2017 ANNUAL REPORT

中國兒童護理有限公司

China Child Care Corporation Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1259

Contents

This annual report, in both English and Chinese versions, is available on the Company's website at www.princefrog.com.cn.

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of the corporate communications of the Company (the "Corporate Communications").

Shareholders may send their request to change their choice of language(s) of Corporate Communications by notice in writing to the Company's Branch Share Registrar and Transfer Office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

Shareholders who have chosen to receive the Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this annual report since both languages are bound together into one booklet.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Tsai Wallen *(Chairman & Chief Executive Officer)*
Mr. Huang Xinwen
Mr. Ma Chi Ming

Non-executive Directors
Mr. Li Zhouxin
Mr. Ren Yunan

Independent Non-executive Directors
Ms. Chan Sze Man
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

BOARD COMMITTEES

Audit Committee
Ms. Chan Sze Man *(Chairman)*
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

Nomination Committee
Ms. Chan Sze Man *(Chairman)*
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

Remuneration Committee
Mr. Ma Kwun Yung Stephen *(Chairman)*
Ms. Chan Sze Man
Mr. Ma Chi Ming

COMPANY SECRETARY

Mr. Leung Louis Ho Ming

AUDITOR

CCTH CPA Limited

PRINCIPAL BANKERS

Agricultural Bank of China Limited – Zhangzhou Branch
Bank of Communications (Hong Kong) Limited

STOCK CODE

1259

COMPANY WEBSITE

www.princefrog.com.cn

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 8, North Wuqiao Road
Lantian Economic Development Zone
Zhangzhou City, Fujian Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2005-2006, Kinwick Centre,
32 Hollywood Road, Central,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.,
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Child Care Corporation Limited (the "Company", together with its subsidiaries, the "Group", stock code: 1259.HK), I would like to extend my sincere gratitude to all shareholders and all sectors of the community for your constant support, and present the financial results and operating performance of the Group for the year ended 31 December 2017 to the shareholders.

For the year ended 31 December 2017, we had experienced a decrease in the revenue of personal care products segment mainly due to slowdown of economy in the People's Republic of China, the change in consumers' consumption habits to electronic commerce, the deconsolidation of Fujian Herun Supply Chain Management Co., Ltd. and in addition to the complex and unpredictable international situation as well as uncertainties in global politics and economy.

For the year ended 31 December 2017, the Group's operating revenue amounted to approximately RMB795.6 million, representing a decrease of approximately 20.4% from RMB999.5 million for the year ended 31 December 2016. Loss attributable to equity holders of the Company amounted to approximately RMB170.7 million as compared to loss of RMB111.2 million for the corresponding period in 2016; basic loss per share attributable to equity holders of the Company was RMB15.5 cents as compared to basic loss per share of RMB11.0 cents for the corresponding period in 2016.

Looking forward into 2018, we will see a number of uncertainties persist in world economy, downward pressure continues to confront China's economy and the industry of consumer goods still be subject to the transformation of consumers' consumption behavior. In this context, the Group will make better use of the resources available to the Group and continue to develop diversified business striving to improve its profitability and interests of shareholders.

On behalf of the Board, I would like to take this opportunity to express my gratitude to all of our employees and the management for their hard work and contribution in the past year. I would also like to extend my appreciation again to all our shareholders for your support, as well as your kind understanding and recognition of the Group's future development plan.

China Child Care Corporation Limited
Mr. Tsai Wallen
Chairman and Chief Executive Officer

28 March 2018

Management Discussion and Analysis

BUSINESS REVIEW

Personal Care Products

During the reporting period, the revenue from personal care products of the China Child Care Corporation Limited (the "Company") and its subsidiaries (the "Group") was approximately RMB570.8 million, representing a decrease of about 20.2% over the same period of last year (31 December 2016: RMB715.1 million). The personal care products business recorded a loss of approximately RMB227.7 million during the reporting period, representing an increase of about 163.4% over the same period of last year (31 December 2016: RMB86.4 million).

The deconsolidation (the "Deconsolidation") of Fujian Herun Supply Chain Management Co., Ltd. (福建和潤供應鏈管理有限公司) ("Fujian Herun") from the Company's consolidated financial statements and the equity method of accounting for the Group's remaining 30% equity interest in Fujian Herun result in decrease in revenue of personal care products segment.

The additional loss was primarily due to the decrease in the revenue of personal care products segment due to slowdown of economy in the People's Republic of China (the "PRC"), the change in consumers' consumption habits to electronic commerce and the Deconsolidation of Fujian Herun but the fixed costs of the Group were not reduced. Moreover, impairment losses on property, plant and equipment of approximately RMB38.5 million was provided during the reporting period (2016: Nil).

Money Lending Business

The Group commenced its money lending business in the fourth quarter of 2016, and the primary target customers of the Group were those who seek for loans of significant amount and are able to provide guarantees for relevant loans. During the reporting period, this business segment generated interest income of approximately RMB31.8 million, representing an increase of about 677.8% over the same period of last year (31 December 2016: RMB4.1 million) and recorded a segment profit of approximately RMB3.1 million during the reporting period, representing an increase of about 41.3% over the same period of last year (31 December 2016: RMB2.2 million).

As at 31 December 2017, the Group has outstanding (i) unsecured loan of approximately RMB18.1 million with average effective interest rate of approximately 33.39% per annum with terms ranging from 2 months to 42 months; and (ii) mortgage loan of approximately RMB180.3 million with average effective interest rate of approximately 15.25% per annum with terms ranging from 1 month to 240 months. The mortgage loans granted by the Group were typically secured by mortgages, charge on shares or charge on assets. In the event of default or failure to repay any outstanding amounts by the debtors, the Group has the right to proceed with sale of collaterals.

The Group observed that there is an increasing number of property owners, who have proven income and repayment capability, having difficulties in getting financing from the banking system due to the tight restriction and stress test by Hong Kong Monetary Authority, and the Group is of the view that an expansion of its money lending business through participation of the provision of personal loans and mortgage loans could allow the Group to take the opportunity to enjoy the potential benefits brought by such financing contraction.

On 4 July 2017, the Group entered into the loan agreement with customer A and customer B. Pursuant to which the Group agreed to grant to the customer A and customer B, a loan with principal amount of HK$75 million, bearing interest at a rate of 12% per annum for a period of 12 months from the date of the loan agreement. The loan is secured by second legal mortgage in respect of a residential property located in Ho Man Tin, Kowloon.

Details of the loan and the provision of financial assistance are set out in the Company's announcement dated 4 July 2017.

On 19 July 2017, the Group entered into the loan agreement with customer C and customer D. Pursuant to which the Group agreed to grant to the customer C and customer D, a loan with principal amount of HK$95 million, bearing interest at a rate of 16% per annum for a period of 36 months from the date of the loan agreement. The loan is secured by third legal mortgage in respect of a residential property located in South Island, Hong Kong.

Details of the loan and the provision of financial assistance are set out in the Company's announcement dated 19 July 2017.

On 14 November 2017, the Group entered into the loan agreement with customer E and customer F. Pursuant to which the Group agreed to grant to the customer E and customer F, a loan with principal amount of HK$23.5 million, bearing interest at a rate of 12% per annum for a period of 12 months from the date of the loan agreement. The loan is secured by first legal mortgage in respect of residential properties located in Tseung Kwan O, New Territories, Hong Kong.

Details of the loan and the provision of financial assistance are set out in the Company's announcement dated 14 November 2017.

Operation of Online Platform

During the reporting period, the operation of online platform focusing on the children, babies and parents (the "CBP") contributed a total revenue of approximately RMB21.1 million to the Group, representing an increase of about 339.3% over the same period of last year (31 December 2016: RMB4.8 million) and recorded a profit of approximately RMB16.5 million, representing an increase of about 259.1% over the same period of last year (31 December 2016: RMB4.6 million).

Trading of Commodities

The Group's business segment of trading of commodities was put into operation in the fourth quarter of 2016. During the reporting period, the trading of commodities contributed a total revenue of approximately RMB171.4 million to the Group, representing a decrease of about 37.8% over the same period of last year (31 December 2016: RMB275.6 million). The decrease was mainly due to the decrease in the transaction amount of palm oil from approximately RMB275.6 million in 2016 to approximately RMB96.2 million in 2017. Starting from the fourth quarter of 2017, the Group commenced the sale of electronic products and other electronic components to the electronic product distributors and retailers across the country which contributed approximately RMB57.0 million to the Group (2016: Nil). The trading of beverages and trading of other commodities contributed approximately RMB17.7 million and RMB0.5 million to the Group respectively (2016: Nil and Nil respectively).

The business of trading of commodities recorded a profit of approximately RMB4.9 million, representing a decrease of about 53.6% over the same period of last year (31 December 2016: RMB10.6 million).

Management Discussion and Analysis (continued)

Securities Investment

The Group's securities investment business includes investment in listed securities and private unlisted fund for long-term purposes.

For the reporting period, the Group recorded a net realized gain of approximately RMB11.5 million (2016: Nil). The gain on disposal of equity securities listed in Hong Kong are as follows:

	For the year ended 31 December 2017 Gain on disposal *RMB'000*
Landing International Development Limited (582)	11,477

As at 31 December 2017, the Group had a portfolio of securities investment of approximately RMB68.5 million and all of which were equity securities listed in Hong Kong and unlisted investment fund of approximately RMB117.1 million. For the reporting period, the Group recorded a net unrealised gain of approximately RMB49.5 million in its entire investments.

Details of the investments and unrealised fair value change of equity securities listed in Hong Kong and the unlisted fund are as follows:

Company name (Stock code)	**% of shareholding of the respective shares as at 31 December 2017**	**Change in fair value for the year ended 31 December 2017** *RMB'000*	**Fair value as at 31 December 2017** *RMB'000*	**% to the total assets of the Group as at 31 December 2017**
Listed securities				
International Entertainment Corporation (1009)	0.97	2,599	21,266	1.23
LEAP Holdings Group Limited (1499)	1.48	15,201	30,820	1.78
China Baoli Technologies Holdings Limited (164)	0.26	795	9,013	0.52
Singasia Holdings Limited (8293)	0.20	4,275	7,437	0.43
Unlisted fund				
Head and shoulders Global investment Fund SFC	N/A	26,581	117,135	6.76

The Group will continue to be cautious in making new investments and trading of financial assets under current economic fluctuation and is aimed to maintain and grow its portfolio value in future.

Properties Holding

In the second quarter of 2017, the Group acquired the entire issued share capital of Apex Magic International Limited (the "Acquisition"), an investment holding company incorporated in the British Virgin Islands with limited liability, from an independent third party. Apex Magic International Limited and its subsidiaries (the "Acquired Group") are principally engaged in properties holding. The assets of the Acquired Group mainly consist of the lands and the properties located in Yuen Long, Hong Kong. The property prices in Yuen Long in both the first-hand and second-hand markets dramatically increased in recent years and are expected to increase continuously in the near future. The Group is optimistic about the development of property market in Hong Kong due to shortage in supply of land and therefore, has been identifying the potential property investment and development opportunities in Hong Kong. It is the intention of the Company that the properties erected on all the lands owned by the Acquired Group shall be demolished and such lands be redeveloped. Relevant applications have been made to the Government and to the best knowledge, information and belief of the directors of the Company, there is no legal impediment in obtaining the relevant approval from the government.

On 21 September 2017, the Group acquired the entire issued share capital of Earn Rich Properties Limited ("Earn Rich"), a company incorporated in Hong Kong with limited liability on 28 March 2017. Since its incorporation, Earn Rich has not carried on any business except for entering into a provisional agreement (the "Provisional Agreement") with Nice Source Properties Limited's owners (the "Nice Source Owners"), pursuant to which Earn Rich agreed to acquire from the Nice Source Owners the entire share capital of Nice Source Properties Limited ("Nice Source") for a consideration of HK$90,800,000, and it is intended that Earn Rich will be principally engaged in investment holding.

Nice Source is holding the properties located at Workshop C6 on G/F of Block C and Workshop C7 on 1/F of Block C, Hong Kong Industrial Centre, Nos. 489–491 Castle Peak Road, Kowloon with an aggregate gross floor area of approximately 6,086 sq. ft..

The Provisional Agreement was completed on 11 December 2017.

The directors of the Company (the "Directors") believe that the Acquisition can further expand the Group's business, broaden its revenue streams and bring a greater return to the shareholders of the Company (the "Shareholders").

FINANCIAL REVIEW

During the reporting period, the turnover of the Group was approximately RMB795.6 million, representing a decrease of about 20.4% over the same period of last year (for the year ended 31 December 2016: RMB999.5 million).

The revenue from personal care products of the Group was approximately RMB570.8 million, representing a decrease of about 20.2% over the same period of last year (for the year ended 31 December 2016: RMB715.1 million).

The money lending business contributed a total revenue of approximately RMB31.8 million, representing an increase of about 677.8% over the same period of last year (for the year ended 31 December 2016: RMB4.1 million).

Management Discussion and Analysis (continued)

The Group's business segment of the operation of online platform contributed a total revenue of approximately RMB21.1 million, representing an increase of about 339.3% over the same period of last year (for the year ended 31 December 2016: RMB4.8 million).

The Group's business segment of trading of commodities contributed a total revenue of approximately RMB171.4 million, representing a decrease of about 37.8% over the same period of last year (for the year ended 31 December 2016: RMB275.6 million).

The Group's business segment of properties holding contributed a total revenue of approximately RMB304,000 to the Group (for the year ended 31 December 2016: Nil).

The Group's other unallocated revenue contributed a total revenue of approximately RMB208,000 to the Group (for the year ended 31 December 2016: Nil).

Gross Profit and Gross Profit Margin

Gross profit of the Group for the reporting period was approximately RMB181.8 million, representing a decrease of about 48.9% as compared with RMB355.4 million for the year ended 31 December 2016.

During the reporting period, the gross profit margin decreased by around 12.8 percentage points over the same period of last year to about 22.8% (for the year ended 31 December 2016: 35.6%). The decrease in overall gross profit margin was primarily due to the lower gross profit margin for the business of personal care products and trading of commodities.

The total gross profit for personal care products was about RMB125.7 million for the reporting period, representing a decrease of about 62.6% as compared with RMB335.9 million of the period ended 31 December 2016. Gross profit margin decreased to about 22.0%, representing a decrease of about 25.0 percentage points compared with the same period of last year. The decrease was mainly due to the increased discount provided to distributors and after the Deconsolidation of Fujian Herun, the Group's personal care products changes from manufacturing to OEM business which results in decrease of the gross profit of personal care products segment.

The gross profit for money lending business for the reporting period was about RMB31.8 million (for the year ended 31 December 2016: RMB4.1 million).

The gross profit for operation of online platform for the reporting period was about RMB18.7 million (for the year ended 31 December 2016: RMB4.8 million).

The gross profit for trading of commodities for the reporting period was about RMB5.0 million (for the year ended 31 December 2016: RMB10.6 million) and the gross profit margin was about 2.9% (for the year ended 31 December 2016: 3.8%).

The gross profit for properties holding for the reporting period was about RMB304,000 (for the year ended 31 December 2016: Nil).

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing and promotion expenses, transportation costs and other expenses. Selling and distribution expenses amounted to approximately RMB227.1 million for the reporting period, representing a decrease of about 31.1% as compared with RMB329.5 million for the year ended 31 December 2016. The selling and distribution expenses accounted for about 28.6% of the revenue during the reporting period (for the year ended 31 December 2016: 33.0%), among which, advertising and promotion expenses, as a percentage of revenue, decreased from 23.4% for the year ended 31 December 2016 to about 20.3% for the year ended 31 December 2017, representing a decrease of about 3.1 percentage points. The transportation expenses and other expenses, as a percentage of revenue, decreased about 1.3 percentage points to about 8.3% for the reporting period as compared with the same period of 2016 (for the year ended 31 December 2016: 9.6%).

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation, share option expenses and other expenses. Administrative expenses of the Group amounted to approximately RMB148.5 million for the reporting period (for the year ended 31 December 2016: RMB99.7 million), representing an increase of about 48.9% over the same period of last year. The administrative expenses increased mainly due to the raise of salary of administrative personnel of the Group, exchange difference arising from appreciation of Renminbi and increase in legal and professional fee during the period under review. Administrative expenses accounted for about 18.7% of the Group's revenue for the reporting period (for the year ended 31 December 2016: 10.0%).

