss | | - | - | (22,578,976) | (22,578,976) | (274,391) | (22,853,367) |
| Equity-settled share-based transaction | 25 | - | 1,640,634 | - | 1,640,634 | - | 1,640,634 |
| Issuance of share options | 20(a) | - | 77,148 | - | 77,148 | - | 77,148 |
| | | - | 1,717,782 | - | 1,717,782 | - | 1,717,782 |
| At 31 March 2017 | | 72,743,496 | 2,985,659 | (89,576,663) | (86,591,004) | (616,126) | (14,463,634) |

The component of other comprehensive income does not have any significant tax effect for the years ended 31 March 2017 and 2016.

Note: Share capital contribution of RMB16,000 from non-controlling interests in a subsidiary with a registered capital of RMB2,000,000 of which RMB200,000 was paid during the year ended 31 March 2016.

The notes on pages 42 to 95 form an integral part of these financial statements.

**TTG FINTECH LIMITED**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 MARCH 2017**

| | Note | 2017<br>RMB | 2016<br>RMB |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Loss before taxation | | (22,853,367) | (19,318,635) |
| Adjustments for: | | | |
| Depreciation | 12 | 1,345,745 | 911,231 |
| Amortisation of intangible assets | 13 | 236,230 | - |
| Interest income | 5 | (3,899) | (16,145) |
| Loss on disposal of property, plant and equipment | 6(b) | 674,878 | 88,293 |
| Share of losses of associates | | 825,756 | 1,164,010 |
| Impairment loss on advance to suppliers | 6(b) | 474,000 | - |
| Impairment loss on other receivable | 6(b) | 44,234 | - |
| Impairment loss on prepayments and deposits | 6(b) | 200,000 | - |
| Equity-settled share-based payment expenses | | 1,640,634 | 1,249,660 |
| Finance costs | 6(a) | 1,798,542 | 63,689 |
| (Gain)/loss on change of fair value of embedded derivatives of convertible bonds | 20 | (2,202,194) | 376,361 |
| Net foreign exchange loss/(gain) | | 24,309 | (395,387) |
| | | (17,795,132) | (15,876,923) |
| **CHANGES IN WORKING CAPITAL** | | | |
| Increase in inventories | | (412,924) | (1,234,541) |
| Decrease/(increase) in trade and other receivables | | 754,436 | (1,306,674) |
| (Decrease)/increase in other liabilities | | (7,022) | 410,721 |
| Increase/(decrease) in trade and other payables | | 4,238,428 | (646,823) |
| Increase in deferred government grants | | 71,967 | 328,033 |
| **NET CASH USED IN OPERATIONS** | | (13,150,247) | (18,326,207) |
| Tax paid | | - | - |
| **NET CASH USED IN OPERATING ACTIVITIES** | | (13,150,247) | (18,326,207) |
| **INVESTING ACTIVITIES** | | | |
| Interest received | 5 | 3,899 | 16,145 |
| Payment for investment in an associate | | - | (15,000) |
| Proceeds from disposal of property, plant and equipment | | 46,111 | 12,846 |
| Payments for purchase of property, plant and equipment | | (717,097) | (3,446,379) |
| Payments for purchase of intangible assets | 13 | (726,752) | - |
| Deposit paid for purchase of intangible assets | | - | (300,000) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | (1,393,839) | (3,732,388) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of convertible bonds | 20 | 9,932,541 | 6,000,000 |
| Consideration received | 19(c) | 1,996,070 | - |
| Contribution from non-controlling interests | | - | 16,000 |
| **NET CASH GENERATED FROM FINANCING ACTIVITIES** | | 11,928,611 | 6,016,000 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (2,615,475) | (16,042,595) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | 5,046,290 | 20,640,241 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | | 103,475 | 448,644 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | | |
| Cash and bank balances | 18 | 2,534,290 | 5,046,290 |

The notes on pages 42 to 95 form an integral part of these financial statements.

## 1. GENERAL INFORMATION

TTG Fintech Limited ("the Company") is a limited liability company domiciled and incorporated in Hong Kong. The address of its registered office and principal place of business is Unit 1806, 18/F., Park-In Commercial Centre, 56 Dundas Street, Mongkok, Kowloon, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of system development services and information technology services, sale of point-of-sale machines and licensing for the sale and distribution of an internally generated smart cloud-supported point-of-sale system "Tlinx" in the People's Republic of China (the "PRC").

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB. As Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), are derived from and consistent with IFRSs, these financial statements also comply with HKFRSs. These financial statements also comply with the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively as the "Group") is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The equivalent new and revised HKFRSs consequently issued by the HKICPA as a result of these developments have the same effective date as those issued by the IASB and are in all material aspects identical to the pronouncements issued by the IASB.

Note 3 provides information on the initial application of those developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) Going concern

The Group incurred a loss attributable to owners of the Company of RMB22,578,976 (2016: RMB18,919,418) and net cash outflows from operating activities of RMB13,150,247 (2016: RMB18,326,207) for the year ended 31 March 2017 and the Group had net current liabilities of RMB19,204,185 (2016: RMB669,257) and net debt of RMB13,439,451 (2016: RMB1,393,760) (note 28) as at 31 March 2017. On 6 March 2017, the convertible bonds of RMB6,000,000 were matured and due for repayment. However, the Company was unable to make repayment on 6 March 2017 and the convertible bonds were become overdue. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the ability of the Group to attain profit and positive cash flows from operations in the immediate and longer term.

In order to strengthen the Group's capital base and liquidity in the foreseeable future, the Group has taken the following measures:

- On 31 May 2017, the Company negotiated with the holders of the overdue convertible bonds and entered into a new convertible bond and option subscription agreements pursuant to which the Company issued new convertible bonds with principal amount of RMB6,000,000 and 27,080,982 share options to replace the overdue convertible bonds. The new convertible bonds will mature on 31 December 2019.

- On 30 March 2017, the Company entered into a memorandum of understanding with an independent third party to sell all the intellectual property rights of the Group for a total consideration of USD1,453,000 (equivalent to RMB10,001,000). The details of which are set out in note 19(c) to the financial statements.

- On 24 April 2017, the Company entered into a convertible bond agreement with an independent third party investor for issuing of convertible bonds for HK$15,000,000 (equivalent to RMB13,204,000) maturing on 28 April 2020, the details of which are set out in note 33(a) to the financial statements.

- The shareholders of the Company confirmed that they would not demand for redemption of convertible bonds with carrying amount of RMB5,999,633 upon maturity on 4 August 2017 and the convertible bonds would be converted into the share capital of the Company.

- On 27 May 2016, the Company entered into a loan agreement with Mr. Xiong Qiang and Mr. Chow Ki Shui Louie, the directors and major shareholder of the Company for RMB12,000,000, for a period from 27 May 2016 to 27 March 2017, the loan agreement was renewed on 27 June 2016 to extend the loan period to 30 September 2017. The Company did not utilize any facilities under the loan agreement as at 31 March 2017.

- The management have been implementing various strategies to broaden the customer base and revenue of the Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) Going concern (Continued)

Based on the cash flow projections of the Group and having taken into account the available financial resources of the Group and the above measures, the directors have concluded that the Group is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

### c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2017 comprise the Company and its subsidiaries and the Group's interests in associates.

These consolidated financial statements have been prepared under the historical cost convention, as modified by financial liabilities (including derivative instruments) at fair value through profit or loss, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the Company's functional currency as the majority of the Group's transactions are denominated in RMB.

The preparation of financial statements in conformity with IFRSs and HKFRSs, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may 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.

Judgements made by management in the application of IFRSs and HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 30.

### d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### d) Subsidiaries (Continued)

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 2(i)), unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### f) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Computer equipment | 20% to 50% per annum |
| Leasehold improvements | Over the shorter of the term of the lease or 20% per annum |
| Furniture and fixtures | 20% per annum |
| Motor vehicles | 20% per annum |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

### g) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Other development expenditure is recognised as an expense in the period in which it is incurred.

The Group classified the acquired trademarks as intangible assets in accordance with IAS 38 and HKAS 38 Intangible Assets. Trademarks acquired that have an indefinite useful life are stated at cost less any subsequent accumulated impairment losses.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

| | |
|---|---|
| -Computer software | 3 years |

Both the period and method of amortisation are reviewed annually.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### g) Intangible assets (Continued)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out below.

Trademarks acquired that have a finite useful life are carried at cost less amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of two years.

### h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

*Operating lease charges*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Any difference between the straight-line rent amount and the amount payable under the lease is included in other liabilities in the consolidated statement of financial position. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

### i) Impairment of assets

i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;

**2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**i) Impairment of assets** (Continued)

i) Impairment of receivables (Continued)

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### i) Impairment of assets (Continued)

i) Impairment of receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- prepayments and deposits;
- intangible assets; and
- investments in subsidiaries in the Company’s statement of financial position.

If any such indication exists, the asset’s recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### i) Impairment of assets (Continued)

ii) Impairment of other assets (Continued)

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

### j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined on a first-in first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment losses for bad and doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### l) Convertible bonds

Convertible bonds issued by the Company that contain both a liability and embedded derivatives are classified separately into these respective items on initial recognition. Conversion rights that will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's shares are conversion right derivatives. At the date of issue of the convertible bonds, the liability and conversion and early redemption right derivatives are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion and early redemption right derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income.

If the bonds are converted, the respective conversion and early redemption right derivatives in the convertible bonds, together with the carrying value of the liability component at the time of conversion, are transferred to share capital as consideration for the shares issued.

### m) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### o) Employee benefits (Continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company’s shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

### p) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credit.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### p) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### p) Income tax (Continued)

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### q) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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, whose existence 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.

### r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and the costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Provision of services

Revenue from the provision of system development services and information technology services, promotion services income and management fee income are recognised when its services are rendered by reference to the stage of completion.

ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### r) Revenue recognition (Continued)

iii) Rental income

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

iv) Licensing income

Licensing income is recognised on an accrual basis in accordance with the substance of the relevant agreements. Revenue is after deduction of sale-related taxes.

v) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants relating to property, plant and equipment are included in current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the expected lives of the related assets.

vi) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

### s) Translation of foreign currency

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### u) Derivative financial instruments

The Group has entered into transactions which will mature in one year, where fair value are determined using valuation models for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as “day one gain or loss”, is not recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

The timing of recognition of deferred day one gain or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument’s fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for deferred day one gain or loss. Subsequent changes in fair value are recognised immediately in the consolidated statement of profit or loss and other comprehensive income without reversal of deferred day one gain or loss.

### v) 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 the key management personnel of the Group or the Group’s parent.

b) An entity is related to the Group if any of the following conditions applies:

   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).

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### v) Related parties (Continued)

b) An entity is related to the Group if any of the following conditions applies: (Continued)

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 employees of either 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 the 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.

### w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the board of directors, being the chief operating decision maker, for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production process, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new standards and amendments to IFRSs issued by the IASB and HKFRSs issued by HKICPA that are effective for the current accounting period.

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

The adoption of these amendments did not have material impact on the current period or prior period.

## 4. REVENUE

Revenue represents the income from provision of system development services and information technology services, sale of point-of-sale machines and licensing income from sale and distribution of Tlinx. The amount of each significant category of revenue during the years is as follows:

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| Revenue from provision of system development services | 461,017 | 1,245,903 |
| Revenue from provision of information technology services | 797,461 | 1,858,945 |
| Revenue from sale of point-of-sale machines | 3,280,288 | 2,162,642 |
| Revenue from license fee | 1,600,000 | - |
| Revenue from leasing point-of-sale machines | 10,953 | - |
| | 6,149,719 | 5,267,490 |

## 5. OTHER REVENUE AND OTHER NET INCOME

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| **Other revenue** | | |
| Interest income on bank deposits | 3,899 | 16,145 |
| Total interest income on financial assets not at fair value through profit or loss | 3,899 | 16,145 |
| Management fee income | - | 137,123 |
| | 3,899 | 153,268 |

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| **Other net income** | | |
| Net exchange (loss)/gain | (48,602) | 340,161 |
| Sundry income | 57,036 | 142,747 |
| Government grants (note below and note 21) | 203,833 | 581,567 |
| Income from show rooms | 256,599 | 81,380 |
| | 468,866 | 1,145,855 |

Note:

During the year ended 31 March 2017, the Group recognised as income in profit or loss of RMB108,033 of funding from “深圳市 2016 年戰略新興產業發展專項資金”, which was applied in year 2016. In addition, the Group also successfully applied for funding support of RMB180,000 from “廈門市科學技術局”, but the amount was not yet recognised as income in profit or loss during the year. One of the purposes of the fund is to support startup of small and medium size technology corporation. Furthermore, the Group successfully applied for funding support of RMB58,700, RMB27,100 and RMB10,000 from “深圳市知識產權專項資金”, “南山區自主創新產業發展專項資金” and “深圳市科技創新券項資金” respectively, set up by the PRC government. The purpose of the funds is to encourage the PRC entity to register its intellectual properties.

During the year ended 31 March 2016, the Group successfully applied for funding support of RMB700,000 from “深圳市 2016 年戰略新興產業發展專項資金”, set up by the PRC government and RMB371,967 was recognised as income in profit or loss. One of the purposes of the fund is to support startup of small and medium size technology corporation. In addition, the Group also successfully applied for funding support from “深圳市羅湖區產業轉型升級專項資金”, set up by the PRC government. The Group obtained funding of RMB165,300 to support operation of E-commerce entity and registered high-tech enterprise and of RMB12,300 for encouraging the PRC entity to register its self-developed software under the National Copyright Administration of the PRC. Furthermore, the Group successfully applied for funding support of RMB30,200 and RMB1,800 from “深圳市知識產權專項資金” and “2016 年福田區產業發展專項資金” respectively, set up by the PRC government. The purpose of the funds is to encourage the PRC entity to register its intellectual properties.

## 6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| **a) Finance costs** | | |
| Interest expense on convertible bonds | 1,798,542 | 63,689 |
| **b) Other items** | | |
| Auditor's remuneration | | |
| - audit services | 416,690 | 357,095 |
| - other services | 174,741 | 156,229 |
| Cost of inventories sold | 2,011,843 | 1,562,906 |
| Cost of services rendered | 2,817,102 | 2,802,984 |
| Amortisation of intangible assets | 236,230 | - |
| Depreciation on property, plant and equipment | 1,345,745 | 911,231 |
| Operating lease charges in respect of properties | | |
| - minimum lease payments | 1,716,292 | 2,442,385 |
| Loss on disposal of property, plant and equipment | 674,878 | 88,293 |
| Impairment loss on other receivables (Note ii) | 44,234 | - |
| Impairment loss on prepayments and deposits (Note i) | 200,000 | - |
| Impairment loss on advance to a supplier (Note i) | 474,000 | - |
| Staff costs (including directors' emoluments) | | |
| Contribution to defined contribution retirement plan | 476,035 | 315,572 |
| Equity-settled share option expense | 613,152 | 417,756 |
| Salaries and allowances | 12,616,620 | 10,656,342 |
| | 13,705,807 | 11,389,670 |

Note

i) During the year ended 31 March 2016, the Group has ordered inventories with a supplier and paid a deposit of RMB200,000 and made advance payments of RMB600,000 to the supplier respectively. Pursuant to the purchase contract, the advance to the supplier is non-refundable if the Group cannot fulfil the requested volume of purchase of inventories within one year. The deposit of RMB200,000 is refundable when the requested volume of purchase is met.

Since the Group was unable to fulfil the requested volume of purchase within one year, the directors of the Company considered that the deposit and the remaining balance of advance payments to the supplier of RMB200,000 and RMB474,000, respectively should be fully impaired.

ii) Since the Group was unable to contact the debtor to recover the amount, the directors of the Company considered that the other receivable should be fully impaired.

## 7. INCOME TAX

No Hong Kong Profits Tax has been made in these consolidated financial statements as the Group has no estimated assessable profits arising in Hong Kong for the years.

Except for Shenzhen Tao-taogu Information Technology Co., Ltd. ("STIT"), the other PRC subsidiaries are subject to PRC corporate income tax at 25%. Pursuant to a notice issued by the tax authority on 5 April 2012, STIT is exempted from PRC corporate income tax for the first two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. No provision for the PRC corporate income tax for Shenzhen Tao-taogu E-commerce Co., Limited ("STEC") has been made in these consolidated financial statements as STEC has accumulated tax losses brought forward which exceed the estimated assessable profits for the year ended 31 March 2017. No provision for the PRC corporate income tax has been made in these consolidated financial statements for the other PRC subsidiaries as those subsidiaries sustained a loss during the years.

Reconciliation between tax expenses and accounting loss at applicable tax rates is as follows:

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| Loss before taxation | (22,853,367) | (19,318,635) |
| Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned | (5,429,567) | (4,490,750) |
| Tax effect of non-taxable income | (373,888) | - |
| Tax effect of non-deductible expenses | 1,227,085 | 978,223 |
| Tax effect of tax losses from previous periods utilised | (44,636) | (135,614) |
| Tax effect of unrecognised tax losses | 4,227,428 | 3,648,141 |
| Tax effect of temporary differences not recognised | 393,578 | - |
| Actual tax | - | - |

## 8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Directors' fees RMB | Salaries, allowance and benefits in kind RMB | Retirement scheme contributions RMB | Equity-settled share option expense RMB | Total RMB |
| **Executive directors** | | | | | |
| Xiong Qiang | - | 697,996 | 18,764 | - | 716,760 |
| Chow Ki Shui Louie | - | 286,176 | - | - | 286,176 |
| Kwok Kin Kwong Gary | - | 1,040,640 | 13,008 | 516,051 | 1,569,699 |
| Wu Lin Yan (resigned on 8 June 2016) | - | - | - | - | - |
| **Non-executive directors** | | | | | |
| Ryan, Christopher John | - | 60,773 | - | 97,101 | 157,874 |
| Cai Wen Sheng | - | 60,773 | - | - | 60,773 |
| Yang Yu Chuan (resigned on 17 April 2016) | - | - | - | - | - |
| Lan Jun (resigned on 29 April 2016) | - | - | - | - | - |
| | - | 2,146,358 | 31,772 | 613,152 | 2,791,282 |

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Directors' fees RMB | Salaries, allowance and benefits in kind RMB | Retirement scheme contributions RMB | Equity-settled share option expense RMB | Total RMB |
| **Executive directors** | | | | | |
| Xiong Qiang | - | 655,897 | 8,400 | - | 664,297 |
| Chow Ki Shui Louie | - | 226,270 | 12,342 | - | 238,612 |
| Kwok Kin Kwong Gary | - | 822,800 | 14,810 | 351,598 | 1,189,208 |
| Wu Lin Yan (resigned on 8 June 2016) | - | 36,695 | 1,015 | - | 37,710 |
| **Non-executive directors** | | | | | |
| Ryan, Christopher John | - | 56,403 | - | 66,158 | 122,561 |
| Cai Wen Sheng | - | 56,403 | - | - | 56,403 |
| Yang Yu Chuan (resigned on 17 April 2016) | - | 2,507 | - | - | 2,507 |
| Lan Jun (resigned on 29 April 2016) | - | 4,543 | - | - | 4,543 |
| | - | 1,861,518 | 36,567 | 417,756 | 2,315,841 |

## 9. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2017 (2016: Nil).

## 10. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| Loss for the year attributable to owners of the Company | 22,578,976 | 18,919,418 |
| Weighted average number of ordinary shares | 637,747,400 | 637,747,400 |

Diluted loss per share

The computation of diluted loss per share for the years ended 31 March 2017 and 2016 did not assume the conversion of the Company's outstanding convertible bonds as their exercise would result in a decrease in loss per share.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2017 and 2016 in respect of the share options in issue as the average market price of ordinary shares did not exceed the exercise price of the share options for the years ended 31 March 2017 and 2016.