Finance Costs

The Group had finance costs of approximately RMB3.2 million for the reporting period (for the year ended 31 December 2016: RMB0.6 million).

Acquisition of subsidiaries

In the second quarter of 2017, the Group acquired the entire issued share capital of Apex Magic International Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, from an independent third party. The Acquired Group is principally engaged in properties holding. The assets of the Acquired Group mainly consist of the lands and the properties located in Yuen Long, Hong Kong. The consideration of the said acquisition was RMB71,192,000, of which RMB22,115,000 was paid in cash and RMB49,077,000 was paid by consideration shares of the Company.

In the fourth quarter of 2017, the Group acquired the entire issued share capital of Earn Rich, a company incorporated in Hong Kong with limited liability on 28 March 2017 from an independent third party. Since its incorporation, Earn Rich has not carried on any business except for entering into the Provisional Agreement with Nice Source Owners, pursuant to which Earn Rich agreed to acquire from the Nice Source Owners the entire share capital of Nice Source for a consideration of HK$90,800,000, and it is intended that Earn Rich will be principally engaged in investment holding.

Nice Source is holding the properties located at Workshop C6 on G/F of Block C and Workshop C7 on 1/F of Block C, Hong Kong Industrial Centre, Nos. 489–491 Castle Peak Road, Kowloon with an aggregate gross floor area of approximately 6,086 sq. ft..

Management Discussion and Analysis (continued)

The Provisional Agreement was completed on 11 December 2017. The consideration of the said acquisition was RMB83,599,000, of which RMB72,512,000 was paid in cash and RMB11,087,000 was paid by promissory notes of the Company.

In the fourth quarter of 2016, the Group acquired 51% of equity interests in Marvel Paramount Holdings Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, from an independent third party. Marvel Paramount Holdings Limited and its subsidiary are primarily engaged in the operation of an online platform focusing on the CBP markets, including the provision of marketing, marketing consulting and promotional service, e-commerce business and retail of CBP's products. The subsidiary operates an online CBP information platform at MYBB and mobile app namely MyBB APP which offer forum, blog and updated information in relation to CBP to parents, pregnant women and women preparing for pregnancy. MYBB also operates one retail store in Hong Kong and online stores for sales of CBP products for members in Hong Kong, PRC and Australia. MYBB also engages in organising CBP-related marketing and promotional activities, playgroups and talks in Hong Kong. The consideration of the said acquisition was RMB104,010,000, which was payable in cash and subject to downward adjustment. The total identifiable net assets acquired less non-controlling interests amounted to RMB753,000. Accordingly, goodwill of RMB103,257,000 was resulted at the date of acquisition. Pursuant to the relevant acquisition agreement, the vendor guarantees to the Company that the net profit after tax of the Marvel Paramount Holdings Limited and its subsidiary (based on its audited financial statements) for each of the two financial years ending 31 March 2017 and 31 March 2018 (the "Accumulated Guaranteed Profit") shall be not less than HK$8,000,000 and HK$16,000,000 respectively. An impairment loss of goodwill of RMB29,300,000 was made during the year ended 31 December 2017, in which RMB5,565,000 is arisen from exchange translation (for the year ended 31 December 2016: impairment loss of goodwill of RMB20,000,000).

On 30 April 2015, the Group acquired 80% equity interests in Fujian Azalli Daily Chemicals Ltd. (福建愛潔麗日化有限公司) (the "Acquired Company"), a company established in the PRC and a former supplier of the Group, from an independent third party. The principal activity of the Acquired Company is manufacture of toothpaste products. Such acquisition was for expanding the oral care product line under children's personal care products category of the Group. The consideration for the acquisition amounted to RMB50,773,000, which was satisfied by cash, and the total identifiable net assets acquired less non-controlling interests amounted to RMB14,916,000. Accordingly, goodwill of RMB35,857,000 was resulted at the date of acquisition. Due to the deteriorating operating performance of the toothpaste business, which was included in children's personal care products segment, an impairment loss of goodwill of RMB7,000,000 was made during the year ended 31 December 2017 (for the year ended 31 December 2016: RMB2,000,000).

Disposal of subsidiaries

On 21 December 2016, Frog Prince (China) Daily Chemicals Co., Limited (青蛙王子(中國)日化有限公司 ("Frog Prince (China)")), a wholly-foreign-owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, Fujian Herun, and Shenzhen Qianhai Wosheng Asset Management Centre (Limited Partnership) (深圳前海沃升資產管理中心(有限合夥)) ("Wosheng", a limited partnership formed in the PRC) entered into a capital increase agreement, pursuant to which Wosheng agreed to make a capital contribution of RMB33,000,000 to Fujian Herun. An amount of RMB18,439,000 (being the proportionate share of the carrying amount of the net assets of Fujian Herun) has been transferred to non-controlling interests. The difference of RMB14,561,000 between the increase in the non-controlling interests and the consideration has been credited to retained earnings. Following the completion of the capital increase, the Group's interest in Fujian Herun was diluted from 100% to 75%, resulting in a deemed disposal of 25% equity interest in Fujian Herun by the Group. Upon completion of the capital increase, Fujian Herun remained as a subsidiary of the Company.

In the first half of 2017, Frog Prince (China), as vendor, and Wosheng, as purchaser, entered into a share transfer agreement. Pursuant to the agreement, Wosheng had conditionally agreed to acquire 45% equity interest in Fujian Herun at the consideration of RMB100.0 million. Following the completion of the abovementioned share transfer, the Group's interest in Fujian Herun was reduced from 75% to 30% and a gain on disposal of RMB95.9 million was recognised by the Group in respect of the current year. Fujian Herun ceased to be a subsidiary of the Group and became an associate of the Group.

Net Loss and Net Loss Margin

For the year ended 31 December 2017, loss attributable to equity holders of the Company amounted to approximately RMB170.7 million as compared with loss attributable to equity holders of the Company of RMB111.2 million for the year ended 31 December 2016. The net loss margin was about 21.5% as compared with 11.1% of net loss margin for the year ended 31 December 2016, with basic loss per share of approximately RMB15.5 cents (basic loss per share for the year ended 31 December 2016: RMB11.0 cents). This is mainly attributable to the facts that revenue of the Group decreased as mentioned above but the investments in brand building, promotion and the fixed expenses of the Company remained. Furthermore, for the year ended 31 December 2017, the Group made provisions for impairment losses of property, plant and equipment and goodwill of RMB38.5 million and RMB36.3 million respectively (for the year ended 31 December 2016: Nil and RMB22.0 million respectively).

Capital Expenditure

For the year ended 31 December 2017, the Group's material capital expenditure amounted to approximately RMB257.3 million (for the year ended 31 December 2016: RMB7.4 million), mainly used for renovation of our plants, offices, and consolidation work of our plants, acquisition of new equipments, investment properties and properties for development.

Financial Resources and Liquidity

As at 31 December 2017, cash and cash equivalents of the Group amounted to approximately RMB222.7 million (31 December 2016: RMB614.5 million). The current ratio was 1.8 (31 December 2016: 3.4). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: firstly, developing money lending business; and secondly, pursuing of the potential opportunity for acquisition and other investment in a timely manner.

Trade and Bills Receivables

During the reporting period, the Group's trade and bills receivables were approximately RMB113.2 million (31 December 2016: approximately RMB134.1 million). The Group usually grants a credit period of 30 to 180 days to our customers. The decrease in trade and bills receivables for the reporting period was mainly due to the Deconsolidation of Fujian Herun comparing with that of the same period of 2016. For the year ended 31 December 2017, the Group did not make any further allowance for doubtful debt (2016: RMB4.8 million).

Management Discussion and Analysis (continued)

Loan and Interest Receivables

During the reporting period, the Group's loan and interest receivables were approximately RMB205.4 million (31 December 2016: RMB125.3 million). During the year, the Group had provided loans of approximately RMB348.0 million (2016: RMB116.1 million), with an average annual interest rate of approximately 15.8% (31 December 2016: 30.0%).

Trade and Bills Payables

During the reporting period, trade and bills payables were approximately RMB71.5 million (31 December 2016: approximately RMB93.7 million). The decrease in trade and bills payables was mainly due to the Deconsolidation of Fujian Herun. The Group settled its payables within one to six months in general and kept good payment records.

Inventories

During the reporting period, inventories of the Group were approximately RMB32.0 million (31 December 2016: approximately RMB30.9 million). As at 31 December 2017, the inventory balance increased by about 3.6% over the same period of 2016.

Gearing Ratio

As at 31 December 2017, current assets of the Group were approximately RMB703.0 million, total assets were approximately RMB1,731.6 million, current liabilities were approximately RMB397.3 million and total liabilities were approximately RMB416.0 million. The gearing ratio (total liabilities/total assets) of the Group was approximately 24.0% (31 December 2016: 20.0%).

Bank and Other Borrowings

As at 31 December 2017, the Group had bank borrowing of RMB115.0 million (31 December 2016: RMB110.9 million). Facilities were made by the Group with banks for PRC borrowings with a pledged bank deposit in the PRC.

As at 31 December 2017, the Group had other unsecured borrowings of RMB50.0 million (31 December 2016: Nil).

Pledge of Assets

As at 31 December 2017, the Group had pledged deposits of RMB127.1 million (31 December 2016: RMB124.9 million) for short-term bank borrowings and bills payable.

Capital Structure

The major objective of the Group's capital management is to ensure the ability of sustainable operations and maintain a healthy capital ratio in order to support its businesses and maximise the shareholders' interests. The Group continued to emphasise the appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital cost.

Risk of Foreign Exchange

The Group has no significant exposure to foreign currency risk because most of the Group's transactions are denominated in Renminbi. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

OUTLOOK

The Group will continue to strengthen, develop and diversify its business portfolio and to further establish a sustainable investment portfolio. New businesses and existing businesses, including money lending business, operation of online platform, trading of commodities, securities investment and property holding are developing on an on-going basis, and their proportions in the Group's business portfolio may increase.

Given the slowdown of China's economic growth, and the changes in consumption habits of Chinese consumers, the Group is prudent to the utilization rate of production capacity of its plants manufacturing personal care products. In response to the above adverse business environment, the Group will improve the responsiveness of the supply chain and enhance its product development capability to avoid further decline in sales revenue.

Looking ahead, the Group will gradually expand the scale of its electronic product and other electronic component business by introducing sale teams with extensive experiences in the industry, so as to build up its competitiveness. The business model will include (1) procurement and distribution, i.e. sale of electronic products and other electronic components procured from domestic and overseas suppliers to domestic electronic product distributors and retailers through our own developed system; and (2) establishment of trade platforms, i.e. providing trade platforms for medium and small sized domestic electronic product distributors and retailers for commissions. Meanwhile, the Group will also continue to expand its money lending business. The Group will also expand the mortgage business to corporate clients. The Group will invest more financial resources to expand these businesses in the coming year, including possible promotion and marketing through media platform. The Group may consider putting certain marketing efforts to promote our brand through various public media. In view of the uncertain economic outlook, the Group will operate and expand the business in a cautious and risk-balanced manner to maintain a balanced portfolio.

The Group will make better use of internal resources to expand businesses of different scopes to make the Group's business more diversified and to improve the profitability of the Group and the interests of shareholders more effectively. The Group will notice and consider from time to time other investment opportunities. The Company will make an announcement according to the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" or "HKEx") as and when appropriate.

EMPLOYEES AND REMUNERATION

As at 31 December 2017, the Group employed 999 employees (as at 31 December 2016: 1,254 employees).

In addition to basic salaries, year-end bonuses may be rewarded by the Group to those staff members with outstanding performance. Constituent companies of the Group established in Mainland China are also subject to social insurance contribution plans required by the PRC government. In accordance with the relevant national and local labour and social welfare laws and regulations, constituent companies of the Group established in Mainland China are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance.

In addition, a share option scheme was adopted by the Company in June 2011 and the limit of the share option scheme was refreshed in June 2017 to reward staff members who make contributions to the success of the Group. The directors of the Company believe that the compensation packages offered by the Group to its staff members are competitive in comparison with market standards and practices.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend to the Shareholders for the year ended 31 December 2017.

Directors, Secretary and Senior Management Biographies

DIRECTORS

Executive Directors

Mr. Tsai Wallen (蔡華綸), aged 58, was appointed as an executive director, chairman and chief executive officer of the Company on 19 July 2016, 28 November 2016 and 11 August 2017, respectively. Mr. Tsai served as an executive director of Dejin Resources Group Company Limited (a company listed on the Stock Exchange; stock code: 1163) from 3 June 2013 to 12 August 2015. Mr. Tsai had also worked as the general manager of Forestry Business at Dejin Resources Group Company Limited. Mr. Tsai started investing in Hong Kong stock market in 1993. Mr. Tsai has over 30 years of experience in realty, investment and timber business. Mr. Tsai graduated in San Francisco City College.

Mr. Huang Xinwen (黃新文), aged 51, is an executive director of the Company and a vice general manager of Frog Prince (China) (a wholly-owned subsidiary of the Company). Mr. Huang has about 13 years of experience in the international trade, and is currently responsible for the Group's international trade and production management. He joined the Group in May 1995 as a part time manager of the equipment division and formally joined the Group as a manager of the international division in March 2003. In August 2004, he was appointed as the manager of the international trade department of the Group, and was appointed as the vice general manager of the Group in October 2006. Mr. Huang was appointed as a director of Prince Frog (HK) Daily Chemicals Company Limited (a wholly-owned subsidiary of the Company) on 12 October 2016. Prior to joining the Group, he once served at the production department of an aluminum container company in Zhangzhou City, Fujian Province. He received a diploma in light industry machinery from Longxi Area Technical School (龍溪地區工業學校) in 1986.

Mr. Ma Chi Ming (馬志明), aged 38, was appointed as an executive director and a member of the Remuneration Committee of the Company on 27 January 2017. He obtained Certificate III in Information Technology and Certificate in English for Technical and further education from Sydney Institute of Technology in Australia in 1998 and 1997 respectively. He has over 10 years of experience in sales and business development, formulating marketing strategy as well as monitoring corporate strategy and administration. He also has over 3 years of management experience in money lending business. He is currently an independent non-executive director of L & A International Holdings Limited (a company listed on the GEM of the Stock Exchange; stock code: 8195).

Directors, Secretary and Senior Management Biographies (continued)

Non-executive Directors

Mr. Li Zhouxin (李周欣), aged 34, was appointed as an executive Director on 27 January 2016 and re-designated to a non-executive Director with effect from 30 June 2017. He was the chief financial officer of the Company and resigned on 27 April 2017. Mr. Li joined the Group in November 2011 and currently a director of Frog Prince (China) Daily Chemicals Co., Ltd., Prince Frog (HK) Daily Chemicals Company Limited and Prince Frog Investment Limited, which are wholly-owned subsidiaries of the Company. Prior to joining the Group, Mr. Li worked as an auditor and assistant manager of the audit division at KPMG Consulting (China) Co. Ltd. from August 2007 to December 2010. From December 2010 to November 2011, he also served as finance manager at a company listed on the main board of NASDAQ. Mr. Li is currently the vice chairman of the 8th Executive Committee of the Youth Business Association of Fujian Province (福建省青年商會). Mr. Li graduated from Fuzhou University with a bachelor degree in finance in 2007. Mr. Li is a PRC certified public accountant (non-practising) and a certified management accountant recognised by Institute of Management Accountants of the United States of America. Mr. Li also holds a Certification in Risk Management Assurance accredited by The Institute of Internal Auditors.

Mr. Li was appointed as an independent non-executive director of LEAP Holdings Group Limited (a company listed on the main board of the Stock Exchange; stock code: 1499) in November 2017.

Mr. Ren Yunan (任煜男), aged 42, was appointed as an independent non-executive Director on 18 February 2011, re-designated to a non-executive Director on 16 October 2015. He has served as the vice chairman of the Board from 16 October 2015 to 27 January 2017.

Mr. Ren was appointed as an independent non-executive director of International Entertainment Corporation (a company listed on the main board of the Stock Exchange; stock code: 1009) in May 2017, as an independent non-executive director of Ronshine China Holdings Limited (a company listed on the main board of the Stock Exchange; stock code: 3301) in January 2016, and as a non-executive director of Labixiaoxin Snacks Group Limited (a company listed on the main board of the Stock Exchange; stock code: 1262) in February 2015.

From November 2017 to December 2017, Mr. Ren has served as a non-executive director and chairman of the board of directors of AVIC Joy Holdings (HK) Limited (a company listed on the main board of the Stock Exchange; stock code: 260). From April 2015 to May 2017, Mr. Ren has served as an independent director of SPI Energy Co., Ltd. (a company listed on the NASDAQ; stock code: SPI). From June 2016 to October 2016, Mr. Ren has served as a supervisor (as shareholders' representative) of the fifth session of the supervisory committee of Dongjiang Environmental Company Limited, (a company listed both on the main board of the Stock Exchange under the stock code of 895 and the Small and Medium Enterprise Board of the Shenzhen Stock Exchange under the stock code of 2672). From March 2012 to June 2015, Mr. Ren has served as an independent director and the chairman of audit committee of IDI, Inc. (a company listed on New York Stock Exchange AMEX; stock code: IDI).

Mr. Ren graduated from Peking University with a bachelor degree in law in 1997 and received a master degree in law from Harvard Law School in 1999.

Independent Non-executive Directors

Ms. Chan Sze Man (陳詩敏), aged 36, was appointed as an independent non-executive director of the Company on 20 September 2016. She is also the Chairman of each of the Audit Committee and the Nomination Committee and member of Remuneration Committee of the Company. Ms. Chan received a Bachelor's Degree in Business Administration (majoring in Accountancy) from The Hong Kong University of Science and Technology. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and has over 16 years of experience in accounting and auditing for Hong Kong listed companies and private companies. Ms. Chan is now the chief financial officer and the company secretary of a company listed on the Main Board of the Stock Exchange. Ms. Chan has also been serving as an independent non-executive director on the board of Koala Financial Group Limited (formerly known as Sunrise (China) Technology Group Limited, a company listed on the GEM; stock code: 8226) and an independent non-executive director of Millennium Pacific Group Holdings Limited (a company listed on the GEM; stock code: 8147) for the period from October 2012 to April 2015 and from April 2014 to July 2017 respectively.

Mr. Ma Kwun Yung Stephen (馬冠勇), aged 37, was appointed as an independent non-executive director on 15 March 2017. He is also the Chairman of Remuneration Committee and member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Ma has over 8 years of experience in renewable energy management. He obtained a Bachelor degree of Business Systems from Monash University in Australia in 2003 and a Master degree of Applied Finance from The University of Melbourne, Australia in 2005. He is a director and a shareholder of EcoSmart Energy Management Limited, a private company principally engaged in the provision of design, consultation and building of energy projects to private and listed companies.

Ms. Bu Yanan (卜亞楠), aged 32, was appointed as an independent non-executive Director on 15 September 2017. She is also the member of each of the audit committee and the nomination committee of the Company. She was graduated from City University of Hong Kong with a bachelor of laws and has completed the Practising Certificate in law programme to qualify for admission as a barrister of High Court of Hong Kong in 2011. She is also an Accredited General and Family Mediator of the Hong Kong International Arbitration Centre and of the Hong Kong Mediation Accreditation Association, a fellow of Hong Kong Institute of Arbitrators. Ms. Bu has been in active practice at the Bar in various criminal and commercial matters and has extensive legal experience. She is currently an independent non-executive director of Teamway International Group Holdings Limited (formerly known as Jin Bao Bao Holdings Limited) (a company listed on the main board of the Stock Exchange; stock code: 1239).

COMPANY SECRETARY

Mr. Leung Louis Ho Ming (梁浩鳴), aged 35, was appointed as a chief financial officer and company secretary of the Company on 30 June 2017 and 31 January 2018 respectively. Mr. Leung holds a bachelor degree of Science in Quantitative Finance from The Chinese University of Hong Kong in 2004. He has been a member of Hong Kong Institute of Certified Public Accountant since 2008 and has over 10 years of experience in accounting and auditing for Hong Kong listed and private companies.

Directors, Secretary and Senior Management Biographies (continued)

SENIOR MANAGEMENT

Mr. Chen Wanjin (陳萬金), aged 46, joined the Group on 30 April 2015. Mr. Chen established Fujian Azalli Daily Chemicals Ltd. (福建愛潔麗日化有限公司) (i.e, Azalli, a subsidiary of the Company) in 2002 and was the general manager responsible for the daily operation and management of Azalli. He was appointed as a vice general manager of Frog Prince (China) (a wholly-owned subsidiary of the Company) in September 2015. Mr. Chen currently serves as a member of the 5th Council (2014-2017) of China Oral Health Foundation (中國牙病防治基金會第五屆理事會), as a member of the 3rd Preventive Dentistry Professional Committee (第三屆預防口腔醫學專業委員會) under Fujian Stomatological Association (福建省口腔醫學會) and also as a member of the 2nd session of Zhangzhou Association of Enterprises and Entrepreneurs (漳州市企業與企業家聯合會). Mr. Chen received a diploma majoring in public relations and secretary at Fujian Economic School in June 1995. He was conferred two professional and technical qualifications of "Junior Assistant Economist" and "Intermediate Chemical Engineer" from the Public Servant Bureau of Fujian Province (福建省公務員局) and the Office of Human Resources Development of Fujian Province (福建省人力資源開發辦公室) respectively in December 2012 and January 2014.

Ms. Han Xinbin (韓新彬), aged 40, is the production manager of Frog Prince (China) (a wholly-owned subsidiary of the Company). Ms. Han has over 16 years of experience in the children's daily chemicals industry of China. She joined the Group in October 2001 and is primarily responsible for management of the production and supply chain of the Group. Prior to joining the Group, she worked for Fujian Longxi Instrument Meter Factory (福建龍溪儀錶廠) from 1996 to 1998. Ms. Han received a diploma in accounting from Xiamen University in 2000.

Mr. Wen Wenzhong (溫文忠), aged 51, is the manager of the research and development and quality guarantee department of Frog Prince (China) (a wholly-owned subsidiary of the Company). Mr. Wen has over 27 years of experience in the research and development of children's personal care products. He joined the Group in May 2005 and is responsible for research and development of our children's personal care products and the management of quality control. Prior to joining the Group, he served as a project engineer in the Research Laboratory of Zhangzhou Chemicals Factory (漳州市化學品廠研究所) for 15 years. Mr. Wen currently serves as a member of National Technical Committee on Fragrance and Flavor Cosmetic of Standardisation Administration (全國香料香精化妝品標準化技術委員會). He received a master degree in organic chemical science from Dalian University of Technology in 1990.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The Board is committed to strengthening the Group's corporate governance practices and ensuring transparency and accountability of the Company's operations.

The Company has applied the principles as contained in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Board considers that during the year ended 31 December 2017, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Company and enhancing value to investors. All the directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and its shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

The senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

Corporate Governance Report (continued)

A2. Board Composition

The composition of the Board as at 31 December 2017 is as follows:

Executive directors:

Mr. Tsai Wallen	*(Chairman of the Board and Chief Executive Officer)*
Mr. Huang Xinwen	
Mr. Ma Chi Ming	*(Member of the Remuneration Committee)*

Non-executive directors:

Mr. Li Zhouxin
Mr. Ren Yunan

Independent non-executive directors:

Ms. Chan Sze Man	*(Chairman of the Audit Committee, Chairman of the Nomination Committee and Member of the Remuneration Committee)*
Mr. Ma Kwun Yung Stephen	*(Chairman of the Remuneration Committee, Member of the Audit Committee and Member of the Nomination Committee)*
Ms. Bu Yanan	*(Member of the Audit Committee and Member of the Nomination Committee)*

During the year under review, the Company has met the requirements of Listing Rules 3.10 and 3.10A of having three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications, and accounting and related financial management expertise.

The members of the Board have experience and skills appropriate for the business requirements and objectives of the Group. Each executive director is responsible for different business and functional divisions of the Group in accordance with his areas of expertise. The independent non-executive directors bring different business and financial expertise, experience and independent judgment to the Board, and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests, the independent non-executive directors had made contributions to the effective direction of the Company and provided adequate supervision and balances to safeguard the interests of both the Group and the shareholders.

The biographical details of the directors of the Company are set out under the section headed "Directors, Secretary and Senior Management Biographies" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent in light of the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive

The Board is of the view that the Company has complied with the code provisions set out in the CG Code as contained in Appendix 14 of the Listing Rules during the year ended 31 December 2017, except for code provision A.2.1. Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The role of the chief executive officer was performed by Mr. Tsai Wallen ("Mr. Tsai"), who was also the chairman of the Company. Mr. Tsai has over 30 years of experience in realty and investment business. He is responsible for managing the overall operations of the Group and planning the business development and strategies.

The Directors consider that vesting the role of the chairman of the Board and the chief executive officer in the same individual is beneficial to the management and business development of the Group. The balance of power and authority is ensured by the operations of the Board and the senior management, which comprise experienced and high calibre individuals. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

A4. Appointment and Re-election of Directors

The Company's Articles of Association contain provisions on the procedures and process of appointment and removal of directors.

Each director, including the non-executive director and independent non-executive directors, is engaged for a term of three years, subject to renewal upon expiry of the term. They are also subject to re-election in accordance with the Company's Articles of Association provisions.

According to the Company's Articles of Association, one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

Corporate Governance Report (continued)

A5. Training and Continuing Development for Directors

Each newly appointed director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group, and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to directors from time to time for their studying and reference.

During the year ended 31 December 2017, all Directors complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

– All Directors (being Mr. Tsai Wallen, Mr. Ge Xiaohua, Mr. Huang Xinwen, Mr. Ma Chi Ming, Mr. Li Zhouxin, Mr. Ren Yunan, Ms. Chan Sze Man, Mr. Ma Kwun Yung Stephen, Ms. Bu Yanan, Mr. Li Zhenhui, Mr. Tang Shuo and Mr. Tsao Benedict received regular briefings and updates from the Company on the Group's business, operations and corporate governance matters.

– Ms. Chan Sze Man and Ms. Bu Yanan attended relevant seminars organized by other professional firms/institutions/the Stock Exchange.

– All Directors (being Mr. Tsai Wallen, Mr. Ge Xiaohua, Mr. Huang Xinwen, Mr. Ma Chi Ming, Mr. Li Zhouxin, Mr. Ren Yunan, Ms. Chan Sze Man, Mr. Ma Kwun Yung Stephen, Ms. Bu Yanan, Mr. Li Zhenhui, Mr. Tang Shuo and Mr. Tsao Benedict) read technical bulletins, periodicals and other publications on subjects relevant to the Group and on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

A6. Directors' Attendance Records

The attendance records of each director at the Board and Board committees meetings, annual general meeting and extraordinary general meetings of the Company held during the year ended 31 December 2017 are set out below:

	Attendance/Number of Meetings							
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary general meeting ("EGM") held on 30 June 2017 10:00 a.m.	EGM held on 30 June 2017 10:30 a.m.	EGM held on 7 December 2017
Executive directors:								
Mr. Tsai Wallen	11/11	N/A	N/A	N/A	1/1	1/1	1/1	1/1
Mr. Li Zhenhui *(Note 1)*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Ge Xiaohua *(Note 2)*	2/3	N/A	N/A	N/A	0/1	N/A	N/A	N/A
Mr. Huang Xinwen	11/11	N/A	N/A	N/A	0/1	0/1	0/1	0/1
Mr. Ma Chi Ming *(Note 3)*	10/11	N/A	1/1	N/A	0/1	0/1	0/1	0/1
Non-executive directors:								
Mr. Li Zhouxin *(Note 4)*	11/11	N/A	N/A	N/A	0/1	0/1	0/1	0/1
Mr. Ren Yunan	11/11	N/A	N/A	N/A	0/1	0/1	0/1	0/1
Independent non-executive directors:								
Ms. Chan Sze Man *(Note 5)*	11/11	2/2	1/1	1/1	0/1	1/1	1/1	1/1
Mr. Ma Kwun Yung Stephen *(Note 6)*	10/11	1/2	1/1	1/1	1/1	1/1	1/1	0/1
Mr. Tsao Benedict *(Note 7)*	3/4	2/2	N/A	1/1	0/1	0/1	0/1	N/A
Mr. Tang Shuo *(Note 8)*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms. Bu Yanan *(Note 9)*	6/7	N/A	N/A	N/A	N/A	N/A	N/A	0/1

Corporate Governance Report (continued)

Notes:

1. Mr. Li Zhenhui resigned as an non-executive director with effect from 27 January 2017. Before his resignation, no Board meeting, no annual general meeting and no extraordinary general meeting were held during the year ended 31 December 2017.

2. Mr. Ge Xiaohua retired as an executive director with effect from 15 June 2017. Before his retirement, 3 Board meetings, 1 annual general meeting and no extraordinary general meeting were held during the year ended 31 December 2017.

3. Mr. Ma Chi Ming was appointed as an executive director and a member of Remuneration Committee with effect from 27 January 2017. After his appointment, 11 Board meetings, 1 Remuneration Committee meeting, 1 annual general meeting and 3 extraordinary general meetings were held during the year ended 31 December 2017.

4. Mr. Li Zhouxin was re-designated from an executive director to a non-executive director with effect from 30 June 2017.

5. Ms. Chan Sze Man was re-designated from the Chairman of Remuneration Committee of the Company to the Member of Remuneration Committee with effect from 30 June 2017.

6. Mr. Ma Kwun Yung Stephen was appointed as an independent non-executive director with effect from 15 March 2017. After his appointment, 11 Board meetings, 1 annual general meeting and 3 extraordinary general meetings were held during the year ended 31 December 2017. Mr. Ma was also appointed as the Member of each of Audit Committee, Remuneration Committee and Nomination Committee with effect from 15 March 2017 and re-designated from the member of Remuneration Committee to the Chairman of Remuneration Committee with effect from 30 June 2017. After his appointment of the Board Committees, 2 Audit Committee meetings, 1 Remuneration Committee meeting and 1 Nomination Committee meeting were held during the year ended 31 December 2017.

7. Mr. Tsao Benedict resigned as an independent non-executive director and ceased to act as a member of each of the Audit Committee and Nomination Committee with effect from 15 September 2017. Before his resignation, 4 Board meetings, 2 Audit Committee meetings, 1 Remuneration Committee meeting, 1 Nomination Committee meeting, 1 annual general meeting and 2 extraordinary general meetings were held during the year ended 31 December 2017.

8. Mr. Tang Shuo resigned as an independent non-executive director and ceased to act as a member of each of the Audit Committee, Remuneration Committee and Nomination Committee and effect from 15 March 2017. Before his resignation, no Board meeting, no Audit Committee meeting, no Remuneration Committee meeting, no Nomination Committee meeting and no annual general meeting and no extraordinary general meeting were held during the year ended 31 December 2017.

9. Ms. Bu Yanan was appointed as an independent non-executive director and a member of both the Audit Committee and Nomination Committee with effect from 15 September 2017. After her appointment, 7 Board meetings, no Audit Committee meeting, no Nomination Committee meeting, no annual general meeting and 1 extraordinary general meeting were held during the year ended 31 December 2017.

In addition, the Chairman of the Board held a meeting with the non-executive directors (including the independent non-executive directors) without the presence of executive directors during the year under review.

A7. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Each director has been given a copy of the Model Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Model Code throughout the year ended 31 December 2017.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

A8. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

During the year under review, the Board has performed such corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices, (ii) reviewed and monitored the training and continuous professional development of directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the compliance of the Model Code and the Employee Written Guidelines, and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

B. BOARD COMMITTEE

The Board established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website. All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Corporate Governance Report (continued)

B1. Remuneration Committee

The members of the Remuneration Committee during the year and as at the date of this report were as follows:

Executive director

Mr. Ma Chi Ming	*(Appointed as a member on 27 January 2017)*

Non-executive director

Mr. Li Zhenhui	*(Resigned as a member on 27 January 2017)*

Independent non-executive directors

Mr. Ma Kwun Yung Stephen	*(Appointed as a member on 15 March 2017 and redesigned as a Chairman on 30 June 2017)*
Ms. Chan Sze Man	*(Resigned as the Chairman, but remained as a member on June 30 June 2017)*

The majority of the Remuneration Committee members are independent non-executive directors.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure, the remuneration packages of executive directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted) and the remuneration of non-executive directors. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Group as well as market practice and conditions.