## 11. SEGMENT INFORMATION

The Group manages its business by divisions which are organized from the services perspective.

In a manner consistent with the way in which information is reported internally to the Company's board of directors, being the chief operating decision maker, for the purpose of resources allocation and performance assessment, the Group's operating activities are attributable to a single operating segment as the revenue and loss are derived entirely from the provision of system development services and information technology services, sale of point-of-sale machines and licensing for the sale and distribution of an internally generated smart cloud-supported point-of-sale system "Tlinx" to the customers in the PRC. In addition, the principal assets employed by the Group are located in the PRC. Accordingly, no segment analysis and geographical information is presented other than the below entity-wide disclosures.

## 11. SEGMENT INFORMATION (Continued)

### Information about major customers

An analysis of revenue from customers contributing 10% or more of the Group's total revenue is as follows:

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| Customer A | 2,799,118 | 573,778 |
| Customer B | - | 1,415,095 |
| Customer C | - | 662,393 |

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Computer Equipment<br>RMB | Point of sales of machines<br>RMB | Furniture and Fixtures<br>RMB | Leasehold improvements<br>RMB | Motor vehicle<br>RMB | Total<br>RMB |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2015 | 2,939,957 | - | 22,300 | 162,175 | - | 3,124,432 |
| Additions | 1,015,292 | - | 722,039 | 1,657,162 | 51,886 | 3,446,379 |
| Disposals | (4,630) | - | (22,300) | (162,175) | - | (189,105) |
| At 31 March 2016 and at 1 April 2016 | 3,950,619 | - | 722,039 | 1,657,162 | 51,886 | 6,381,706 |
| Reclassified from inventories | 8,073 | 1,047,014 | - | - | - | 1,055,087 |
| Additions | 77,985 | 1,349,067 | 11,545 | - | - | 1,438,597 |
| Disposals | - | - | (461,839) | (504,846) | - | (966,685) |
| At 31 March 2017 | 4,036,677 | 2,396,081 | 271,745 | 1,152,316 | 51,886 | 7,908,705 |
| **Accumulated depreciation** | | | | | | |
| At 1 April 2015 | 1,227,425 | - | 1,177 | 47,315 | - | 1,275,917 |
| Charge for the year | 675,871 | - | 62,179 | 167,430 | 5,751 | 911,231 |
| Written back on disposals | - | - | (4,944) | (83,022) | - | (87,966) |
| At 31 March 2016 and at 1 April 2016 | 1,903,296 | - | 58,412 | 131,723 | 5,751 | 2,099,182 |
| Charge for the year | 687,126 | 229,932 | 100,439 | 318,390 | 9,858 | 1,345,745 |
| Written back on disposals | - | - | (115,131) | (130,565) | - | (245,696) |
| At 31 March 2017 | 2,590,422 | 229,932 | 43,720 | 319,548 | 15,609 | 3,199,231 |
| **Carrying amount** | | | | | | |
| At 31 March 2017 | 1,446,255 | 2,166,149 | 228,025 | 832,768 | 36,277 | 4,709,474 |
| At 31 March 2016 | 2,047,323 | - | 663,627 | 1,525,439 | 46,135 | 4,282,524 |

As at 31 March 2017, the Group leased out the point-of-sales machineries with carrying amount of RMB1,378,935 under operating leases. The lease does not include contingent rentals.

## 13. INTANGIBLE ASSETS

| | Computer software RMB (note a) | Trademarks RMB (note b) | Total RMB |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2015, 31 March and 1 April 2016 | - | 295,913 | 295,913 |
| Reclassified from deposits | 256,410 | - | 256,410 |
| Additions | 726,752 | - | 726,752 |
| At 31 March 2017 | 983,162 | 295,913 | 1,279,075 |
| **Accumulated amortisation and impairment loss** | | | |
| At 1 April 2015, 31 March and 1 April 2016 | - | 295,913 | 295,913 |
| Amortisation for the year | 236,230 | - | 236,230 |
| At 31 March 2017 | 236,230 | 295,913 | 532,143 |
| **Carrying amount** | | | |
| At 31 March 2017 | 746,932 | - | 746,932 |
| At 31 March 2016 | - | - | - |

Note:

a) The computer software has a finite useful life and is thereafter carried at cost less accumulated amortisation and impairment losses.

b) The trademarks with cost of RMB200,000 are with an indefinite life. On initial recognition, the directors of the Company are of the opinion that the Group has the ability to use the trademarks continuously and the trademarks are expected to contribute to net cash inflows of existing business indefinitely. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life. Subsequent to the acquisition of trademarks, the directors changed their business strategy by focusing on new business development. The directors considered the recoverable amount of the trademarks was less than its carrying amount, therefore, the trademarks were fully impaired in prior year.

## 14. INTERESTS IN ASSOCIATES

| | 2017 RMB | 2016 RMB |
|---|---|---|
| Share of net assets | 1,733,241 | 2,558,997 |

The particulars of the associates of the Group, which are unlisted corporate entities, are as follows:

| Name of associates | Place of establishment and business | Form of business structure | Particulars of registered capital | Proportion of ownership interest held directly 2017 | 2016 | Principal activities |
|---|---|---|---|---|---|---|
| Shenzhen Intelligent Preferential Pay Company Limited* ("IPP") (深圳市智惠付信息技術有限公司) | The PRC | Incorporated | RMB2,000,000 | 37.5% | 37.5% | Provision of e-commence, information technology consultancy services, electronic promotion services and electronic messaging information services. |
| Shenzhen Dashouhou Information Technology Company Limited* ("DIT") (深圳市大售後信息技術有限公司) | The PRC | Incorporated | RMB1,000,000 | 47.5% | 47.5% | Not yet commenced business |

* The English translation of the company name is for reference only. The official name of these companies is in Chinese.

Notes:

a) IPP operates in the PRC and is a strategic partner for the Group in developing the information technology services sector where IPP has an established customer base.

b) DIT will operate in the PRC and will be a strategic partner for the Group in developing the information technology services sector where the other shareholders of DIT have an established customer base.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

During the year ended 31 March 2017, IPP entered into syndicated loan agreements under which IPP was granted a facility in the aggregate sum of RMB3,000,000 of which RMB2,500,000 were utilised as at 31 March 2017. The syndicate under the syndicated loan agreements are arranged by Wuhan Yifan Wealth Investment Co., Ltd. (武漢億房財富投資有限公司), a company registered in the PRC, with participation from a consortium of individual and/or corporate investors. Such facility was secured by an equity pledge over the Company's interest in 10% of the registered capital of IPP.

## 14. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs and HKFRSs.

| | IPP | |
|---|---|---|
| | 2017 | 2016 |
| | RMB | RMB |
| Non-current assets | 6,545,452 | 7,587,324 |
| Current assets | 1,013,891 | 670,271 |
| Current liabilities | (3,207,333) | (1,705,145) |
| Equity | 4,352,010 | 6,552,450 |
| Revenue | 2,652,862 | 2,373,081 |
| Loss for the year | (2,200,440) | (2,548,401) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (2,200,440) | (2,548,401) |

Reconciled to the Group's interest in the associate is as follows:

| | IPP | |
|---|---|---|
| | 2017 | 2016 |
| | RMB | RMB |
| Net assets of the associate | 4,352,010 | 6,552,450 |
| The Group's effective interest in the associate | 37.5% | 37.5% |
| The Group's share of net assets of the associate | 1,632,004 | 2,457,169 |

Information of an associate that is not individually material:

| | DIT | |
|---|---|---|
| | 2017 | 2016 |
| | RMB | RMB |
| Carrying amount of individually immaterial associate in the consolidated financial statements | 101,237 | 101,828 |
| Amounts of the Group's share of the associate's | | |
| Loss for the year | (591) | (208,360) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (591) | (208,360) |

## 15. SUBSIDIARIES

Details of the principal subsidiaries as at 31 March 2017 are as follows:

| Name of subsidiary | Place of establishment and business | Principal activities | Issued share capital/ paid up registered capital | Proportion of ownership interest held by the Company | |
|---|---|---|---|---|---|
| | | | | Directly | Indirectly |
| Shenzhen Tao-taogu Information Technology Co., Ltd. * (深圳市淘淘谷信息技術有限公司) ("STIT") | The PRC | Provision of system development and information technology services | Paid up registered capital of HK$38,000,000 | 100% | - |
| Shenzhen Tao-taogu E-commerce Co., Limited * (深圳市淘淘谷電子商務有限公司) ("STEC") | The PRC | Provision of E-commerce system development and information technology services | Paid up registered capital of RMB1,000,000 | - | - (Note (a)) |
| Shenzhen Tao-taogu Investment Co., Limited * (深圳市淘淘谷投資有限公司) ("ST Investment") | The PRC | Provision of investment management and consultancy services | Paid up registered capital of RMB1,000,000 | - | - (Note (b)) |
| Xiamen Tao-taogu Information Technology Co., Ltd. * (廈門市淘淘谷信息技術有限公司) ("XTIT") | The PRC | Provision of system development and information technology services | Paid up registered capital of RMB206,000 (Note (c)) | - | 67% |
| Jiangxi Tao-taogu E-commerce Co., Limited * (江西淘淘谷電子商務有限公司) ("JTEC") | The PRC | Investment holding | Paid up registered capital of RMB200,000 (Note (d)) | - | 92% |
| Neimenggu Taotaogu Information Technology Services Co., Limited * (內蒙古淘淘各信息技術服務有限公司) ("NTIT") | The PRC | Provision of system development and information technology services | Paid up registered capital of RMB30,000 (Note (e)) | - | 100% |

* The English translation of the subsidiaries' name are for reference only. The official name of the subsidiaries are in Chinese.