During the year ended 31 December 2017, the Remuneration Committee has held 1 meeting (the attendance records of each Committee member are set out in section A6 above). The Remuneration Committee performed the following major works during the year:

– Generally review and discussion of the remuneration packages, policy and structure of the directors and the senior staff of the Group, and recommendation to the Board;

– Consideration of and recommendation to the Board on the remuneration packages for the directors newly appointed/re-designated during the year.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2017 is set out below:

Remuneration band (RMB)	Number of individuals
0 – 250,000	2
250,001 – 500,000	1

Details of the remuneration of each director of the Company for the year ended 31 December 2017 are set out in note 12 to the financial statements contained in this annual report.

B2. Nomination Committee

The members of the Nomination Committee during the year and as at the date of this report were as follows:

Independent non-executive directors

Ms. Chan Sze Man	*(Chairman)*
Mr. Ma Kwun Yung Stephen	*(Appointed as a member on 15 March 2017)*
Ms. Bu Yanan	*(Appointed as a member on 15 September 2017)*
Mr. Tsao Benedict	*(Resigned as a member on 15 September 2017)*
Mr. Tang Shuo	*(Resigned as a member on 15 March 2017)*

All of the members of the Nomination Committee are independent non-executive directors.

The principal responsibilities of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills, professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

Corporate Governance Report (continued)

The Company also recognizes and embraces the benefit of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board diversity. To comply with the code provision A.5.6 of the CG Code, a Board diversity policy was adopted by the Company, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendations to the Board, if any. Such policy and objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

During the year ended 31 December 2017, the Nomination Committee has held 1 meeting (the attendance records of each Committee member are set out in section A6 above). The Nomination Committee performed the following major works during the year:

– Review of the Board composition and structure;

– Consideration of and recommendation to the Board on the re-election of the retiring directors at the 2017 annual general meeting;

– Assessment of the independence of the then three independent non-executive directors of the Company;

– Consideration of and recommendation to the Board on the changes in compositions of the Board and Board Committees during the year.

B3. Audit Committee

The members of the Audit Committee during the year and as at the date of this report were as follows:

Independent non-executive directors

Ms. Chan Sze Man	*(Chairman)*
Mr. Ma Kwun Yung Stephen	*(Appointed as a member on 15 March 2017)*
Ms. Bu Yanan	*(Appointed as a member on 15 September 2017)*
Mr. Tsao Benedict	*(Resigned as a member on 15 September 2017)*
Mr. Tang Shuo	*(Resigned as a member on 15 March 2017)*

All of the members of the Audit Committee are independent non-executive directors. The Chairman of the Audit Committee possesses the appropriate professional qualifications, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

The Audit Committee performed the following major works during the year:

– Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2016, the related accounting principles and practices adopted by the Group and internal controls related matters, and recommendation of the re-appointment of the external auditors;

– Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2017, and the related accounting principles and practices adopted by the Group;

– Review of the internal control and risk management matters and internal audit function of the Group, and recommendation to the Board;

– Review of the status of compliance with the undertakings under the Deed of Non-Competition (as defined in the Company's prospectus) by the relevant parties;

– Review of the continuing connected transaction of the Group;

– Discussion of the Company's preparation for publication of the Environmental, Social and Governance Report under the requirements of the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 27 to the Listing Rules;

During the year ended 31 December 2017, the Audit Committee has held 2 meetings (the attendance records of each Committee member are set out in section A6 above).

The external auditors were invited to attend the said meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

Corporate Governance Report (continued)

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2017.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. RISK MANAGEMENT AND INTERNAL CONTROLS

The Group's risk management and internal control systems have been designed to protect assets from misappropriation and unauthorized transactions and to manage operational risks.

The Board has overall responsibilities for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing their effectiveness. The Board is also responsible for establishing and maintaining appropriate and effective risk management and internal control systems. The established systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness.

The Group adopts a complete process of risk management in a functional bottom-up manner, including risk identification, assessment, evaluation and treatment. The functional areas across the Group provide input of risks with treatments, which are appraised and maintained. The risk management system, as well as the internal control system, are continuous, proactive and systematic processes.

The management, in coordination with department heads, in the form of interview and discussion, assessed the likelihood of risk occurrence, ranked these risks according to the likelihood and the severity of the impact on the Group, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management would report to the Audit Committee and the Board on all findings and the effectiveness of the risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems, and make recommendations.

The Audit Committee also ensures that an overall review of the effectiveness of such systems is conducted at least annually and put forward to the Board for consideration.

During the year under review, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering financial, operational, compliance and risk management aspects of the Group. The systems were considered effective and adequate.

The internal audit function of the Group was carried out by a qualified professional firm appointed by the Board. The effectiveness of the risk management and internal control systems is reviewed by conducting internal audit assignments. Recommendations for major observations of control weaknesses identified from the assignments are communicated to the management in resolving material internal control defects.

Regarding the handling and dissemination of inside information, the Group has practice policy in place.

E. COMPANY SECRETARY

Ms. So Yee Kwan of Tricor Services Limited, an external service provider was appointed as joint company secretary on 24 January 2014. On 15 January 2016, Ms. Huang Yishan resigned as the Company's joint company secretary. Immediately after Ms. Huang's resignation, Ms. So Yee Kwan continues to act as the sole company secretary of the Company. The primary contact of Ms. So Yee Kwan at the Company is Mr. Li Zhouxin, a non-executive director and Mr. Leung Louis Ho Ming the Chief Financial Officer of the Company.

During the year ended 31 December 2017, Ms. So Yee Kwan has taken not less than 15 hours of relevant professional training.

Ms. So Yee Kwan resigned as the company secretary on 31 January 2018 and Mr. Leung Louis Ho Ming was appointed as the company secretary with effect from 31 January 2018.

Corporate Governance Report (continued)

F. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2017 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to CCTH, the Company's existing auditor, in respect of audit services and non-audit services for the year ended 31 December 2017 are analyzed below:

Type of services provided by the external auditors	**Fee paid/ payable**
Audit services:	
– Audit fee for the year ended 31 December 2017	RMB1,724,000
Non-audit services:	
– Agreed upon procedures on interim results for the six months ended 30 June 2017	RMB348,000
– Other services	RMB320,000
TOTAL:	RMB2,392,000

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at www.princefrog.com.cn, as a communication platform with shareholders and investors, where extensive information and updates on the Company's business developments and operations, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: No. 8, North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province, The People's Republic of China
Fax no.: (86) 596 217 2553
Email: ir@princefrog.com.cn

Inquiries are dealt with in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

H. SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

(1) Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Company's Articles of Association by sending a written requisition to the Board or the Company Secretary at the Company's head office/principal place of business in Hong Kong. The objects of the meeting must be stated in the written requisition.

(2) If a shareholder wishes to propose a person other than a retiring director for election as the Director at a general meeting, pursuant to Article 85 of the Company's Articles of Association, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her/its intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office/principal place of business in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must provide their full name, contact details and identification, in the original signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by laws.

During the year under review, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association of the Company is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

All resolutions put forward at shareholders' meetings shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.princefrog.com.cn) after each shareholders' meeting.

Report of the Directors

The directors of Company (the "Directors") present their report and the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sale of personal care products, money lending, operation of online platform, trading of commodities, securities investment, properties holding and investment holding.

BUSINESS REVIEW

The business review required under Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's performance during the year using financial key performance indicators and an indication of likely future development in the Group's business, is set out in the "Management Discussion and Analysis" on pages 4 to 14 of this annual report. This discussion forms part of this "Report of the Directors".

FINANCIAL STATEMENTS

The Group's loss for the year ended 31 December 2017 and the Group's financial position at that date are set out in the financial statements on pages 66 to 177 of this annual report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 43 to the financial statements.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to shareholders of the Company for the year ended 31 December 2017.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information of the Group for the last five financial years is set out on page 178 of this annual report. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 June 2018 to Friday, 15 June 2018 (both days inclusive) for the purpose of determining the right to attend and vote at the 2018 annual general meeting ("2018 AGM") to be held on Friday, 15 June 2018. In order to be entitled to attend and vote at the 2018 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied with the corresponding share certificates are lodged with the Company's branch share registrar and transfer office (i.e. Union Registrars Limited) at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 13 June 2018.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company is incorporated in the Cayman Islands while most of the Group's operations are performed in domestic China and the Company is listed on the Stock Exchange. During the year ended 31 December 2017, as far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations that have a significant impact on the Group's business and operation by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks and uncertainties that the Group faces during its operation. Such risks and uncertainties include factors such as economic conditions of both inside and outside China, PRC's foreign exchange policies, changes relating to laws and regulations and enforcement policies, and the price and supply of raw materials. While these risks continue to exist, the Group will closely monitor any signs of these occurrences and all departments of the Group will be involved in identifying and evaluating risks relating to their operational scope. Subsequently, appropriate plans will be devised to minimize the impacts derived from risks and uncertainties confronting the operation of the Group.

ENVIRONMENTAL PROTECTION POLICY

The Group has established a dedicated environmental protection department. The environmental protection department is responsible for overseeing the environmental protection of the Group as a whole, such as formulating environmental-related guidelines and policies for the Group in order to ensure compliance with the applicable environmental laws, regulations and standards, monitoring the latest development in the environmental-related laws, regulations and standards in the PRC in order to ensure the internal environmental protection guidelines and policies of the Group is appropriate, monitoring the compliance with the applicable environmental laws, regulations and standards by regularly inspecting the production facilities and the pollutant discharge facilities of the Group, handling the application for environmental protection approvals, and the inspection and any other necessary filings for the construction projects of the Group, liaising with the governmental environment protection authorities in the PRC as and when required, and formulating contingency plan for any environmental-related emergency and handling such emergency.

A separate environmental, social and governance report is expected to be published on the websites of the Stock Exchange and the Company no later than 3 months after the publication of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB340,727,000. In addition, the Company's share premium account, in the amount of RMB496,544,000, may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Report of the Directors (continued)

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 41.3% of the total sales for the year, and the sales to the Group's largest customer accounted for 14.5% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 29.1% of the total purchases for the year, and the purchases from the largest supplier accounted for 15.0% of the total purchases for the year.

None of the Directors or any of their close associates or any shareholders (which, to the knowledge of the directors, own more than 5% of the Company's number of issued shares) had any beneficial interest in the Group's five largest customers or suppliers.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

The Group regards the personal development of its employees as highly important and strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. For details, please refer to the section headed "Employees and Remuneration" in the "Management Discussion and Analysis".

Customers

The Group has strengthened relationships with the existing customers while cultivating relationships with potential customers and has established long-term co-operation relationships with many customers. We visit customers' offices to approach and keep contact with them. The Group has organized a marketing team with nationwide coverage as well as a business team which is capable of maintaining close co-operation with overseas customers.

Suppliers

The Group has developed long-standing co-operation relationships with the Group's vendors and taken great care to ensure that they can share our commitment to product quality and morality. The Group carefully selected suppliers and required them to satisfy certain assessment criteria, including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness. The Group also required suppliers to comply with our anti-bribery policy.

DONATIONS

Donations made by the Group during the year ended 31 December 2017 amounted to approximately RMB1,087,000.

DIRECTORS

The Directors during the year and as at the date of this report were as follows:

Executive Directors

Mr. Tsai Wallen
Mr. Ge Xiaohua (Retired on 15 June 2017)
Mr. Huang Xinwen
Mr. Ma Chi Ming (Appointed on 27 January 2017)

Non-executive Directors

Mr. Li Zhenhui (Resigned on 27 January 2017)
Mr. Li Zhouxin (Re-designated from executive director on 30 June 2017)
Mr. Ren Yunan

Independent Non-executive Directors

Ms. Chan Sze Man
Mr. Ma Kwun Yung Stephen (Appointed on 15 March 2017)
Mr. Tang Shuo (Resigned on 15 March 2017)
Mr. Tsao Benedict (Resigned on 15 September 2017)
Ms. Bu Yanan (Appointed on 15 September 2017)

Pursuant to Article 83(3) of the Company's Articles of Association, Ms. Bu Yanan, the newly appointed director, shall retire at the 2018 AGM. In addition, pursuant to Article 84 of the Company's Articles of Association, Mr. Tsai Wallen and Mr. Li Zhouxin will retire from office as Directors by rotation at the 2018 AGM. All of the above three retiring directors are eligible for re-election at the 2018 AGM.

It is noted that Mr. Tsai Wallen, Mr. Li Zhouxin and Ms. Bu Yanan will offer themselves for re-election at the 2018 AGM.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 18 of this annual report.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors and the non-executive director has entered into a service contract with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than one month's notice in writing served by either party on the other.

There was no service contract entered into by the Company and any Directors to be re-elected in the forthcoming annual general meeting which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than those transactions disclosed in note 53 to the financial statements and in the section headed "Continuing Connected Transaction" below, none of Directors or their connected entities had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party or subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the directors is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year and subsisted at the end of the year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. Details of the Scheme are disclosed in note 44 to the financial statements.

As at the date of this annual report, the total number of shares of the Company available for issue under the Scheme was 210,384,100 shares, representing approximately 18.16% of the number of issued shares of the Company.

The following table discloses movements of the Company's share options, granted under the Scheme, during the year ended 31 December 2017:

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/lapsed during the year	Outstanding as at 31 December 2017	Exercise period *(Note 2)*
Executive Director									
Mr. Huang Xinwen	14 October 2011	1.92	300,000	–	–	–	–	300,000	B
			300,000	–	–	–	–	300,000	C
			600,000	–	–	–	–	600,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	400,000	–	–	–	–	400,000	G
			300,000	–	–	–	–	300,000	H
			300,000	–	–	–	–	300,000	I
			1,000,000	–	–	–	–	1,000,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*3,400,000*	–	–	–	–	*3,400,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2017	Exercise period *(Note 2)*
Non-executive Directors									
Mr. Li Zhouxin (re-designated from executive director on 30 June 2017)	21 June 2012	2.94	90,000	–	–	–	–	90,000	E
			90,000	–	–	–	–	90,000	F
			180,000	–	–	–	–	180,000	
	26 September 2014	1.83	120,000	–	–	–	–	120,000	G
			90,000	–	–	–	–	90,000	H
			90,000	–	–	–	–	90,000	I
			300,000	–	–	–	–	300,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*1,480,000*	–	–	–	–	*1,480,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2017	Exercise period (Note 2)
Non-executive Directors (continued)									
Mr. Ren Yunan	14 October 2011	1.92	40,000	–	–	–	–	40,000	A
			30,000	–	–	–	–	30,000	B
			30,000	–	–	–	–	30,000	C
			100,000	–	–	–	–	100,000	
	21 June 2012	2.94	40,000	–	–	–	–	40,000	D
			30,000	–	–	–	–	30,000	F
			30,000	–	–	–	–	30,000	F
			100,000	–	–	–	–	100,000	
	26 September 2014	1.83	80,000	–	–	–	–	80,000	G
			60,000	–	–	–	–	60,000	H
			60,000	–	–	–	–	60,000	I
			200,000	–	–	–	–	200,000	
	18 January 2016	0.81	1,400,000	–	–	–	–	1,400,000	J
			1,050,000	–	–	–	–	1,050,000	K
			1,050,000	–	–	–	–	1,050,000	L
			3,500,000	–	–	–	–	3,500,000	
Sub-total			*3,900,000*	–	–	–	–	*3,900,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2017	Exercise period *(Note 2)*
Former Directors									
Mr. Li Zhenhui (resigned on 27 January 2017)	14 October 2011	1.92	800,000	–	–	–	–	800,000	A
			600,000	–	–	–	–	600,000	B
			600,000	–	–	–	–	600,000	C
			2,000,000	–	–	–	–	2,000,000	
	21 June 2012	2.94	144,000	–	–	–	–	144,000	D
			108,000	–	–	–	–	108,000	E
			108,000	–	–	–	–	108,000	F
			360,000	–	–	–	–	360,000	
	26 September 2014	1.83	400,000	–	–	–	–	400,000	G
			300,000	–	–	–	–	300,000	H
			300,000	–	–	–	–	300,000	I
			1,000,000	–	–	–	–	1,000,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*4,360,000*	–	–	–	–	*4,360,000*	

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2017	Exercise period *(Note 2)*
Former Directors (continued)									
Mr. Ge Xiaohua (retired on 15 June 2017)	14 October 2011	1.92	300,000	–	–	–	–	300,000	B
			300,000	–	–	–	–	300,000	C
			600,000	–	–	–	–	600,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	400,000	–	–	–	–	400,000	G
			300,000	–	–	–	–	300,000	H
			300,000	–	–	–	–	300,000	I
			1,000,000	–	–	–	–	1,000,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*3,400,000*	–	–	–	–	*3,400,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2017	Exercise period *(Note 2)*
Former Directors (continued)									
Mr. Xie Jinling (resigned on 19 July 2016)	14 October 2011	1.92	400,000	–	–	–	–	400,000	A
			300,000	–	–	–	–	300,000	B
			300,000	–	–	–	–	300,000	C
			1,000,000	–	–	–	–	1,000,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	400,000	–	–	–	–	400,000	G
			300,000	–	–	–	–	300,000	H
			300,000	–	–	–	–	300,000	I
			1,000,000	–	–	–	–	1,000,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*3,800,000*	–	–	–	–	*3,800,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2017	Exercise period (Note 2)
Former Directors (continued)									
Ms. Hong Fang (resigned on 27 January 2016)	14 October 2011	1.92	400,000	–	–	–	–	400,000	A
			300,000	–	–	–	–	300,000	B
			300,000	–	–	–	–	300,000	C
			1,000,000	–	–	–	–	1,000,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	1,200,000	–	–	–	–	1,200,000	G
			900,000	–	–	–	–	900,000	H
			900,000	–	–	–	–	900,000	I
			3,000,000	–	–	–	–	3,000,000	
	18 January 2016	0.81	1,200,000	–	–	–	–	1,200,000	J
			900,000	–	–	–	–	900,000	K
			900,000	–	–	–	–	900,000	L
			3,000,000	–	–	–	–	3,000,000	
Sub-total			*7,800,000*	–	–	–	–	*7,800,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2017	Exercise period *(Note 2)*
			Number of options						
Former Directors (continued)									
Mr. Chen Shaojun	14 October 2011	1.92	40,000	–	–	–	–	40,000	A
(resigned on 4 May 2016)			30,000	–	–	–	–	30,000	B
			30,000	–	–	–	–	30,000	C
			100,000	–	–	–	–	100,000	
	21 June 2012	2.94	40,000	–	–	–	–	40,000	D
			30,000	–	–	–	–	30,000	E
			30,000	–	–	–	–	30,000	F
			100,000	–	–	–	–	100,000	
	26 September 2014	1.83	80,000	–	–	–	–	80,000	G
			60,000	–	–	–	–	60,000	H
			60,000	–	–	–	–	60,000	I
			200,000	–	–	–	–	200,000	
	18 January 2016	0.81	80,000	–	–	–	–	80,000	J
			60,000	–	–	–	–	60,000	K
			60,000	–	–	–	–	60,000	L
			200,000	–	–	–	–	200,000	
Sub-total			*600,000*	–	–	–	–	*600,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2017	Exercise period (Note 2)
Former Directors (continued)									
Mr. Wong Wai Ming (resigned on 11 November 2016)	14 October 2011	1.92	40,000	–	–	–	–	40,000	A
			30,000	–	–	–	–	30,000	B
			30,000	–	–	–	–	30,000	C
			100,000	–	–	–	–	100,000	
	21 June 2012	2.94	40,000	–	–	–	–	40,000	D
			30,000	–	–	–	–	30,000	E
			30,000	–	–	–	–	30,000	F
			100,000	–	–	–	–	100,000	
	26 September 2014	1.83	80,000	–	–	–	–	80,000	G
			60,000	–	–	–	–	60,000	H
			60,000	–	–	–	–	60,000	I
			200,000	–	–	–	–	200,000	
	18 January 2016	0.81	80,000	–	–	–	–	80,000	J
			60,000	–	–	–	–	60,000	K
			60,000	–	–	–	–	60,000	L
			200,000	–	–	–	–	200,000	
Sub-total			*600,000*	–	–	–	–	*600,000*	
Mr. Lee Man Chiu (resigned on 20 May 2016)	18 January 2016	0.81	80,000	–	–	–	–	80,000	J
			60,000	–	–	–	–	60,000	K
			60,000	–	–	–	–	60,000	L
Sub-total			*200,000*	–	–	–	–	*200,000*	
Total for directors			**29,540,000**	**–**	**–**	**–**	**–**	**29,540,000**	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2017	Exercise period *(Note 2)*
Employees of the Group in aggregate	14 October 2011	1.92	352,400	–	–	–	–	352,400	A
			1,525,800	–	–	–	–	1,525,800	B
			1,561,800	–	–	–	–	1,561,800	C
			3,440,000	–	–	–	–	3,440,000	
	21 June 2012	2.94	773,600	–	–	–	(12,000)	761,600	D
			1,231,200	–	–	–	(27,000)	1,204,200	E
			1,231,200	–	–	–	(27,000)	1,204,200	F
			3,236,000	–	–	–	(66,000)	3,170,000	
	26 September 2014	1.83	6,436,000	–	–	–	(240,000)	6,196,000	G
			4,827,000	–	–	–	(180,000)	4,647,000	H
			4,827,000	–	–	–	(180,000)	4,647,000	I
			16,090,000	–	–	–	(600,000)	15,490,000	
	18 January 2016	0.81	7,634,600	–	–	–	(360,000)	7,274,600	J
			5,725,950	–	–	–	(270,000)	5,455,950	K
			5,725,950	–	–	–	(270,000)	5,455,950	L
			19,086,500	–	–	–	(900,000)	18,186,500	
	24 May 2017	0.38	–	15,300,000	–	–	–	15,300,000	P
Total for employees			**41,852,500**	**15,300,000**	**–**	**–**	**(1,566,000)**	**55,586,500**	
Distributors of the Group in aggregate	20 January 2016	0.81	3,880,000	–	–	–	–	3,880,000	M
			2,910,000	–	–	–	–	2,910,000	N
			2,910,000	–	–	–	–	2,910,000	O
Total for distributors			**9,700,000**	**–**	**–**	**–**	**–**	**9,700,000**	
TOTAL			**81,092,500**	**15,300,000**	**–**	**–**	**(1,566,000)**	**94,826,500**	

As at 31 December 2017, the Company had 94,826,500 share options outstanding under the Scheme. Should they be fully exercised, the Company will receive approximately HK$119,369,000 (equivalent to approximately RMB99,410,000) (before issue expenses). The fair value of these unexercised options measured in accordance with the Group's accounting policy (note 3 to the financial statements) amounted to approximately HK$45,733,000 (equivalent to approximately RMB37,335,000).

Notes:

1. The closing prices of the Company's shares immediately before the dates of grant on 14 October 2011, 21 June 2012 and 26 September 2014, 18 January 2016, 20 January 2016 and 24 May 2017 were HK$1.98, HK$2.94, HK$1.86, HK$0.64, HK$0.67 and HK$0.36 respectively.

2. The respective exercise periods of the share options granted are as follows:

   A: From 14 October 2012 to 13 October 2021
   B: From 14 October 2013 to 13 October 2021
   C: From 14 October 2014 to 13 October 2021
   D: From 21 June 2013 to 20 June 2022
   E: From 21 June 2014 to 20 June 2022
   F: From 21 June 2015 to 20 June 2022
   G: From 26 September 2015 to 25 September 2024
   H: From 26 September 2016 to 25 September 2024
   I: From 26 September 2017 to 25 September 2024
   J: From 18 January 2017 to 27 December 2025
   K: From 18 January 2018 to 27 December 2025
   L: From 18 January 2019 to 27 December 2025
   M: From 20 January 2017 to 27 December 2025
   N: From 20 January 2018 to 27 December 2025
   O: From 20 January 2019 to 27 December 2025
   P: From 24 May 2017 to 23 May 2027

   The vesting period of the share options is from the date of grant until the commencement of the exercise period.

3. The number and/or exercise price of the options may be subject to adjustments in the case of rights or bonus issues, or other changes in the Company's share capital.

Report of the Directors (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, the interests of the directors of the Company in the shares and underlying shares of the Company, which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code", Appendix 10 to the Listing Rules), to be notified to the Company and the Stock Exchange, were as follows:

A. Long positions in the ordinary shares of the Company

Name of director	Nature of interests	Number of ordinary shares interested	Percentage+ of the Company's issued share capital
Mr. Huang Xinwen	Beneficial owner	400,000	0.03%
Mr. Ren Yunan	Beneficial owner	100,000	0.01%

+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2017.

B. Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) – share options

Name of director	Nature of interests	Number of underlying shares interested	Percentage+ of underlying shares over the Company's issued share capital
Mr. Huang Xinwen	Beneficial owner	3,400,000	0.29%
Mr. Li Zhouxin	Beneficial owner	1,480,000	0.13%
Mr. Ren Yunan	Beneficial owner	3,900,000	0.34%

+ The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2017.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 31 December 2017, none of the directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

A. Long positions in the ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of ordinary shares interested	Percentage+ of the Company's issued share capital
Golden Sparkle Limited	Beneficial owner *(Note 1)*	263,308,500	22.73%
Mr. Lai Wai Lam Ricky	Interest of controlled corporation *(Note 1)*	263,308,500	22.73%
Mr. Dai Zhibiao	Beneficial owner	140,382,500	12.12%
Elite Beauty International Trading (Hong Kong) Co., Limited	Beneficial owner *(Note 2)*	80,000,000	6.91%
Mr. Li Liang	Interest of controlled corporation *(Note 2)*	80,000,000	6.91%

Notes:

1. These shares were held by Golden Sparkle Limited, a controlled corporation of Mr. Lai Wai Lam Ricky. Accordingly, Mr. Lai Wai Lam Ricky was deemed to be interested in these shares pursuant to Part XV of the SFO.

2. These shares were held by Elite Beauty International Trading (Hong Kong) Co., Limited, a controlled corporation of Mr. Li Liang. Accordingly, Mr. Li Liang was deemed to be interested in these shares pursuant to Part XV of the SFO.

\+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2017.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

B. Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) – share options

Name of substantial shareholder	Nature of interests	Number of underlying shares interested	Percentage+ of underlying shares over the Company's issued share capital
Mr. Li Liang	Beneficial owner	30,000	0.003%

+ The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2017.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 31 December 2017, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTION

The independent non-executive Directors have reviewed the continuing connected transaction set out below, which is disclosed in compliance with the requirements of Chapter 14A of the Listing Rules, and have confirmed that the continuing connected transaction was entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CCTH, the Company's independent auditor, were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. CCTH have issued a letter containing their findings and conclusions in respect of the continuing connected transaction disclosed below by the Group in accordance with relevant clauses of Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Details of the Non-exempt Continuing Connected Transaction

Pursuant to the agreement dated 13 June 2011 entered into between Shuangfei Daily Chemicals (USA) Inc. (“Shuangfei (USA)”, a company owned as to 51% and 48% by Mr. Li Zhenhui and Mr. Xie Jinling (the former directors of the Company), respectively) and Frog Prince (China), an indirectly wholly-owned subsidiary of the Company, (the “Sale of Goods Agreement”), Frog Prince (China) agreed to sell and Shuangfei (USA) agreed to buy bath and skin care products produced by the Group for a term of 3 years from 13 June 2011 to 12 June 2014. The prices of such bath and skin care products will be determined in accordance with the purchase orders on the basis of arm’s length negotiations and with reference to fair market price. On 6 June 2014, Frog Prince (China) and Shuangfei (USA) entered into a new Sale of Goods Agreement (the “New Sale of Goods Agreement”) to renew the above continuing connected transaction for a term from 13 June 2014 to 31 December 2016. On 30 December 2016, Frog Prince (China) and Shuangfei (USA) further renewed the New Sale of Goods Agreement by entering into a renewed sale of goods agreement (the “Renewed Sale of Goods Agreement”) for a further term of three years commencing from 1 January 2017 and expiring on 31 December 2019. Other than the time periods covered by the New Sale of Goods Agreement and the Renewed Sale of Goods Agreement, the terms and conditions of the New Sale of Goods Agreement and the Renewed Sale of Goods Agreement were the same as those of the Sale of Goods Agreement.

During the year under review, the total amount of goods sold to Shuangfei (USA) under the New Sale of Goods Agreement was approximately RMB5,311,000 and the annual cap for the year ended 31 December 2017 is RMB7,000,000.

Pursuant to the agreement dated 30 December 2016 entered into between Fujian Shuangfei Daily Chemicals Co., Ltd. (“Fujian Shuangfei”), a company owned as to 35.7% and 34.3% by Mr. Li Zhenhui and Mr. Xie Jinling, respectively) and Fujian Herun Supply Chain Management Co., Ltd. (“Fujian Herun”), an indirectly partially-owned subsidiary of the Company until 30 June 2017, (the “New Process Outsourcing Agreement”), Fujian Shuangfei agreed to source and Fujian Herun agreed to buy raw materials and produce relevant products according to the product and packaging design instructed by Fujian Herun, and Fujian Herun and Fujian Shuangfei further agreed that the outsourcing arrangement shall be limited to the production of the SPF 20 sunscreen and insecticide products, for a term of 3 years from 1 January 2017 to 31 December 2019. The processing fee to be charged by Fujian Shuangfei for such process outsourcing shall be determined after arm’s length negotiations between relevant parties and with reference to the processing costs incurred by Fujian Shuangfei, and such prices shall be no less favourable to the Group than similar services offered from other suppliers which are Independent Third Parties.

During the year under review, the total amount of goods purchased from Fujian Shuangfei under the New Process Outsourcing Agreement was approximately RMB7,797,000 and the annual cap for the year ended 31 December 2017 was RMB12,000,000.

Exempted Continuing Connected Transaction

During the year under review, the Group (other than Fujian Herun) purchased goods from Fujian Shuangfei amounted to RMB590,000 which do not constitute non-exempt continuing connected transactions under the Listing Rules.

Report of the Directors (continued)

CONNECTED TRANSACTIONS

The remaining related party transactions for the year ended 31 December 2017 set out in note 53 to financial statements contained in this annual report also constituted connected transactions of the Group. As confirmed by the directors of the Company, as relevant applicable ratios were below 0.1%, such connected transactions were exempt from the reporting, announcement, annual review and independent shareholders' approval requirements as contained in Chapter 14A of the Listing Rules.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to its directors. The remuneration of all directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of directors' remuneration are set out in note 12 to financial statements.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Apart from the Company's share option scheme, neither at the end of nor at any time during the year there subsisted any arrangement to which the Company or any of its subsidiaries was a party and the object or one of the objects of such arrangement are/is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

CONTRACT OF SIGNIFICANCE

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors and its related companies is currently in force and were in force throughout the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

DEED OF NON-COMPETITION

Mr. Li Zhenhui, Zhenfei Investment Company Limited, Prince Frog International Company Limited, Mr. Xie Jinling, Jinlin Investment Company Limited and Fujian Shuangfei Daily Chemicals Co., Ltd. have made an annual declaration on compliance with their undertakings under the Deed of Non-Competition (as defined in the Company's prospectus dated 30 June 2011) for the period from 1 January 2016 to 23 September 2016. Since 23 September 2016, Mr. Li Zhenhui, Zhenfei Investment Company Limited and Prince Frog International Company Limited and/or their respective close associates are no longer jointly or severally entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of the Company, the above-mentioned parties are no longer required to comply with their undertakings under the Deed of Non-Competition and the above declaration is no longer applicable.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company's three independent non-executive directors, has reviewed the consolidated financial statements of the Group for the year ended 31 December 2017, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.

AUDITORS

Ernst & Young resigned as auditors of the Company on 18 November 2016 and had not commenced any audit work on the consolidated financial statements of the Company for the year ended 31 December 2016.