## 15. SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the financial performance for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

a) On 2 July 2013, STIT, a wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with Mr. Xiong Qiang, a director and a shareholder of the Company and Ms. Ling Fang, the wife of Xiong Qiang to obtain control in STEC, a company established in the PRC. The Group does not hold any ownership interests in STEC. However, based on the terms of the Agreement under which STEC was acquired, the Group receives substantially all of the returns related to its operations and net assets and has the current ability to direct STEC's activities that most significantly affect these returns.

b) The Group does not hold any ownership interests in ST Investment. However, based on the terms of agreement under which ST Investment was established, the Group receives substantially all of the returns related to its operations and net assets and has the current ability to direct ST Investment's activities that most significantly affect these returns.

c) XTIT was incorporated as a limited liability company in the PRC. As at 31 March 2017, the registered capital of XTIT was RMB1,000,000 of which RMB206,000 was paid up.

d) JTEC was incorporated as a limited liability company in the PRC. As at 31 March 2017, the registered capital of JTEC was RMB2,000,000 of which RMB200,000 was paid up.

e) NTIT was incorporated as a limited liability company in the PRC. As at 31 March 2017, the registered capital of NTIT was RMB100,000 of which RMB30,000 was paid up.

## 16. INVENTORIES

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| Point-of-sale machines held for sale | 1,041,836 | 1,683,999 |

An analysis of the amount of inventories recognised as an expense and included in consolidated statement of profit or loss is as follows:

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| Carrying amount of inventories sold | 2,011,843 | 1,562,906 |

## 17. TRADE AND OTHER RECEIVABLES

| | Note | 2017 RMB | 2016 RMB |
|---|---|---|---|
| Trade receivables | (a) | 180,372 | 458,800 |
| Other receivables | | 476,623 | 283,185 |
| Amount due from an associate (note 31(c)) | (b) | 139,830 | 97,523 |
| Amount due from a related company (note 31(c)) | (b) | 52,032 | 34,109 |
| Loans and receivables | | 848,857 | 873,617 |
| Advance to suppliers | | - | 1,225,780 |
| Prepayments and deposits | | 1,059,663 | 1,729,427 |
| Deposit paid for purchase of intangible assets (note 31(c)(iv)) | | - | 300,000 |
| Value added tax recoverable | | 814,386 | 320,997 |
| | | 2,722,906 | 4,449,821 |
| Less: Non-current portion | | (477,116) | (903,376) |
| | | 2,245,790 | 3,546,445 |

All of the trade and other receivables are expected to be recovered within one year or recognised as expense within one year.

Notes:

a) Trade receivables are due within 60 days from the date of billing. There are no trade receivables impaired as at 31 March 2017 and 2016.

Further details of the Group's credit policy are set out in note 29(a)(i).

The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired are as follows:

| | 2017 RMB | 2016 RMB |
|---|---|---|
| Neither past due nor impaired | 159,534 | 438,800 |
| Past due but not impaired | | |
| Less than 1 month past due | - | 20,000 |
| 1 to 3 months past due | 20,838 | - |
| | 180,372 | 458,800 |

Receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to one independent customer that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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 Group does not hold any collateral over these balances.

b) The amounts due from an associate and related company are unsecured, interest free and repayable on demand. Further details are set out in note 31(c) to the consolidated financial statements.

## 18. CASH AND CASH EQUIVALENTS

Included in the cash and cash equivalents of the Group as at 31 March 2017 was an amount of RMB312,543 (2016: RMB3,283,436) denominated in RMB which is not a freely convertible currency in the international money market. The remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC. The bank balances carry interest at market rates ranging from nil to 0.35% per annum (2016: from nil to 0.35% per annum).

## 19. TRADE AND OTHER PAYABLES

| | Note | 2017<br>RMB | 2016<br>RMB |
|---|---|---|---|
| Trade payables | | 32,990 | 68,780 |
| Other payables and accruals | | 2,261,099 | 1,270,865 |
| Deposits received | | 490,298 | - |
| Payable for purchase of point of sales machines | | 721,500 | - |
| Amounts due to directors (note 31(c)) | (b) | 3,130,260 | 812,165 |
| Financial liabilities measured at amortised cost | | 6,636,147 | 2,151,810 |
| Advance from customers | | 2,507,438 | 1,955,236 |
| Consideration received | (c) | 1,996,070 | - |
| Business tax and other levies payables | | 35,223 | 63,830 |
| Other liabilities (note 22) | | 7,027 | 7,032 |
| | | 11,181,905 | 4,177,908 |

Notes:

a) All the trade and other payables are expected to be settled or recognised as income within one year or repayable on demand.

b) The amounts due are unsecured, interest free and repayable on demand.

c) On 30 March 2017, the Company entered into an memorandum of understanding (the “MOU”) with an independent third party (the “Buyer”) pursuant to which the Group agreed to sell and the Buyer agreed to purchase all the intellectual property rights of the Group (the “Asset”) for a total consideration of US$1,453,000 (equivalent to RMB10,001,000). A first payment of US$290,000 (equivalent to RMB1,996,070) has been received and classified as consideration received under current liabilities. The second payment of US$435,000 (equivalent to RMB2,994,105) which shall be paid on or before 7 April 2017 has been received after the end of the reporting period. The balance of US$728,000 (equivalent to RMB5,010,825) shall be paid upon signing of the Asset transfer agreement. Under the MOU, upon signing of the Asset transfer agreement, the Buyer shall enter into an agreement in which the Buyer shall grant the Group the right of use of the Asset for a period of three years at a license fee of US$24,200 (equivalent to RMB166,569) per month payable at the end of the three-year period. In addition, the Group granted the Buyer a right to convert the amount of US$1,453,000 and the license fee payable into the share capital of the Company at AUD0.2 per share. Upon the Buyer’s exercise of the conversion right, the Group has the right to demand the Buyer to return the Asset to the Group without any consideration. Up to the date of approval of these financial statements, the Company has not signing of any Asset transfer agreement.

## 20. CONVERTIBLE BONDS

### a) Movements in the components of the convertible bonds

The movements in the components of the convertible bonds during the years ended 31 March 2017 and 2016 are set out below:

| | | Derivative component | | | |
|---|---|---|---|---|---|
| | Liability component RMB | Gross RMB | Deferred day one gain RMB | Net RMB | Total RMB |
| At 1 April 2015 | - | - | - | - | - |
| Issuance of convertible bonds | 5,034,297 | 112,298 | 853,405 | 965,703 | 6,000,000 |
| Amortisation of deferred day one gain in profit or loss | - | - | (56,114) | (56,114) | (56,114) |
| Change in fair value of embedded derivative | - | 432,475 | - | 432,475 | 432,475 |
| | - | 432,475 | (56,114) | 376,361 | 376,361 |
| Interest expenses | 63,689 | - | - | - | 63,689 |
| At 31 March 2016 | 5,097,986 | 544,773 | 797,291 | 1,342,064 | 6,440,050 |
| At 1 April 2016 | 5,097,986 | 544,773 | 797,291 | 1,342,064 | 6,440,050 |
| Issuance of convertible bonds | 7,424,289 | 228,398 | 2,279,854 | 2,508,252 | 9,932,541 |
| Deferred transaction costs (note) | - | - | (77,148) | (77,148) | (77,148) |
| Amortisation of deferred day one gain in profit or loss | - | - | (1,611,034) | (1,611,034) | (1,611,034) |
| Change in fair value of embedded derivative | - | (591,160) | - | (591,160) | (591,160) |
| | - | (591,160) | (1,611,034) | (2,202,194) | (2,202,194) |
| Exchange movement | 81,950 | - | - | - | 81,950 |
| Interest expenses | 1,798,542 | - | - | - | 1,798,542 |
| At 31 March 2017 | 14,402,767 | 182,011 | 1,388,963 | 1,570,974 | 15,973,741 |
| Total (gain)/loss for the year included in profit or loss for liabilities held at the end of the reporting period | | | | | |
| - Year ended 31 March 2017 | - | (591,160) | (1,611,034) | (2,202,194) | (2,202,194) |
| - Year ended 31 March 2016 | - | 432,475 | (56,114) | 376,361 | 376,361 |

Note The deferred transaction cost represents the fair value of 11,500,000 options issued to the holder of a convertible bond in connection with issuance of the convertible bond on 9 December 2016. The option is exercisable at any time on and from the date of grant, i.e., 9 December 2016, until the expiry date of 31 December 2019. The exercise price of the share options is AUD0.2 per share with the remaining contracting life of 2.75 years. The fair value of the share options was measured based on binomial model at the date at grant. Share price of AUD 0.074, exercise price of AUD 0.2, volatility of 32%, option life of 3.1 years, dividend yield of 0% and risk free rate of 1.91% were used in the valuation.
The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.
Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

## 20. CONVERTIBLE BONDS (Continued)

### b) Major terms of convertible bonds

| | Issue date | Date of maturity | Principal amount | Effective interest rate of liability component | Conversion price per share AUD | 2017 RMB | 2016 RMB |
|---|---|---|---|---|---|---|---|
| **Representing:** | | | | | | | |
| **Current portion** | | | | | | | |
| - Convertible bond 1 ("CB1") | 7/3/2016 | 6/3/2017 | RMB3,000,000 | 19.24% | 0.20 | 3,000,000 | 3,220,025 |
| - Convertible bond 2 ("CB2") | 7/3/2016 | 6/3/2017 | RMB3,000,000 | 19.24% | 0.20 | 3,000,000 | 3,220,025 |
| - Convertible bond 3 ("CB3") | 24/6/2016 | 23/6/2018 | HK$1,000,000 | 19.20% | 0.20 | 902,852 | - |
| - Convertible bond 4 ("CB4") | 24/6/2016 | 23/6/2018 | HK$600,000 | 19.20% | 0.20 | 541,711 | - |
| - Convertible bond 5 ("CB5") | 5/8/2016 | 4/8/2017 | RMB2,000,000 | 21.27% | 0.25 | 1,999,860 | - |
| - Convertible bond 6 ("CB6") | 5/8/2016 | 4/8/2017 | RMB2,000,000 | 21.27% | 0.25 | 1,999,860 | - |
| - Convertible bond 7(a) ("CB7a") | 5/8/2016 and | 4/8/2017 and | RMB1,250,000 | 21.27% | 0.25 | 1,249,913 | - |
| - Convertible bond 7(b) ("CB7b") | 1/11/2016 | 4/8/2017 | RMB750,000 | 23.09% | 0.25 | 750,000 | - |
| | | | | | | 13,444,196 | 6,440,050 |
| **Non-current portion** | | | | | | | |
| - Convertible bond 8 ("CB8") | 9/12/2016 | 31/12/2019 | AUD500,000 | 19.33% | 0.20 | 2,529,545 | - |
| | | | | | | 15,973,741 | 6,440,050 |

The convertible bonds 1 and 2 have been overdue as at 31 March 2017 as no repayment of convertible bonds were made as at 6 March 2017 upon maturity. On 31 May 2017, the Company and the holders of convertible bonds 1 and 2 entered into a new convertible bond and option subscription agreements pursuant to which the Company issued new convertible bonds with face value of RMB6,000,000 and 27,080,982 share options to replace the overdue convertible bonds. The new convertible bonds will mature on 31 December 2019. The holders of convertible bonds 3 and 4 are entitled to early redemption of the convertible bonds at 100% of the principal amount at any time between the first anniversary date of the issuance of the convertible bonds and 30 days before their maturity dates.

According to the valuation report issued by an independent qualified valuer, the fair value of the liability component of the convertible bonds at 31 March 2017 amounted to RMB14,760,925 (2016: RMB5,132,992), which is calculated using cash flows discounted at rates of 13.71% to 14.03% (2016: 18.24%). Such rates were adopted with reference to the option-adjusted spreads of corporate bonds with similar credit rating and in similar sector, plus country risk premium and specific risk premium. The liability component of convertible bonds was within level 3 of the fair value hierarchy.

All the convertible bonds are zero coupon bonds.

## 20. CONVERTIBLE BONDS (Continued)

### b) Major terms of convertible bonds (Continued)

The principal amount of convertible bonds can be converted into ordinary shares of the Company at an original conversion price ("Conversion Price") per share, subject to adjustments, upon giving 30 days notice by the holders of the convertible bonds ("holders") to the Company, before the maturity date. The actual total number of ordinary shares can be converted depend on the exchange rate at one day before the conversion.

The shares to be converted by the holders carry the same right as the existing shareholders of the Company. If there is dilution of existing shares, the holders can apply the new shares on a pro-rata basis to retain their shareholdings. The issuance price of new shares are not lower than the Conversion Price. If the issuance price of new shares is lower than the Conversion Price, the holders can then convert more shares as if the Conversion Price is the same as the issuance price of new shares.

### c) Conversion at the option of the holders

The Company will, at the option of the holders convert all the convertible bonds upon maturity.

The fair value of the convertible bonds was determined by an independent qualified valuer. The fair value of the embedded derivatives (conversion and early redemption component) of the convertible bonds was determined using the binomial valuation model. The residual value represents the fair value of the liability component upon the issuance of convertible bonds which was calculated at the present value of the redemption amount, at 100% of the principal amount.

According to the valuation report issued by an independent qualified valuer, the fair value of the liability component of the convertible bonds at the date of issuance amounted to RMB7,424,289 (2016: RMB5,034,297). The carrying value of derivative component recognised in the consolidated statement of financial position was net of deferred day one gain, which arose from the difference between its fair value at initial recognition and its transaction price. The deferred day one gain was amortised on a straight-line method over the terms of convertible bonds.

## 20. CONVERTIBLE BONDS (Continued)

### c) Conversion at the option of the holders (Continued)

The fair value of the embedded derivatives of the convertible bonds was determined using the binomial model, and inputs into the model at the relevant dates were as follows:

Year ended 31 March 2017

| | At issue date | | | |
|---|---|---|---|---|
| | CB 3 and 4 | CB 5,6 and 7(a) | CB7(b) | CB8 |
| Share price | AUD0.095 | AUD0.09 | AUD0.078 | AUD0.074 |
| Conversion price (per share) | AUD0.20 | AUD0.25 | AUD0.25 | AUD0.20 |
| Risk free interest rate | 1.54% | 1.49% | 1.63% | 1.91% |
| Time to maturity | 2 years | 1 year | 0.8 year | 3.1 years |
| Expected volatility | 32% | 34% | 30% | 32% |
| Expected dividend yield | 0% | 0% | 0% | 0% |

| | At 31 March 2017 | | | |
|---|---|---|---|---|
| | CB 3 and 4 | CB 5,6 and 7(a) | CB7(b) | CB8 |
| Share price | AUD0.073 | AUD0.073 | AUD0.073 | AUD0.073 |
| Conversion price (per share) | AUD0.20 | AUD0.25 | AUD0.25 | AUD0.20 |
| Risk free interest rate | 1.60% | 1.55% | 1.55% | 1.87% |
| Time to maturity | 1.2 years | 0.3 year | 0.3 year | 2.8 years |
| Expected volatility | 30% | 23% | 23% | 31% |
| Expected dividend yield | 0% | 0% | 0% | 0% |

Year ended 31 March 2016

| | Convertible bonds 1 and 2 | |
|---|---|---|
| | Issue date of 7 March 2016 | At 31 March 2016 |
| Share price | AUD0.12 | AUD0.165 |
| Conversion price (per share) | AUD0.20 | AUD0.20 |
| Risk free interest rate | 1.97% | 1.93% |
| Time to maturity | 1 Year | 0.9 Year |
| Expected volatility | 35% | 35% |
| Expected dividend yield | 0% | 0% |

The gain on change in fair value of embedded derivatives of the convertible bonds for the year ended 31 March 2017 of RMB591,160 (2016: loss of RMB432,475) and amortisation of deferred day one gain of RMB1,611,034 (2016: RMB56,114) were recognised as “Change in fair value of embedded derivatives of convertible bonds” in the consolidated statement of profit or loss and other comprehensive income. The related interest expense of the liability component of the convertible bonds for the year ended 31 March 2017 amounted to RMB1,798,542 (2016: RMB63,689), which was calculated using the effective interest method.

## 21. DEFERRED GOVERNMENT GRANTS

The deferred government grants represented the subsidies granted by the PRC government to the Group.

| | 2017 RMB | 2016 RMB |
|---|---|---|
| At 1 April 2016 | 328,033 | - |
| Received during the year | 180,000 | 700,000 |
| Recognised in profit or loss (note 5) | (108,033) | (371,967) |
| At 31 March 2017 | 400,000 | 328,033 |

## 22. OTHER LIABILITIES

The amounts represented the non-current portion of accrued rental expenses.

## 23. DEFERRED TAX

In accordance with the accounting policy set out in note 2(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB56,971,181 (2016: RMB44,487,442) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses may be carried forward for five years for PRC corporate income tax purpose.

Under the Corporate Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. The Group is liable to withholding taxes on dividend distributed by its subsidiaries established in the PRC with the applicable tax rate of 10%. No provision for deferred tax has been made in this aspect as the subsidiaries sustained tax loss for the years.

## 24. SHARE CAPITAL

| | Number of ordinary shares | HK$ | RMB equivalent |
|---|---|---|---|
| **Ordinary shares, issued and fully paid:** | | | |
| At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017 | 637,747,400 | 89,795,205 | 72,743,496 |

## 25. SHARE OPTION SCHEME

During the year ended 31 March 2016, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to encourage qualifying grantees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Qualifying grantees of the Share Option Scheme mean (i) any employee, director, or any contractor of the Company or any group company; or (ii) any consultant or other qualified participants who provide goods or services to the Company or any group company. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

On 12 August 2015, the Company has granted 9,770,000 and 2,000,000 share options to certain consultants and other qualified participants at the exercise price of AUD0.8 and AUD0.1 per option share ("August 2015 Option") respectively. Share options granted to participants other than employees are measured at fair value of options granted as these other participants are providing services that are similar to those rendered by employees. The fair value of the option determined at the date of grant using the binomial option pricing model were AUD727,445 (equivalent to RMB3,607,190). The consultants and other qualified participants have rendered services to group during the years ended 31 March 2016 and 2017.

On 23 September 2015, the Company has granted 7,577,474 share options to 2 directors at the exercise price of AUD0.8 per option share ("September 2015 Option"). The fair value of the option determined at the date of grant using the binomial option pricing model were AUD414,920 (equivalent to RMB2,057,467).

On 1 October 2016, the Company has granted 20,000,000 share options to a consultant at the exercise price of AUD0.3 per option share ("October 2016 Option"). Share options granted to a consultant other than employees are measured at fair values of options granted as this consultant is providing services that are similar to those rendered by employees. The fair value of the option determined at the date of grant using the binomial option pricing model were AUD2,635 (equivalent to RMB12,295). The consultant has rendered services to the Group during the year ended 31 March 2017.

The fair value of the share options granted during the year ended 31 March 2017 was RMB12,295 (2016: RMB5,664,567). During the year ended 31 March 2017, the Group recognised total expenses of RMB1,640,634 (2016: RMB1,249,660) as a share option expense.