CCTH CPA Limited was appointed as auditor of the Company on 24 November 2016 and the consolidated financial statements for the year ended 31 December 2016 and 31 December 2017 were audited by CCTH.

CCTH will retire at the 2018 AGM and, being eligible, offered themselves for re-appointment. A resolution for the re-appointment of CCTH as auditor of the Company will be proposed at the 2018 AGM.

ON BEHALF OF THE BOARD
Tsai Wallen
Chairman and Chief Executive Officer

28 March 2018

Independent Auditor's Report

CCTH CPA LIMITED
中正天恆會計師有限公司

To the shareholders of China Child Care Corporation Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Child Care Corporation Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 66 to 177, which comprise the consolidated statement of financial position as at 31 December 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 December 2017 and of 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 have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Impairment assessment for property, plant and equipment and prepaid land lease payments

Refer to notes 15 and 16 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the Group had property, plant and equipment and prepaid land lease payments amounted to approximately RMB402,050,000 and RMB13,969,000 respectively. Following a review of the Group's businesses in future, the outlook for the industry and the Group's financial performance, management conducted impairment assessment of the Group's property, plant and equipment and prepaid land lease payments and concluded that impairment loss amounted to RMB38,533,000 is required to be made for property, plant and equipment based on their fair value less costs of disposal, by reference to their estimated sale prices valued by external valuer. We focused on the impairment assessment of the Group's property, plant and equipment and prepaid land lease payments as the estimation of the fair value less costs of disposal of such assets involved judgments and assumptions used in the determination of sale prices of these assets.	Our procedures in relation to management's impairment assessment on property, plant and equipment and prepaid land lease payments included: – We obtained an understanding of the basis of management's impairment assessment of the property, plant and equipment and prepaid land lease payments; – We assessed the valuation methodologies used by the external valuer to estimate the sale prices; – We evaluated the independence, competence, capabilities and objectivity of the external valuer; – We checked, on a sample basis, the accuracy and relevance of the data and information provided by management to the external valuer; and – We considered the potential impact of reasonably possible downside changes in these key assumptions.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS (continued)

Valuation of investment properties

Refer to notes 17 and 32 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the carrying amounts of the Group's investment properties classified under non-current assets and asset classified as held for sale are RMB95,272,000 and RMB6,246,000 respectively. All of the Group's investment properties are stated at fair value. The fair value valuations, which were carried out by external property valuers, are based on income capitalisation method that involve management's significant judgment of unobservable inputs. Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in note 17 to the consolidated financial statements. We focused on the valuation of investment properties as a key audit matter due to the significance of the carrying amounts to the consolidated financial statements as a whole, combined with the significant judgments associated in the determination of the fair value.	Our procedures in relation to the valuation of the investment properties included: – We evaluated the independence, competence, capabilities and objectivity of the external property valuers; – We obtained an understanding of the valuation process and techniques adopted by the external property valuer to assess if they are consistent with industry norms; and – We made enquiry of the external property valuers to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted by the management and the external property valuers by comparing them, on a sample basis, to where relevant, existing tenancy profiles, publicly available information of similar comparable properties and our knowledge of the real estate industry.

KEY AUDIT MATTERS (continued)

Impairment assessment for properties for development

Refer to note 18 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The Group's properties for development are stated at cost less accumulated impairment losses, if any. As at 31 December 2017, the carrying amount of the Group's properties for development is RMB137,297,000. We identified the impairment assessment of the Group's properties for development as a key audit matter due to the significant judgments involved in the determination of the recoverable amount by management of the Group and the significance of the carrying amount to the consolidated financial statements.	Our procedures in relation to the impairment assessment of the properties for development included: – We obtained an understanding of the basis of impairment assessment for the properties for development; – We discussed with the Group's management regarding the assumptions and judgments applied in estimating the recoverable amount of properties for development; – We evaluated the reasonableness of the management's estimation of the future costs to completion for the properties for development; and – We assessed the appropriateness of the selling price estimated by the management, on a sample basis, by comparing the estimated selling price to recent market prices in the same projects or comparable properties, based on the current market conditions in the real estate industry and our knowledge of the Group's business.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS (continued)

Impairment assessment of goodwill

Refer to note 19 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the carrying amount of the Group's goodwill is approximately RMB63,314,000. Following a review of the Group's competitive businesses, the outlook for the industry and the Group's financial performance, management conducted impairment assessment of the Group's goodwill and concluded that impairment loss amounted to RMB36,300,000 is required to be made for the year based on the value in use of the respective cash-generating units, by reference to the value valued by external valuer. We focused on the impairment assessment of the goodwill as the magnitude of this goodwill is significant and management assessment of the value in use of the cash-generating units (CGUs) involves judgments and estimates about the future results of the business, key assumptions including revenue growth rate and gross profit margin, long-term growth rate and the discount rates applied to future cash flow forecast.	Our procedures in relation to management's impairment assessment on the goodwill included: – We evaluated and challenged the composition of the Group's future cash flow forecast in each CGU, and the process by which they were drawn up, including testing the underlying value in use calculation. – We challenged the key assumptions including revenue growth rate and gross profit margin by comparing the current year's actual results with future plans. We considered the appropriateness of the discount rates adopted by management. – We have also considered the adequacy of the disclosure of impairment assessments of the goodwill set out in note 19 to the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Recoverability of loan and interest receivables and trade and bills receivables

Refer to notes 25 and 26 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the Group had loan and interest receivables amounting to approximately RMB205,382,000. As at that date, the Group had gross trade and bills receivables amounting to approximately RMB113,415,000 of which accumulated impairment losses amounting to approximately RMB251,000 has been made. Recoverability of loan and interest receivables and trade and bill receivables involved management judgment in assessing the allowance for doubtful debts for individual loan and interest receivables and trade receivables. The ability of the debtors to repay the Group depends on customer-specific and market conditions which involve inherent uncertainty. We have identified impairment assessment of loan and interest receivables and trade and bill receivables as a key audit matter due to the magnitude of the receivables and the estimation and judgments involved in the determination of the recoverable amounts of these receivables.	Our procedures in relation to management's impairment assessment on loans and interest receivables and trade and bill receivables included: – We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts. – We reviewed the agreements and other relevant documents relating to the loans made by the Group. – We assessed the classification and accuracy of individual balances in trade and bill receivables ageing report by testing the underlying invoices on a sample basis. – We assessed subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluate the allowance for doubtful debts made by management for these individual balances. – We assessed the historical accuracy of the estimates made by the management for the allowance for doubtful debts.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS (continued)

Revenue recognition

Refer to note 5 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
Revenue principally comprises of sales of personal care products and commodities. Revenue from sales of personal care products and commodities is recognised when the relevant goods are delivered and title has passed. The accounting policy for revenue recognition in this respect is disclosed in note 3 to the consolidated financial statements. For the year ended 31 December 2017, the Group recognised revenue from sales of personal care products and commodities amounted to approximately RMB570,791,000 and RMB171,387,000 respectively. We identified recognition of revenue as a key audit matter because revenue is quantitatively significant and is one of the key performance indicators of the Group.	Our procedures to assess the recognition of revenue included: – We assessed the design, implementation and operating effectiveness of management's key internal controls over revenue recognition. – We reviewed sales agreements, on a sample basis, to understand the terms of the sales transactions including the terms of delivery and acceptance, applicable rebates arrangements and any sales returns arrangements to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards. – We assessed, on a sample basis, whether revenue transactions recorded during the financial year had been recognised in the appropriate financial period by comparing the transactions selected with relevant underlying documentation, including goods delivery notes and the terms set out in the sale agreements. – We assessed, on a sample basis, whether sales rebates during the financial year had been recognised in the appropriate financial period by recalculating the sales rebates recognised during the financial year on basis of the terms as set out in the sale agreements and comparing sales rebates payments during the financial year to the relevant underlying documentation. – We scrutinised the sales ledger after the financial year end to identify significant credit notes issued and sales returns and inspected relevant underlying documentation to assess if the related revenue had been accounted for in the appropriate financial period in accordance with the requirements of the prevailing accounting standards.

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 THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 and the disclosure requirements of 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (continued)

AUDITOR'S RESPONSIBILITY 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 our terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

- 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.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters 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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2018

Kwong Tin Lap
Practising certificate number: P01953

Unit 5-6, 7/F., Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
Revenue	5	**795,580**	999,544
Cost of sales		**(613,829)**	(644,101)
Gross profit		**181,751**	355,443
Other income and gains	7	**130,423**	8,501
Gain/(loss) on change in fair value of investment properties	17	**13,222**	(7,300)
Selling and distribution expenses		**(227,146)**	(329,495)
Administrative expenses		**(148,506)**	(99,736)
Impairment loss of goodwill	19	**(36,300)**	(22,000)
Other expenses	8	**(65,840)**	(10,820)
Finance costs	9	**(3,215)**	(596)
Share of loss of associates	21	**(628)**	–
Share of loss of joint ventures	22	**(299)**	–
Loss before tax	10	**(156,538)**	(106,003)
Income tax expense	11	**(6,745)**	(3,473)
Loss for the year		**(163,283)**	(109,476)
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(170,744)**	(111,189)
Non-controlling interests		**7,461**	1,713
Loss for the year		**(163,283)**	(109,476)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
Other comprehensive (expense)/income:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operations outside Mainland China		**(28,311)**	1,482
Increase/(decrease) in investment revaluation reserve from:			
– Gain on change in fair value of available-for-sale investments, net of tax		**55,970**	–
– Reserve released to profit or loss on disposal of available-for-sale investments		**(10,292)**	–
		17,367	1,482
Items that may not be reclassified to profit or loss in subsequent periods:			
– Deferred tax liabilities taken to retained profits on disposal of properties		**2,386**	–
Other comprehensive income for the year		**19,753**	1,482
Total comprehensive expense for the year		**(143,530)**	(107,994)
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		**(150,563)**	(109,800)
Non-controlling interests		**7,033**	1,806
		(143,530)	(107,994)
Loss per share attributable to equity holders of the Company	14		
Basic		**RMB(15.5) cents**	RMB(11.0) cents
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	402,050	452,109
Prepaid land lease payments	16	13,630	13,969
Investment properties	17	95,272	23,000
Properties for development	18	137,297	–
Goodwill	19	63,314	99,614
Intangible assets	20	530	593
Interests in associates	21	7,700	–
Interests in joint ventures	22	–	–
Available-for-sale investments	23	202,119	–
Loan and interest receivables	25	99,495	7,329
Prepayments and deposits	27	7,245	2,864
		1,028,652	599,478
CURRENT ASSETS			
Inventories	24	31,967	30,852
Loan and interest receivables	25	105,887	118,012
Trade and bills receivables	26	113,164	134,058
Prepayments, deposits and other receivables	27	37,834	42,590
Available-for-sale investments	23	–	15,300
Amounts due from related companies	53(ii)	9,748	7,418
Amount due from an associate	28	40,067	–
Amount due from a joint venture	29	6,462	–
Amount due from non-controlling interest	30	1,663	–
Tax recoverable		129	–
Pledged bank deposits	31	127,118	124,866
Cash and cash equivalents	31	222,691	614,462
		696,730	1,087,558
Asset classified as held for sale	32	6,246	–
Total current assets		702,976	1,087,558
CURRENT LIABILITIES			
Trade and bills payables	33	71,451	93,695
Other payables and accruals	34	43,606	102,386
Bank and other borrowings	35	164,966	110,919
Promissory notes payable	36	22,872	–
Amounts due to associates	37	79,982	–
Amount due to a joint venture	38	4	–
Amount due to non-controlling interest	39	762	–
Amount due to a director	40	–	399
Derivative financial liabilities	41	–	1,826
Tax payable		13,644	9,710
		397,287	318,935
NET CURRENT ASSETS		305,689	768,623

Consolidated Statement of Financial Position (continued)

As at 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,334,341**	1,368,101
NON-CURRENT LIABILITIES			
Deferred tax liabilities	42	**(18,760)**	(17,923)
		1,315,581	1,350,178
EQUITY			
Share capital	43	**9,694**	8,386
Reserves	45	**1,220,176**	1,316,602
Equity attributable to equity holders of the Company		**1,229,870**	1,324,988
Non-controlling interests		**85,711**	25,190
		1,315,581	1,350,178

The consolidated financial statements on pages 66 to 177 were approved and authorised for issue by the board of directors on 28 March 2018 and are signed on its behalf by:

Tsai Wallen
Director

Ma Chi Ming
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

		Attributable to equity holders of the Company												
	Notes	Share capital *RMB'000*	Share premium *RMB'000*	Share option reserve *RMB'000*	Capital reserve *RMB'000*	Asset revaluation reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Statutory reserve fund *RMB'000*	Capital redemption reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017		8,386	448,802	31,550	11	7,157	–	110,615	16	7,268	711,183	1,324,988	25,190	1,350,178
(Loss)/profit for the year		–	–	–	–	–	–	–	–	–	(170,744)	(170,744)	7,461	(163,283)
Other comprehensive income/(expense)														
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	–	(27,883)	–	(27,883)	(428)	(28,311)
Gain on change in fair value of available-for-sale investments, net of tax		–	–	–	–	–	55,970	–	–	–	–	55,970	–	55,970
Reserve released to profit or loss on disposal of available-for-sale investments		–	–	–	–	–	(10,292)	–	–	–	–	(10,292)	–	(10,292)
Deferred tax liabilities taken to retained profits on disposal of properties *(note)*	42	–	–	–	–	–	–	–	–	–	2,386	2,386	–	2,386
Total comprehensive income/(expenses) for the year		–	–	–	–	–	45,678	–	–	(27,883)	(168,358)	(150,563)	7,033	(143,530)
Acquisition of subsidiaries	46(a)(i)	–	–	–	–	–	–	–	–	–	–	–	71,200	71,200
Disposal of subsidiaries	47	–	–	–	–	–	–	–	–	–	–	–	(17,712)	(17,712)
Issue of new shares	46(a)(i)	1,308	47,769	–	–	–	–	–	–	–	–	49,077	–	49,077
Share issue expenses		–	(27)	–	–	–	–	–	–	–	–	(27)	–	(27)
Recognition of equity-settled share-based payments	10	–	–	6,395	–	–	–	–	–	–	–	6,395	–	6,395
Reserve taken to retained profits on disposal of properties *(note)*		–	–	–	–	(7,157)	–	–	–	–	7,157	–	–	–
Transferred to retained profits upon forfeiture of share options		–	–	(610)	–	–	–	–	–	–	610	–	–	–
At 31 December 2017		9,694	496,544	37,335	11	–	45,678	110,615	16	(20,615)	550,592	1,229,870	85,711	1,315,581

Note: In 2015, properties of the Group was reclassified from property, plant and equipment to investment properties. The excess of the fair value of the properties at the time of reclassification over its carrying amount before reclassification, net of tax effect, amounted to approximately RMB7,157,000, was credited to asset revaluation reserve. During the current year, following the disposal of such properties, the asset revaluation reserve together with the deferred tax liabilities were taken to retained profits.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2017

		Attributable to equity holders of the Company												
	Notes	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Asset revaluation reserve RMB'000	Investment revaluation reserve RMB'000	Statutory reserve fund RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016		8,386	448,802	22,317	11	7,157	–	110,615	16	5,879	807,431	1,410,614	4,222	1,414,836
(Loss)/profit for the year		–	–	–	–	–	–	–	–	–	(111,189)	(111,189)	1,713	(109,476)
Other comprehensive income														
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	–	1,389	–	1,389	93	1,482
Total comprehensive income/(expense) for the year		–	–	–	–	–	–	–	–	1,389	(111,189)	(109,800)	1,806	(107,994)
Acquisition of a subsidiary	46(b)	–	–	–	–	–	–	–	–	–	–	–	723	723
Disposal of partial interest in subsidiaries	58(c)	–	–	–	–	–	–	–	–	–	14,561	14,561	18,439	33,000
Recognition of equity-settled share-based payments	10	–	–	9,613	–	–	–	–	–	–	–	9,613	–	9,613
Transferred to retained profits upon forfeiture of share options		–	–	(380)	–	–	–	–	–	–	380	–	–	–
At 31 December 2016		8,386	448,802	31,550	11	7,157	–	110,615	16	7,268	711,183	1,324,988	25,190	1,350,178

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(156,538)	(106,003)
Adjustments for:			
Finance costs		3,215	596
Interest income		(9,527)	(2,862)
Income derived from available-for-sale investments		(1,053)	(926)
Gain on disposal of available-for-sale investments		(11,477)	–
Gain on disposal of subsidiaries	47	(95,885)	–
Gain on disposal of intangible assets		(4,505)	–
Loss on disposal of property, plant and equipment		1,308	372
Loss on disposal of intangible assets		–	13
Depreciation of property, plant and equipment		32,584	31,883
Amortisation of prepaid land lease payments		339	339
Amortisation of intangible assets		63	132
Equity-settled share-based payments		6,395	9,613
(Gain)/loss on changes in fair value of investment properties		(13,222)	7,300
Impairment loss of goodwill		36,300	22,000
Impairment loss of interests in associates		8,372	–
Impairment loss of trade receivables		–	4,776
Impairment loss of other receivables		429	–
Impairment loss of property, plant and equipment		38,533	–
Impairment loss of available-for-sale investments		7,789	–
Reversal of impairment loss of trade receivables		(4,525)	–
Trade receivables written off		8,278	3,174
Inventories written off		1,061	595
Share of loss of associates		628	–
Share of loss of joint ventures		299	–
Operating cash flows before movements in working capital		(151,139)	(28,998)
Increase in inventories		(15,993)	(4,363)
Increase in loan and interest receivables		(92,352)	(119,801)
Increase in trade and bill receivables		(3,274)	(100,246)
Increase in prepayments, deposits and other receivables		(29,377)	(13,387)
Increase in amounts due from related companies		(2,686)	(1,515)
Increase in amount due from an associate		(40,067)	–
Increase in amount due from a joint venture		(7,036)	–
Increase in amount due from non-controlling interest		(1,732)	–
(Decrease)/increase in trade and bills payables		(21,221)	8,800
(Decrease)/increase in other payables and accruals		(5,401)	69,757
Increase in amounts due to associates		43,017	–
Decrease in amount due to non-controlling interest		(2,584)	–
(Decrease)/increase in derivative financial liabilities		(1,826)	1,826
(Decrease)/increase in amount due to a director		(387)	382
Exchange realignment		(2,868)	(728)
Cash used in operations		(334,926)	(188,273)
Interest received		5,784	2,862
Interest paid		(2,370)	(596)
Income tax paid		(81)	(337)
Net cash used in operating activities		(331,593)	(186,344)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(27,226)	(5,988)
Proceeds from disposal of property, plant and equipment		3,791	348
Proceeds from disposal of intangible assets		4,505	38
Proceeds from disposal of investment properties		18,066	–
Deposits for purchase of items of property, plant and equipment		(4,451)	(1,128)
Purchase of available-for-sale investments	23	(1,038,890)	(302,300)
Proceeds from disposal of available-for-sale investments	23	909,792	289,008
Income from available-for-sale investments received		1,053	926
Increase in pledged bank deposits		(2,252)	(120,368)
Acquisition of subsidiaries	46	(94,627)	(103,979)
Acquisition of an associate		(700)	–
Disposal of subsidiaries	47	97,677	–
Proceeds from partial disposal of subsidiaries		15,000	18,000
Net cash used in investing activities		(118,262)	(225,443)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of bank loans	48	114,998	106,016
Drawdown of other loans	48	52,032	–
Repayment of bank loans	48	(107,682)	(50,000)
Net cash generated from financing activities		59,348	56,016
NET DECREASE IN CASH AND CASH EQUIVALENTS		(390,507)	(355,771)
Cash and cash equivalents at beginning of the year		614,462	968,757
Effects of foreign exchange rate changes, net		(1,264)	1,476
Cash and cash equivalents at the end of the year	31	222,691	614,462

Notes to Financial Statements

For the year ended 31 December 2017

1. GENERAL INFORMATION

China Child Care Corporation Limited was incorporated as an exempted company with limited liability in the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is located at Room 2005-2006, Kinwick Centre, 32 Hollywood Road, Central, Hong Kong and in the People's Republic of China (the "Mainland China" or the "PRC") is located at No. 8 North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province, the PRC.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sale of personal care products, money lending, operation of online platform, trading of commodities, securities investment, properties holding and investment holding.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised IFRSs applied in the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board ("IASB"):

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

The application of the above new and revised amendments to IFRSs in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 48. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 48, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised IFRSs not yet effective

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

IAS 28	Investments in Associates and Joint Ventures[2]
IFRS 9 (2014)	Financial Instruments[1]
IFRS 9 (2017)	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatment[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 1	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 (2014) Financial Instruments

The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018.

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost will continue with their classification and measurements upon the adoption of IFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", the Group has the option to irrevocably designate investments in equity securities as FVTOCI (without recycling) on transition to IFRS 9. The Group plans to elect this designation option for the investments held on 1 January 2018 and will recognise any fair value changes in respect of these investments in other comprehensive income as they arise. The Group is in the process of making an assessment of what the impact on the available-for-sale investments is expected to be on adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of IFRS 9.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 9 (2014) Financial Instruments (continued)

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group has assessed how its impairment provisions would be affected by the new model. So far it has concluded that there would be no material impact for the application of the new impairment requirements.

(c) Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is not likely to have significant impact on the Group's financial results from 2018 onwards.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 16 Leases

IFRS 16 replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Other than the above, the directors anticipate that the application of the new and revised IFRSs will have no material impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRSs" (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange ("Listing Rules").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for certain investment properties and financial instruments which have been measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurement in its entirety) at the end of each reporting period.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date when the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchases price first to principal assets and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part of interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes and is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are reclassified to the appropriate category of property, plant and equipment when completed and ready for intended use and are depreciated on the same basis of other property assets upon reclassification.

Depreciation is recognised to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Properties for development in which their future use have not been determined are regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Properties for development

Properties for development is stated at cost less any impairment losses. Cost of the properties includes purchase consideration and other attributable costs of acquisition.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired separately (continued)

Trademarks

The costs of acquiring the trademarks are amortised on the straight-line basis over their estimated useful lives of ten years.

Copyrights

The costs of acquiring the copyrights are amortised on the straight-line basis over their estimated useful lives of five years.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on the weighted-average basis and, in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– if forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in other gains or losses in the consolidated statement of profit or loss and other comprehensive income.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan and interest receivables, trade and bills receivables, other receivables, amounts due from related companies, associates, a joint venture and non-controlling interest, pledged bank deposits and cash and cash equivalents) are carried at amortised cost using the effective interest method. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets ("AFS financial assets")

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the securities below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest and principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and bills receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment loss on financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent period.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including trade and bills payables, other payables and accruals, bank and other borrowings, promissory notes payable, and amounts due to associates, a joint venture, non-controlling interest and a director, are subsequently measured at amortised cost, using the effective interest method.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income is recognised on a time proportion basis over the lease terms.

Revenue from operation of online platform comprises mainly income from display based and performance based advertisements and provision of marketing services.

– Revenue from displaying advertisements to the users of online platforms operated by the Group is recognised ratably over the contracted period, in which the advertisements are displayed.

– Revenue from performance based advertisements is recognised based on actual performance measurement. The Group recognises the revenue from the delivery of pay-for click or pay-for instant display advertisements for advertisers to users of the Group based on a per-click basis when the users click on the content, or on a per-display basis, when the advertising contents are displayed to users.

– Revenue from marketing services is recognised when the services are provided.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Research and development costs

All research costs are charged to the profit or loss in respect of the period as incurred.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, and a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss in respect of the period as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the profit or loss in respect of the period as they become payable in accordance with the rules of the central pension scheme.

Share-based payment transactions

Share-based payment transactions of the Company

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sales.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from a subsidiary in the PRC according to the relevant tax jurisdictions is subject to judgment on the timing of the payment of the dividend, where the Group considered that if it is probable that the profits of the subsidiary in the PRC will not be distributed in the foreseeable future, then no withholding taxes should be provided.

Control over Jumbo Excel Investment Corporation ("Jumbo Excel")

Note 58(a)(i) describes that Jumbo Excel Investment Corporation ("Jumbo Excel") is a subsidiary of the Group even though the Group has only a 50% ownership interest in Jumbo Excel, with the remaining ownership interest held by a third party that is unrelated to the Group.

The directors of the Company assessed whether or not the Group has control over Jumbo Excel based on whether the Group has the practical ability to direct the relevant activities of Jumbo Excel unilaterally. In making their judgement, the directors consider the Group's control in the board of and the relative agreement between the Group and the non-controlling interest. As detailed in note 58(a)(i), the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Jumbo Excel and therefore the Group has control over Jumbo Excel. If the directors had concluded that the 50% ownership interest was insufficient to give the Group control, Jumbo Excel would instead have been classified as a joint venture and the Group would have accounted for it using the equity method of accounting.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgments in applying accounting policies (continued)

Acquisition of subsidiaries

During the year, the Group acquired certain subsidiaries, the principal assets of which are investment properties, properties for development and available-for-sale investments, as detailed in notes 46(a)(i), (ii) and (iii) respectively. In consideration of whether the acquisitions are accounted for under business combination in the consolidated financial statements, management of the Group concluded that the entities acquired had not undertaken any integrated set of activities as specified in IFRS 3 "Business Combinations". Accordingly, these entities have been accounted for as acquisitions of a group of assets and liabilities in accordance with the Group's accounting policies set out in note 3 under the heading "Acquisition of a subsidiary not constituting a business".

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of property, plant and equipment and prepaid land lease payments

Management of the Group determines on a regular basis whether there are any indications that the property, plant and equipment and prepaid land lease payments are impaired. Impairment loss for property, plant and equipment and prepaid land lease payments are impaired when the carrying amounts of each of the assets exceed their respective recoverable amounts, which are determined based on the higher of fair value less costs to sell and value in use. The fair values of property, plant and equipment and prepaid land lease payments are estimated by reference to their expected selling prices which are affected by various factors, including market conditions and the technological occurrence. The value in use calculation requires the use of estimates such as the future revenue and discount rates. If the recoverable amount of an item of property, plant and equipment and prepared land lease payments is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss in respect of the period. As at 31 December 2017, the carrying amounts of property, plant and equipment and prepaid land lease payments are approximately RMB402,050,000 (2016: RMB452,109,000) and RMB13,969,000 (2016: RMB14,308,000) respectively. Impairment loss of property, plant and equipment amounted to RMB38,533,000 (2016: Nil) has been recognised in respect of the current year.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation charges for the future years.

Estimation of fair value of investment properties

Investment properties (including that reclassified as asset classified as held for sale) are carried in the consolidated financial statements at their fair value. The best evidence of fair value of the Group's investment properties (including that reclassified as asset classified as held for sale) are current prices in an active market for similar properties in the same location and condition and subject to similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from: (i) independent valuations; and (ii) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect the uncertainty of the amount and timing of cash flows. Details regarding the fair value of the Group's investment properties (including that reclassified as asset classified as held for sale) as at 31 December 2017 are set out in note 17 to the financial statements.

Impairment of properties for development

Management of the Company determines on a regular basis whether the properties for development are impaired. Impairment losses on properties for development are recognised when the carrying amount of the asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair values of the properties are estimated by reference to their expected selling prices which are affected by market conditions. The value in use calculation requires the use of estimates such as the future cash flows and discount rates. For the year ended 31 December 2017, impairment loss on properties for development is not required to be made in the consolidated financial statements.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will have impacts on the carrying value of inventories and write-down of inventories in the period in which such estimate is changed. As at 31 December 2017, the carrying amount of inventories is approximately RMB31,967,000 (2016: RMB30,852,000). No impairment loss of inventories was recognised in respect of both of the years presented and inventories written off for the current year amounted to RMB1,061,000 (2016: RMB595,000).

Impairment of receivables

The Group performs ongoing credit evaluations of its customers and other debtors and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and other debtors and make allowance for doubtful debts on outstanding receivables by reference to historical experience and debtors' financial position. As at 31 December 2017, the carrying amount of loan and interest receivables, trade and bills receivables, and other receivables are approximately RMB205,382,000 (2016: RMB125,341,000), RMB113,164,000 (2016: RMB134,058,000) and RMB10,911,000 (2016: RMB20,270,000) respectively. No impairment loss on loan and interest receivables was recognised in respect of both of the years presented. Allowance for trade and bills receivables and trade and bills receivables written off recognised for the current year amounted to approximately RMB Nil (2016: RMB4,776,000) and RMB8,278,000 (2016: RMB3,174,000) respectively. Allowance for other receivables recognised for the current year amounted to RMB429,000 (2016: Nil).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2017 was RMB63,314,000 (2016: RMB99,614,000) after an accumulated impairment loss of RMB75,800,000 (2016: RMB39,500,000) was recognised. Details of the impairment loss calculation are set out in note 19.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes

Certain of the Group's financial assets and financial liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the fair value of the asset or liability is estimated by reference to the valuation performed by appropriate valuers or fund managers.

Information about the valuation techniques and inputs used in determining the fair value of various financial assets and financial liabilities are disclosed in notes 17, 44 and 56.

5. REVENUE

The following is an analysis of the Group's revenue for the year:

	2017 *RMB'000*	2016 *RMB'000*
Revenue from sales of goods	742,178	990,657
Interest income from money lending business *(note 25)*	31,820	4,091
Income from operation of an online platform	21,070	4,796
Rental income from lease of investment properties	304	–
Consultancy income	208	–
	795,580	999,544

Notes to Financial Statements (continued)

For the year ended 31 December 2017

6. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into the following operating segments based on their products and services:

(a) Personal care products – manufacture and sale of skin care, body and hair care, oral care and diaper and tissue products

(b) Money lending

(c) Operation of online platform

(d) Trading of commodities

(e) Securities investment

(f) Properties holding

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss/profit, which is a measure of adjusted loss/profit before tax. The adjusted loss/profit before tax is measured consistently with the Group's loss/profit before tax except for that interest income, gain on disposal of subsidiaries, other unallocated income and gains, impairment loss of goodwill, finance costs as well as corporate and unallocated expenses are excluded from such measurement.

Segment assets exclude unallocated property, plant and equipment, prepayments, deposits and other receivables, available-for-sale investments, tax recoverable, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude unallocated other payables and accruals, interest-bearing borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

In the current year, management considered it more appropriate to monitor the segment of personal care products as a whole for the purpose of making decisions about allocation and performance assessment of various businesses of the Group. The comparative information of this segment, which were separately presented segments of "children's personal care products", "adults' personal care products" and "other products" in the consolidated financial statements of the Group for the prior year ended 31 December 2016, has been restated to conform with the current year's presentation.

6. OPERATING SEGMENT INFORMATION (continued)

	Personal care products RMB'000	Money lending RMB'000	Operation of online platform RMB'000	Trading of commodities RMB'000	Securities investment RMB'000	Properties holding RMB'000	Total RMB'000
In respect of year ended 31 December 2017							
Segment revenue	570,791	31,820	21,070	171,387	–	304	795,372
Unallocated revenue							208
Total revenue							795,580
Segment (loss)/profit	(227,743)	3,145	16,461	4,891	9,263	13,046	(180,937)
Interest income							9,527
Gain on disposal of subsidiaries							95,885
Other unallocated income and gains							1,087
Corporate and other unallocated expenses							(42,585)
Finance costs							(3,215)
Impairment loss of goodwill	(7,000)		(29,300)				(36,300)
Loss before tax							(156,538)
Segment assets	624,106	216,978	16,716	3,278	185,708	239,694	1,286,480
Goodwill	9,357		53,957				63,314
Corporate and other unallocated assets							381,834
Total assets							1,731,628
Segment liabilities	171,961	14,739	166	29	185	2,007	189,087
Corporate and other unallocated liabilities							226,960
Total liabilities							416,047
Other segment information:							
Depreciation and amortisation*	32,099	9	338	–	–	–	32,446
Unallocated							540
							32,986
Capital expenditure**	13,175	7,449	1,308	–	–	230,075	252,007
Unallocated							5,294
							257,301

Notes to Financial Statements (continued)

For the year ended 31 December 2017

6. OPERATING SEGMENT INFORMATION (continued)

	Personal care products RMB'000 (restated)	Money lending RMB'000	Operation of online platform RMB'000	Trading of commodities RMB'000	Securities investments RMB'000	Properties holding RMB'000 (Note)	Total RMB'000
In respect of year ended 31 December 2016							
Segment revenue	715,064	4,091	4,796	275,593	–	–	999,544
Segment (loss)/profit	(86,449)	2,226	4,584	10,550	–	(5,234)	(74,323)
Interest income							2,862
Other unallocated income and gains							926
Corporate and other unallocated expenses							(12,872)
Finance costs							(596)
Impairment loss of goodwill	(2,000)		(20,000)				(22,000)
Loss before tax							(106,003)
Segment assets	661,062	125,788	6,406	–	–	23,000	816,256
Goodwill	16,357		83,257				99,614
Corporate and other unallocated assets							771,166
Total assets							1,687,036
Segment liabilities	175,760	817	84	1,741	–	–	178,402
Corporate and other unallocated liabilities							158,456
Total liabilities							336,858
Other segment information:							
Depreciation and amortisation*	32,354	–	–	–	–	–	32,354
Capital expenditure**	7,431	–	–	–	–	–	7,431

Note: The revenue, results and assets of properties holding segment in respect of the comparative prior year have been separately presented to conform with the current year's presentation.