## 25. SHARE OPTION SCHEME (Continued)

(i) The terms and conditions of the grants are as follows:

| Category of eligible persons | No. of share options granted | Date of grant | Vesting conditions | Period during which share options are exercisable | Exercise price per share | Exercise period of options |
|---|---|---|---|---|---|---|
| Consultants and other qualified participants (Group A) | 9,770,000 | 12 August 2015 | From 1 July 2016 to 30 June 2017 (10%)<br>From 1 July 2017 to 30 June 2018 (10%)<br>From 1 July 2018 to 30 June 2019 (20%)<br>From 1 July 2019 to 30 June 2020 (20%)<br>From 1 July 2020 to 30 June 2021 (40%) | 1 July 2016 to 30 June 2022 | AUD0.8 | 6 years |
| Consultants and other qualified participants (Group B) | 2,000,000 | 12 August 2015 | From 1 July 2016 to 30 June 2017 (10%)<br>From 1 July 2017 to 30 June 2018 (10%)<br>From 1 July 2018 to 30 June 2019 (20%)<br>From 1 July 2019 to 30 June 2020 (20%)<br>From 1 July 2020 to 30 June 2021 (40%) | 1 July 2016 to 30 June 2022 | AUD1.0 | 6 years |
| Directors | 7,577,474 | 23 September 2015 | From 1 July 2016 to 30 June 2017 (10%)<br>From 1 July 2017 to 30 June 2018 (10%)<br>From 1 July 2018 to 30 June 2019 (20%)<br>From 1 July 2019 to 30 June 2020 (20%)<br>From 1 July 2020 to 30 June 2021 (40%) | 1 July 2016 to 30 June 2022 | AUD0.8 | 6 years |
| Consultant | 20,000,000 | 1 October 2016 | From 1 October 2016 to 30 September 2017 (30%)<br>From 1 October 2017 to 30 September 2018 (35%)<br>From 1 October 2018 to 30 September 2019 (35%) | 1 October 2016 to 30 September 2019 | AUD0.3 | 1 year |

## 25. SHARE OPTION SCHEME (Continued)

(ii) The number and weighted average exercise prices of share options are as follows:

| | Weighted average exercise price | | Number of option | |
|---|---|---|---|---|
| | 2017 AUD | 2016 AUD | 2017 | 2016 |
| Outstanding at the beginning of the year | 0.821 | - | 19,347,474 | - |
| Granted during the year | 0.300 | 0.821 | 20,000,000 | 19,347,474 |
| Outstanding at the end of the year | 0.556 | 0.821 | 39,347,474 | 19,347,474 |
| Exercisable at the end of the year | 0.459 | N/A | 3,993,995 | N/A |

The options have a contractual option terms ranged from 1 year to 6.883 years. The options outstanding at 31 March 2017 had exercise prices of AUD0.3 to AUD1.0 and a weighted average remaining contractual lives of 3.37 years.

(iii) Fair value of share options and assumptions:

| | August 2015 Option | | September | October |
|---|---|---|---|---|
| | Group A | Group B | 2015 Option | 2016 Option |
| Fair value per share option (AUD) | 0.063 | 0.054 | 0.055 | 0-0.0003 |
| Grant date share price (AUD) | 0.2 | 0.2 | 0.2 | 0.08 |
| Exercise price (AUD) | 0.8 | 1.0 | 0.8 | 0.3 |
| Expected volatility (note) | 61.239% | 61.239% | 57.986% | 32%-33% |
| Expected life (Years) | 6.883 | 6.883 | 6.768 | 1-3 |
| Expected dividend yield (%) | 0 | 0 | 0 | 0 |
| Risk-free rate of interest (%) | 2.353 | 2.353 | 2.363 | 1.64-1.66 |

Note:

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restriction and behavioral considerations.

The binomial option pricing model has been used to estimate the fair value of the options. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

## 26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the financial statements.

The share option reserve relates to share options granted to directors, employees, consultants and other qualified participants under the Company's share option scheme. Further information about share option is set out in note 25.

## 27. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

### a) Statement of financial position of the Company

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| **Non-current assets** | | |
| Interests in subsidiaries | 20,387,059 | 11,296,932 |
| **Current assets** | | |
| Other receivables | 1,526,737 | 35,360 |
| Cash and cash equivalents | 2,206,801 | 1,690,228 |
| | 3,733,538 | 1,725,588 |
| **Current liabilities** | | |
| Other payables | 3,958,864 | 784,045 |
| Convertible bonds | 13,444,196 | 6,440,050 |
| | 17,403,060 | 7,224,095 |
| **Net current liabilities** | (13,669,522) | (5,498,507) |
| **Total assets less current liabilities** | 6,717,537 | 5,798,425 |
| **Non-current liabilities** | | |
| Convertible bonds | 2,529,545 | - |
| **NET ASSETS** | 4,187,992 | 5,798,425 |
| **CAPITAL AND RESERVES** | | |
| Share capital | 72,743,496 | 72,743,496 |
| Reserves | (68,555,504) | (66,945,071) |
| **TOTAL EQUITY** | 4,187,992 | 5,798,425 |

Approved and authorised for issue by the board of directors on 30 June 2017.

| | |
|---|---|
| Xiong Qiang | Chow Ki Shui Louie |
| Director | Director |

## 27. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY (Continued)

### b) Movement of reserves of the Company

The change in the reserves of the Company during the years ended 31 March 2017 and 2016 are as follows:

| | Share option reserve RMB | Accumulated losses RMB | Total RMB |
|---|---|---|---|
| At 1 April 2015 | - | (18,795,795) | (18,795,795) |
| Loss for the year | - | (49,417,153) | (49,417,153) |
| Other comprehensive income | - | - | - |
| Total comprehensive loss | - | (49,417,153) | (49,417,153) |
| Equity-settled share-based transaction | 1,267,877 | - | 1,267,877 |
| At 31 March 2016 and 1 April 2016 | 1,267,877 | (68,212,948) | (66,945,071) |
| Loss for the year | - | (3,328,215) | (3,328,215) |
| Other comprehensive income | - | - | - |
| Total comprehensive loss | - | (3,328,215) | (3,328,215) |
| Equity-settled share-based transaction | 1,640,634 | - | 1,640,634 |
| Issuance of share options | 77,148 | - | 77,148 |
| At 31 March 2017 | 2,985,659 | (71,541,163) | (68,555,504) |

## 28. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Company will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt as it sees fit and appropriate.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as zero coupon convertible bonds less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt.

## 28. CAPITAL MANAGEMENT (Continued)

During the years ended 31 March 2017 and 2016, the Group's strategy was to maintain the gearing ratio as low as feasible.

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| Convertible bonds | 15,973,741 | 6,440,050 |
| Total debt | 15,973,741 | 6,440,050 |
| Less: Cash and cash equivalents | (2,534,290) | (5,046,290) |
| Net debt | 13,439,451 | 1,393,760 |
| Total (deficit)/equity | (14,463,634) | 6,671,951 |
| Total capital | (1,024,183) | 8,065,711 |
| Gearing ratio | N/A | 17.3% |

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

### a) Financial risk factors

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, cash flow and fair value interest rate risk and price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### i) Credit risk

The Group's credit risk is primarily attributable to trade receivables, other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to this credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current liability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operate. Trade receivables are normally due within 60 days from date of billing. Normally, the Group does not obtain collateral from debtors.

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### a) Financial risk factors (Continued)

#### i) Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which the debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. At the end of the reporting period, the Group has concentration of credit risk as 95% (2016: 100%) of total trade related receivables was due from the Group's largest trade debtor.

Amounts due from an associate and related companies are regularly reviewed and settled unless the amounts are specifically intended to be long-term in nature.

In respect of cash at banks, the credit risk on liquid funds is limited because the counter-parties are banks with high credit ratings assigned by international credit rating agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

#### ii) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirement.

To manage the liquidity risk, the Group held cash and cash equivalents amounted to RMB2,534,290 (2016: RMB5,046,290) as at 31 March 2017.

The table below analyses the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying balances, as the impact of discounting is not significant.

| | 2017 | | | |
|---|---|---|---|---|
| | Carrying amount RMB | Total contractual undiscounted cash flow RMB | Within 1 year or on demand RMB | More than 2 years but less than 5 years RMB |
| Trade and other payables | 6,636,147 | 6,636,147 | 6,636,147 | - |
| Convertible bonds | 15,973,741 | 16,052,123 | 13,418,734 | 2,633,389 |
| | 22,609,888 | 22,688,270 | 20,054,881 | 2,633,389 |

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### a) Financial risk factors (Continued)

#### ii) Liquidity risk (Continued)

| | 2016 | | |
|---|---|---|---|
| | Carrying amount RMB | Total contractual undiscounted cash flow RMB | Within 1 year or on demand RMB |
| Trade and other payables | 2,151,810 | 2,151,810 | 2,151,810 |
| Convertible bonds | 6,440,050 | 6,000,000 | 6,000,000 |
| | 8,591,860 | 8,151,810 | 8,151,810 |

#### iii) Currency risk

The Group is exposed to currency risk primarily through trade and other receivables, other payables, cash and cash equivalents that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars (“HK$”), United States Dollars (“US$”) and Australia Dollars (“AUD”).

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

Exposure to foreign currencies (expressed in RMB)

| | 2017 | | |
|---|---|---|---|
| | AUD | US$ | HK$ |
| Trade and other receivables | 52,061 | - | - |
| Cash and cash equivalents | 15,998 | 2,165,891 | 39,858 |
| Other payables | (278,215) | (425,675) | - |
| Convertible bonds | (2,529,545) | - | (1,444,563) |
| Overall net exposure | (2,739,701) | 1,740,216 | (1,404,705) |

| | 2016 | | |
|---|---|---|---|
| | AUD | US$ | HK$ |
| Trade and other receivables | 34,109 | - | - |
| Cash and cash equivalents | 778,796 | 50,367 | 861,066 |
| Other payables | (145,160) | - | (529,305) |
| Overall net exposure | 667,745 | 50,367 | 331,761 |

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### a) Financial risk factors (Continued)

#### iii) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HK$, US$ and AUD against the functional currency of the relevant group entities. 5% is the sensitivity rate used that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss and increase in equity where relevant currencies strengthen 5% against the functional currency of the relevant group entities. For a 5% weakening of relevant currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the financial performance and equity and the balances below would be negative.

| | 2017 | | |
|---|---|---|---|
| | Increase/ (decrease) in foreign exchange rates | Effect on loss after tax RMB | Effect on equity* RMB |
| AUD | 5% | (136,985) | (136,985) |
| | (5%) | 136,985 | 136,985 |
| US$ | 5% | 87,011 | 87,011 |
| | (5%) | (87,011) | (87,011) |
| HK$ | 5% | (70,235) | (70,235) |
| | (5%) | 70,235 | 70,235 |

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### a) Financial risk factors (Continued)

#### iii) Currency risk (Continued)

Sensitivity analysis (Continued)

| | 2016 | | |
|---|---|---|---|
| | Increase/ (decrease) in foreign exchange rates | Effect on loss after tax RMB | Effect on equity* RMB |
| AUD | 5% | 33,387 | 33,387 |
| | (5%) | (33,387) | (33,387) |
| US$ | 5% | 2,518 | 2,518 |
| | (5%) | (2,518) | (2,518) |
| HK$ | 5% | 16,588 | 16,588 |
| | (5%) | (16,588) | (16,588) |

* Including accumulated losses

#### iv) Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk relates primarily to the Group's variable interest generating bank balances. The Group's interest rate risk also arises from its convertible bonds. The zero coupon rate convertible bonds expose the Group to fair value interest rate risk. The Group did not enter into interest rate swap to hedge against its exposures.

#### v) Price risk

The Group is exposed to price risk in fair value of conversion rights of the convertible bonds. A rise of the stock price will be accompanied by an increase in the fair value of the conversion rights which will increase the unrealised loss on the change of fair value of embedded derivatives of the convertible bonds as well as the liability of the Group. For details of the convertible bonds, refer to note 20 to the consolidated financial statements.

The market price of the Company's shares was AUD0.073 (2016: AUD0.165) as at 31 March 2017, if the market price of the Company's shares had been 10% higher/lower than that at 31 March 2017, the fair value of the embedded derivatives of the convertible bonds and loss after tax and accumulated losses would have increased/decreased by RMB11,812 (2016: RMB275,799) and RMB9,761 (2016: RMB235,858) respectively.

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### b) Fair values estimation

The disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's liabilities that are measured at fair value at 31 March 2017 and 2016.

| | 2017 | | | |
|---|---|---|---|---|
| | Level 1<br>RMB | Level 2<br>RMB | Level 3<br>RMB | Total<br>RMB |
| Embedded derivative of convertible bonds | - | - | 1,570,974 | 1,570,974 |

| | 2016 | | | |
|---|---|---|---|---|
| | Level 1<br>RMB | Level 2<br>RMB | Level 3<br>RMB | Total<br>RMB |
| Embedded derivative of convertible bonds | - | - | 1,342,064 | 1,342,064 |

During the years ended 31 March 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of embedded derivatives of the convertible bonds was valued by estimating the values of the whole bonds with and without the embedded derivatives. Refer to note 20 for details of convertible bonds and significant unobservable inputs.

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### b) Fair values estimation (Continued)

The increase/decrease in the fair value of embedded derivatives of convertible bonds will increase/decrease the Group's post-tax loss for the year as well as the Group's total liabilities and equity as at 31 March 2017. The significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility rate.

If the volatility rate had been 10% higher/lower than management's estimates at 31 March 2017, it would have increased/decreased the fair value of embedded derivatives of the convertible bonds by RMB44,208 (2016: RMB182,253) and RMB19,994 (2016: RMB200,816) respectively.

The chief financial officer of the Company is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged third party qualified valuers to perform the valuation. The chief financial officer works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Chief financial officer reports to audit committee semi-annually to explain the cause of fluctuations in the fair value of the liabilities.

## 30. ACCOUNTING ESTIMATES AND JUDGEMENTS

### a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, as discussed below.

i) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at the end of each reporting period. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in impairment charge in future periods. Carrying amount of property, plant and equipment as at 31 March 2017 was RMB4,709,474 (2016: RMB4,282,524).

## 30. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### a) Key sources of estimation uncertainty (Continued)

ii) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the debtors were to deteriorate, impairment allowance may be required. Carrying amount of financial assets included in trade and other receivables as at 31 March 2017 was RMB848,857 (2016: RMB873,617).

iii) Fair values of convertible bonds and embedded derivates

The fair values of the convertible bonds and embedded derivates are determined using valuation techniques including reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Carrying amount of convertible bonds and embedded derivates at 31 March 2017 was RMB15,973,741 (2016: RMB6,440,050). Details of the assumptions used in determining the fair values of the convertible bonds and the embedded derivates are set out in note 20 to financial statements.

### b) Critical accounting judgements in applying the Company's accounting policies

In determining the carrying amounts of assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

*Going concern*

As mentioned in note 2(b) to the consolidated financial statements, the directors are satisfied that the Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that the Group will be able to continue in operational existence in the foreseeable future, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

## 31. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in notes 17 and 19 to these financial statements, the Group has entered into the following material related party transactions during the year.

### a) Transactions with key management personnel

All members of key management personnel are the directors of the Company. The emoluments paid to them during the year were disclosed in note 8 to the consolidated financial statements:

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| Short-term employee benefits | 2,146,358 | 1,861,518 |
| Equity compensation benefits | 613,152 | 417,756 |
| Post-employment benefits | 31,772 | 36,567 |
| | 2,791,282 | 2,315,841 |

### b) Transactions with other related parties

During the year, the Group entered into the following material transactions with other related parties:

| Name of related party | Nature of transaction | Note | 2017<br>RMB | 2016<br>RMB |
|---|---|---|---|---|
| Shenzhen Intelligent Preferential Pay Company Limited * | Technical services fee expenses | i | 174,838 | 308,542 |
| ("IPP") | Purchase of goods | i | 72,821 | - |
| (深圳市智惠付信息技術有限公司) | Purchase of computer software | i,iv | 938,162 | - |
| Mr. Xiong Qiang | Issue of convertible bond 7(a) and (b) | ii | 2,000,000 | - |
| | Interest on convertible bond 7(a) and (b) | | 204,162 | - |
| Mr. Chow Ki Shui Louie | Issue of convertible bond 5 | ii | 2,000,000 | - |
| | Interest on convertible bond 5 | | 229,124 | - |
| Mr. Cai Wen Sheng | Issue of convertible bond 6 | ii | 2,000,000 | - |
| | Interest on convertible bond 6 | | 229,124 | - |

* The English translation of the companies' names are for reference only. The official names of these companies are in Chinese.

## 31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### b) Transactions with other related parties (Continued)

Note:

i) IPP is an associate company of the Group.

ii) On 5 August 2016, the Company entered into agreements with Mr. Xiong Qiang , the executive director, Chairman and CEO, Mr. Chow Ki Shui Louie, the executive director and deputy chairman and Mr. Cai Wen Sheng, the non-executive director of the Company for issue of convertible bonds totaling RMB6,000,000. Details of the convertible bonds are disclosed in note 20 to the financial statements.

### c) The Group had the following material balances with related parties:

| Name of related party | Note | 2017<br>RMB | 2016<br>RMB |
|---|---|---|---|
| Amounts due to directors | (i) | | |
| - Chow Ki Shui Louie | | 1,322,566 | 583,525 |
| - Xiong Qiang | | 873,024 | - |
| - Kwok Kin Kwong Gary | | 656,455 | 83,480 |
| - Ryan, Christopher John | | 122,813 | 57,225 |
| - Cai Wensheng | | 155,402 | 87,935 |
| | | 3,130,260 | 812,165 |
| Amount due from a related company | | | |
| - Investorlink Securities Limited | (ii) | 52,032 | 34,109 |
| Amount due from an associate | | | |
| - IPP | (iii) | 139,830 | 97,523 |
| A deposit paid to an associate | | | |
| - IPP | (iv) | - | 300,000 |
| Amount due from a related company | | | |
| -Shenzhen Bozhong Communication Technology Company Limited* (深圳市伯仲通信技術有限公司) | (v) | 368,000 | 161,000 |
| Convertible bond 5, held by Mr. Chow Ki Shui, Louie | | 1,999,860 | - |
| Convertible bond 6, held by Mr. Cai Wen Sheng | | 1,999,860 | - |
| Convertible bond 7(a) and 7(b), held by Mr. Xiong Qiang | | 1,999,913 | - |

* The English translation of the companies' names are for reference only. The official names of these companies are in Chinese.

## 31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### c) The Group had the following material balances with related parties: (Continued)

Notes:

i) The amounts due to directors are unsecured, interest free and repayable on demand.

ii) The amount was unsecured, interest free and repayable on demand. Mr. Christopher Ryan, a director of the Company, is also the director of Investorlink Securities Limited. The maximum outstanding balance is RMB201,509 (2016: RMB293,640) during the year ended 31 March 2017. At 31 March 2017 and 2016, there was no provision made against the amount due.

iii) The amounts were unsecured, interest free and repayable on demand.

iv) In March 2016, STIT entered into an agreement for purchase of computer software from IPP for a consideration of RMB800,000 (including VAT). A deposit of RMB300,000 was paid and the balance of RMB500,000 was classified as capital commitments and disclosed in note 32(a).

During the year ended 31 March 2017, the Group paid the remaining balances of RMB500,000. In addition, STIT entered into two agreements with IPP to purchase two other computer software for a total consideration of RMB350,300 (including VAT).

v) The amount due from a related company is included in other receivables. Ms. Ling Fang, the wife of Mr. Xiong Qiang, a director and a shareholder of the Company, is the director and major shareholder of Shenzhen Bozhong.

## 32. COMMITMENTS

### a) Capital commitments

The Group had the following capital commitments at the end of the year:

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| Contracted, but not provided for | | |
| - Purchase of computer software | - | 500,000 |
| - Capital contribution to an associate | 2,000,000 | - |
| | 2,000,000 | 500,000 |

## 32. COMMITMENTS (Continued)

### b) Operating lease commitments (Continued)

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of properties which fall due as follows:

| | 2017<br>RMB | 2016<br>RMB |
|---|---|---|
| Within 1 year | 851,512 | 970,467 |
| After 1 year but within 5 years | 391,696 | 563,561 |
| | 1,243,208 | 1,534,028 |

The lease typically run for an initial period of 1 to 5 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

## 33. EVENTS AFTER THE REPORTING PERIOD

(a) On 24 April 2017, the Company entered into a convertible bond agreement with an independent third party pursuant to which the Company issued zero coupon convertible bonds with principal amount of HK$15,000,000 which will mature on 28 April 2020. The conversion price is AUD0.2 per share. On 27 April, 2017, the Company received the amount of HK$15,000,000 from the independent third party.

(b) On 24 April 2017, the Company entered into a joint venture agreement with independent third parties to form a joint venture company in Hong Kong with share capital of HK$100. The proportion of ownership interest held by the Group is 40%. Pursuant to the joint venture agreement, the Company will provide an interest free loan of HK$5,000,000 to the joint venture for a period of 3 years.

(c) On 31 May 2017, the Company entered into a new convertible bond and option subscription agreement with the holders of the overdue convertible bonds pursuant to which the Company issued new convertible bonds with principal amount of RMB6,000,000 and 27,080,982 share options to replace the overdue convertible bonds. The new convertible bonds will mature on 31 December 2019.

## 34. ULTIMATE CONTROLLING PARTY

At 31 March 2017, the directors of the Company consider that the ultimate controlling party of the Company to be Mr. Xiong Qiang.

## 35. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017

Up to the date of issuance of these financial statements, the IASB and HKICPA has issued the following new and revised IFRSs/HKFRSs which are not yet effective for the year ended 31 March 2017 and which may be relevant to the Group.

| | |
|---|---|
| Amendments to IAS 7 / HKAS 7 | Statement of Cash Flows: Disclosure Initiative[1] |
| Amendments to IAS 12 / HKAS 12 | Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses[1] |
| IFRS 9 / HKFRS 9 | Financial Instruments[2] |
| IFRS 15 / HKFRS 15 | Revenue from Contracts with Customers[2] |
| IFRS 16 / HKFRS 16 | Leases[4] |
| Amendments to IFRS 10 / HKFRS 10 and IAS 28 / HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to IFRS 2 / HKFRS 2 | Amendments to HKFRS 2, Share-based payment: Classification and Measurement of Share-based Payment Transactions[2] |
| Amendments to IAS 40 / HKAS 40 | Transfers of Investment Property[2] |
| Amendments to IFRS / HKFRS | Annual Improvements to IFRSs / HKFRSs 2014-2016 Cycle[2] |

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of making an assessment of what the impact of these new IFRSs and HKFRSs and amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial performance and financial position.

# ADDITIONAL ASX INFORMATION FOR CDI HOLDERS

## Issued capital

As at 1 June 2017, the Company had 637,747,400 ordinary fully paid shares on issue, of which 637,747,397 shares have been converted to CHESS Depositary Interests (CDI's) and were traded on the ASX. There is no shares/CDI's that are currently under trading restrictions.

There is no on-market buy back currently in place.

### Substantial shareholders

At 1 June 2017, CDN Nominees Pty Ltd held 637,747,397 ordinary shares on behalf of different CDI holders. The substantial CDI holders of the Company include:

| Name | Number of shares | % of total issued shares |
|---|---|---|
| Xiong Qiang & Associates | 212,200,000 | 35.00% |
| Chow Ki Shui & Associates | 108,250,000 | 16.97% |
| Baolink Capital Limited | 76,287,500 | 11.96% |
| Yang Yuchuan & Associates | 55,541,670 | 8.74% |

### Distribution of Shareholders/CDI holders

There were 459 CDI holders at 1 June 2017. Each CDI holder is entitled to one vote for each security held.

| Range | Total holders | Units | % of Issued Capital |
|---|---|---|---|
| 1 - 1,000 | 22 | 11,788 | 0.00 |
| 1,001 – 5,000 | 167 | 566,832 | 0.09 |
| 5,001 – 10,000 | 31 | 241,011 | 0.04 |
| 10,001 – 100,000 | 142 | 5,272,309 | 0.83 |
| Over 100,000 | 97 | 631,655,457 | 99.04 |
| **Totals** | **459** | **637,747,397** | **100.00** |

There are 170 CDI holders who hold less than a marketable parcel. The top 20 shareholders hold 94.74% of the Company's share capital.

### Voting Rights

The voting rights are that each CDI holder is entitled to 1 vote per CDI at a meeting of members.

# ADDITIONAL ASX INFORMATION FOR CDI HOLDERS

## Top twenty CDI holders as at 1 June 2017

| Rank | Name | Units | % of Units |
|---|---|---|---|
| 1. | QIANG XIONG | 212,199,999 | 33.27 |
| 2. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 120,275,311 | 18.86 |
| 3. | J P MORGAN NOMINEES AUSTRALIA LIMITED | 84,590,344 | 13.26 |
| 4. | KI SHUI LOUIE CHOW | 77,749,999 | 12.19 |
| 5. | HOI PING HAPPY CHEUNG | 30,500,000 | 4.78 |
| 6. | MIN LAO | 27,770,835 | 4.35 |
| 7. | LING FANG | 10,000,000 | 1.57 |
| 8. | STRADBROKE PLAZA PTY LIMITED <RYAN RETIREMENT FUND A/C> | 6,056,000 | 0.95 |
| 9. | YANGUI XIONG | 5,000,000 | 0.78 |
| 10. | MR YU CHUAN YANG | 5,000,000 | 0.78 |
| 11. | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 3,613,695 | 0.57 |
| 12. | MR KIN KWONG GARY KWOK | 3,499,999 | 0.55 |
| 13. | HUEI LING GRACE CHEN | 3,333,800 | 0.52 |
| 14. | BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP> | 2,821,851 | 0.44 |
| 15. | MR FEN CHEN | 2,500,000 | 0.39 |
| 16. | RJ SHERLOCK FINANCIAL SERVICES PTY LIMITED | 2,470,310 | 0.39 |
| 17. | MR LINYAN WU | 2,264,026 | 0.36 |
| 18. | MR KA YUNG CHAN | 1,666,800 | 0.26 |
| 19. | MS JIAN YANG | 1,500,000 | 0.24 |
| 20. | MR HAIBIN WANG | 1,400,000 | 0.22 |

# ADDITIONAL ASX INFORMATION FOR CDI HOLDERS

**Use of Cash Consistent with Business Objectives**

TTG Fintech Limited confirms that it has used cash and other assets readily convertible to cash that it held at time of admission, in a way consistent with its business objectives.

**TTG Fintech's Place of Incorporation**

As TTG is incorporated in Hong Kong and not established in Australia, its corporate activities (apart from the offering of securities in Australia) are not regulated by the Corporations Act of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are regulated by the Hong Kong Companies Ordinance and the Financial Services and the Treasury Bureau. TTG is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 in Australia. The following information is provided as required to be provided to ASX on an annual basis to disclose the limitations on acquisition on securities.

**Takeovers**

The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") regulates takeovers and mergers in Hong Kong and applies to public companies in Hong Kong. The Takeovers Code provides that when a person, or two or more persons acting in concert collectively:

- acquire 30% or more of the voting rights of a company; or
- hold not less than 30% but more than 50% of the voting rights of the company and acquires more than 2% of the voting rights of a company from the lowest percentage holding of that person or persons collectively within a 12 month period,

then a general offer must be made to all other shareholders of the company.

**Compulsory Acquisition**

Schedule 13 of the Hong Kong Companies Ordinance sets out the right to buy out minority shareholders. If within four months of making an offer to buy shares, a company has acquired 90% in value of the shares, the acquiring company may give notice to the remaining shareholders that it desires to acquire their shares. Provided that notice is given within five months of the original offer, the acquiring company is entitled and bound to acquire those shares on the same terms as the offer.

**Substantial holder notices**

Part XV of the Hong Kong Securities and Futures Ordinance requires the disclosure by substantial shareholders, directors, shadow directors and chief executives of a listed corporation (collectively "Corporate Insiders") of their interests in the securities of a listed corporation when their interests reach the notifiable percentage level. The notifiable percentage level is an interest in shares of an aggregate nominal value of 5% or more of the relevant shares in the listed corporation

# CORPORATE DIRECTORY

**TTG Fintech Limited**

ARBN: 158 702 400

**Principal place of business in the PRC**

Level 12, Block 2, Xunmei Tech Plaza
No.8 Keyuan Blvd, Nanshan District
Shnzhen 518000, PRC

**Representative office in Australia**

Investorlink Group Limited
Level 26, 56 Pitt Street
Sydney NSW 2000

**Registered office, principal share registrar and transfer office**

1806, Park-In Commercial Centre
56 Dundas Street
Kowloon, Hong Kong

**Australia branch share registrar and transfer office**

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

**Board of Directors**

XIONG Qiang (Chairman & Chief Executive Officer)
CHOW Ki Shui Louie (Deputy Chairman & Deputy Chief Executive Officer)
KWOK Kin Kwong Gary (Chief Financial Officer)
RYAN Christopher John (Co-Chairman)
CAI Wensheng

**Company Secretaries**

KWOK Kin Kwong Gary

**Audit committee**

RYAN Christopher John (Chairman)
KWOK Kin Kwong Gary

**Remuneration and nomination committee**

RYAN Christopher John (Chairman)
XIONG Qiang
CHOW Ki Shui Louie
KWOK Kin Kwong Gary
CAI Wensheng

**Auditor**

Crowe Horwath (HK) CPA Limited

**Website**

www.ttg.hk