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment sale in the current year (2016: Nil).

* Depreciation and amortisation consist of depreciation of property, plant and equipment and amortisation of intangible assets and prepaid land lease payments.

** Capital expenditure consists of additions to property, plant and equipment, investment properties and properties for development.

6. OPERATING SEGMENT INFORMATION (continued)

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers as detailed below:

	2017 RMB'000	2016 RMB'000
PRC (excluding Hong Kong)	**456,117**	580,922
Hong Kong	**54,989**	8,887
USA	**139,701**	82,162
Indonesia	**96,212**	275,593
Overseas (excluding USA and Indonesia)	**48,561**	51,980
	795,580	999,544

Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group is as follows:

	Revenue generated from	2017 RMB'000	2016 RMB'000
Customer A	Personal care products	**115,634**	N/A#
Customer B	Trading of commodities	**96,212**	275,593

\# The revenue from customer A for the year ended 31 December 2016 does not exceed 10% of the total revenue of the Group for that year.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

7. OTHER INCOME AND GAINS

	2017 RMB'000	2016 RMB'000
Interest income	9,527	2,862
Income derived from available-for-sale investments	1,053	926
Gain on disposal of available-for-sale investments	11,477	–
Gain on disposal of subsidiaries *(note 47)*	95,885	–
Gain on disposal of intangible assets *(note b)*	4,505	–
Government subsidies *(note a)*	2,340	2,011
Rental income from lease of investment properties	–	2,066
Reversal of impairment loss of trade receivables *(note 26)*	4,525	–
Sundry income	1,111	636
	130,423	8,501

Notes:

(a) There are no unfulfilled conditions or contingencies relating to these subsidies.

(b) The cost incurred for the internal generated intangible assets had been expensed in prior years.

8. OTHER EXPENSES

	2017 RMB'000	2016 RMB'000
Loss on disposal of property, plant and equipment	1,308	372
Loss on disposal of intangible assets	–	13
Impairment loss on property, plant and equipment *(note 15)*	38,533	–
Impairment loss on investments in associates *(note 21)*	8,372	–
Impairment loss on available-for-sale investments *(note 23)*	7,789	–
Impairment loss on trade receivables *(note 26)*	–	4,776
Impairment loss on other receivables	429	–
Trade receivables written off	8,278	3,174
Inventories written off	1,061	595
Loss on change in fair value of derivative financial liabilities	–	1,825
Others	70	65
	65,840	10,820

9. FINANCE COSTS

	2017 *RMB'000*	2016 *RMB'000*
Interest on bank borrowings	2,368	596
Interest on bank overdrafts	2	–
Interest on other borrowings	389	–
Imputed interest on promissory notes payable *(note 36)*	456	–
	3,215	596

10. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2017 *RMB'000*	2016 *RMB'000*
Cost of inventories sold *(note a below)*	613,829	644,101
Depreciation *(note a below and note 15)*	32,584	31,883
Amortisation of prepaid land lease payments *(note 16)*	339	339
Amortisation of intangible assets *(note 20)*	63	132
Minimum lease payments under operating leases on land and buildings	3,454	773
Employee benefit expenses (including directors' remuneration *(note 12)*) *(notes a & b below)*:		
Wages and salaries	102,907	90,690
Equity-settled share-based payments	6,395	9,613
Retirement benefit scheme contributions	8,155	7,855
Total staff costs	117,457	108,158
Auditors' remuneration		
– audit services	1,724	1,800
– non-audit services	668	20
Research and development costs included in administrative expenses *(note b below)*	8,721	7,985
Loss on change in fair value of derivative financial liabilities included in administrative expenses *(note 41)*	1,822	5,203
Net foreign exchange loss/(gain)	13,077	(6,376)

Notes to Financial Statements (continued)

For the year ended 31 December 2017

10. LOSS BEFORE TAX (continued)

Notes:

(a) The depreciation and employee benefit expenses include amounts of RMB19,723,000 (2016: RMB20,186,000) and RMB44,781,000 (2016: RMB35,997,000) respectively which are also included in the cost of inventories sold.

(b) The research and development costs for the year include an amount of RMB2,560,000 (2016: RMB3,295,000) relating to staff costs for research and development activities, which is also included in the total amounts of employee benefit expenses.

11. INCOME TAX EXPENSE

	2017 *RMB'000*	2016 *RMB'000*
Hong Kong Profits Tax	5,470	2,923
PRC Enterprise Income Tax	1,654	550
	7,124	3,473
Deferred tax credit *(note 42)*	(379)	–
Total income tax recognised in profit or loss	6,745	3,473

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years presented.

PRC subsidiaries, except for 青蛙王子（中國）日化有限公司 ("Frog Prince (China)"), are subject to PRC Enterprise Income Tax at 25% of the profit assessable to tax for both years.

Pursuant to the High-New Technology Enterprise certificate granted by the local authority in the PRC, which was obtained by the Group in April 2014, a subsidiary, Frog Prince (China), was taxed at a preferential tax rate of 15% for a period of three years commencing from the year ended 31 December 2013. During the prior year ended 31 December 2016, Frog Prince (China) was granted tax preferential rate of 15% in respect of PRC Enterprise Income Tax for an additional three years commencing from that year.

11. INCOME TAX EXPENSE (continued)

Reconciliation of the loss before tax to the income tax expense is as follows:

	2017 RMB'000	2016 RMB'000
Loss before tax	(156,538)	(106,003)
Tax at the applicable tax rates	(35,397)	(26,898)
Effect of tax concession for a PRC subsidiary of the Group	12,470	5,514
Income not subject to tax	(5,081)	(5)
Expenses not deductible for tax	20,888	10,935
Tax losses not recognised	13,865	13,927
Income tax expense	6,745	3,473

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors and chief executive

	2017 RMB'000	2016 RMB'000
Fees:		
Executive directors	1,380	2,191
Non-executive directors	985	735
Independent non-executive directors	677	607
	3,042	3,533
Other emoluments:		
Salaries and discretionary bonuses	452	1,002
Equity-settled share-based payments	525	2,047
Retirement benefit scheme contributions	52	20
	4,071	6,602

Notes to Financial Statements (continued)

For the year ended 31 December 2017

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors and chief executive (continued)

An analysis of the directors' emoluments by individual directors are as follows:

	Fees *RMB'000*	Salaries and discretionary bonuses *RMB'000*	Equity-settled share-based payments *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
2017					
Executive directors:					
Mr. Ge Xiaohua [12]	124	96	60	4	284
Mr. Huang Xinwen	226	207	115	9	557
Mr. Li Zhouxin [4]	299	98	43	4	444
Mr. Tsai Wallen [5]	429	–	–	20	449
Mr. Ma Chi Ming [13]	302	–	–	13	315
	1,380	401	218	50	2,049
Non-executive director:					
Mr. Li Zhenhui [1*]	–	18	10	1	29
Mr. Li Zhouxin [4]	335	33	39	1	408
Mr. Ren Yunan	650	–	258	–	908
	985	51	307	2	1,345
Independent non-executive directors:					
Mr. Tang Shuo [9]	53	–	–	–	53
Mr. Tsao Benedict [10]	157	–	–	–	157
Ms. Chan Sze Man [11]	226	–	–	–	226
Mr. Ma Kwun Yung Stephen [14]	172	–	–	–	172
Ms. Bu Yanan [15]	69	–	–	–	69
	677	–	–	–	677
	3,042	452	525	52	4,071

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors and chief executive (continued)

	Fees RMB'000	Salaries and discretionary bonuses RMB'000	Equity-settled share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2016					
Executive directors:					
Mr. Li Zhenhui [1]*	593	188	218	3	1,002
Mr. Xie Jinling [2]	121	118	165	2	406
Mr. Ge Xiaohua [12]	204	207	299	5	715
Mr. Huang Xinwen	204	213	299	5	721
Ms. Hong Fang [3]	149	21	64	–	234
Mr. Li Zhouxin [4]	792	186	190	4	1,172
Mr. Tsai Wallen [5]	128	–	–	–	128
	2,191	933	1,235	19	4,378
Non-executive directors:					
Mr. Li Zhenhui [1]*	135	69	81	1	286
Mr. Ren Yunan	600	–	645	–	1,245
	735	69	726	1	1,531
Independent non-executive directors:					
Mr. Chen Shaojun [6]	73	–	20	–	93
Mr. Lee Man Chiu [7]	87	–	14	–	101
Mr. Wong Wai Ming [8]	186	–	52	–	238
Mr. Tang Shuo [9]	127	–	–	–	127
Mr. Tsao Benedict [10]	85	–	–	–	85
Ms. Chan Sze Man [11]	49	–	–	–	49
	607	–	86	–	693
	3,533	1,002	2,047	20	6,602

1 Mr. Li Zhenhui was re-designated from an executive director to a non-executive director with effect from 23 September 2016, and resigned as a non-executive director with effect from 27 January 2017.

2 Mr. Xie Jinling resigned as an executive director with effect from 19 July 2016.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors and chief executive (continued)

3 Ms. Hong Fang resigned as an executive director with effect from 27 January 2016.

4 Mr. Li Zhouxin was appointed as an executive director with effect from 27 January 2016, and was re-designated from an executive director to a non-executive director with effect from 30 June 2017.

5 Mr. Tsai Wallen was appointed as an executive director with effect from 19 July 2016.

6 Mr. Chan Shaojun resigned as an independent non-executive director with effect from 4 May 2016.

7 Mr. Lee Man Chiu resigned as an independent non-executive director with effect from 20 May 2016.

8 Mr. Wong Wai Ming resigned as an independent non-executive director with effect from 11 November 2016.

9 Mr. Tang Shuo was appointed as an independent non-executive director with effect from 4 May 2016, and resigned as an independent non-executive director with effect from 15 March 2017.

10 Mr. Tsao Benedict was appointed as an independent non-executive director with effect from 19 July 2016, and resigned as an independent non-executive director with effect from 15 September 2017.

11 Ms. Chan Sze Man was appointed as an independent non-executive director with effect from 20 September 2016.

12 Mr. Ge Xiaohua retired as an executive director with effect from 15 June 2017.

13 Mr. Ma Chi Ming was appointed as an executive director with effect from 27 January 2017.

14 Mr. Ma Kwun Yung Stephen was appointed as an independent non-executive director with effect from 15 March 2017.

15 Ms. Bu Yanan was appointed as an independent non-executive director with effect from 15 September 2017.

* Mr. Li Zhenhui was also the chief executive officer of the Company, and resigned on 23 September 2016. Mr. Tsai Wallen is the chief executive officer of the Company and was appointed on 11 August 2017.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2017 and 2016.

During the years ended 31 December 2017 and 2016, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Employees

The five highest emoluments employees in the Group during the year do not include any directors (2016: five directors, details of whose remuneration are set out in note 12(a) above).

The emoluments of the remaining five individuals (2016: Nil) were as follows:

	2017 ***No. of employees***	2016 *No. of employees*
HK$1,000,001 – HK$1,500,000	**1**	–
HK$2,000,001 – HK$2,500,000	**1**	–
HK$4,000,001 – HK$4,500,000	**1**	–
HK$4,500,001 – HK$5,000,000	**1**	–
HK$7,500,001 – HK$8,000,000	**1**	–

13. DIVIDENDS

The directors of the Company do not recommend any payment of a dividend in respect of the year ended 31 December 2017 (2016: Nil).

14. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

	2017 *RMB'000*	2016 *RMB'000*
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to equity holders of the Company	(170,744)	(111,189)
Loss for the purpose of diluted loss per share	N/A	N/A

	2017 *'000*	2016 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,100,474	1,010,491
Weighted average number of ordinary shares for the purpose of diluted loss per share	N/A	N/A

As the Group sustained a loss for both of the years presented, diluted loss per share for these years are not presented as the effects of potential shares issuable arising from exercise of share options are regarded anti-dilutive.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2016	470,667	–	51,637	19,012	4,525	437	546,278
Additions	2,846	–	3,843	545	138	59	7,431
Disposals	–	–	(822)	(524)	–	–	(1,346)
At 31 December 2016 and 1 January 2017	473,513	–	54,658	19,033	4,663	496	552,363
Additions	1,997	8,303	7,151	3,048	6,633	94	27,226
Disposals	(7,408)	–	(209)	(5)	(1,854)	–	(9,476)
Disposal of subsidiaries *(note 47)*	–	–	(351)	(365)	–	–	(716)
Exchange realignment	–	(261)	–	(87)	(141)	–	(489)
At 31 December 2017	468,102	8,042	61,249	21,624	9,301	590	568,908
Accumulated depreciation and impairment:							
At 1 January 2016	44,104	–	15,958	6,316	2,619	–	68,997
Depreciation provided for the year *(note 10)*	22,495	–	5,272	3,552	564	–	31,883
Eliminated on disposals	–	–	(258)	(368)	–	–	(626)
At 31 December 2016 and 1 January 2017	66,599	–	20,972	9,500	3,183	–	100,254
Depreciation provided for the year *(note 10)*	22,580	377	5,608	2,811	1,208	–	32,584
Impairment loss recognised for the year *(note 8)*	38,533	–	–	–	–	–	38,533
Eliminated on disposals	(2,610)	–	(161)	(5)	(1,601)	–	(4,377)
Eliminated on disposal of subsidiaries *(note 47)*	–	–	(16)	(88)	–	–	(104)
Exchange realignment	–	(12)	–	(2)	(18)	–	(32)
At 31 December 2017	125,102	365	26,403	12,216	2,772	–	166,858
Net book value:							
At 31 December 2017	343,000	7,677	34,846	9,408	6,529	590	402,050
At 31 December 2016	406,914	–	33,686	9,533	1,480	496	452,109

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The buildings of the Group are situated on land with medium-term land use rights in the PRC.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over their estimated useful lives and after taking into account their estimated residual value. The principal annual rates used for this purpose are as follows:

Buildings	5%
Leasehold improvement	over the lease terms
Plant and machinery	10%-20%
Furniture, fixtures and office equipment	20% to 33 1/3%
Motor vehicles	20% to 25%

Included in "Buildings" as at 31 December 2016 were certain self-used properties with a net carrying amount of approximately RMB276,332,000 of which the Group had not yet obtained the building ownership certificates as at that date. During the year ended 31 December 2017, the building ownership certificates in respect of the aforementioned properties had been obtained by the Group.

In view of the significant operating losses for the current year sustained by the Group's personal care products segment (note 6(a)), management of the Company conducted assessments of the recoverable amounts of the assets used in this business operation and considered it appropriate to recognise impairment loss amounted to RMB38,533,000 (2016: Nil) on the Group's property, plant and equipment, which is calculated on the basis of their fair value less costs of disposal, by reference to the estimated sale prices of the relevant assets, as valued by an external valuer.

16. PREPAID LAND LEASE PAYMENTS

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	14,308	14,647
Amortised for the year *(note 10)*	(339)	(339)
At 31 December	13,969	14,308
Analysed for reporting purposes as:		
Non-current asset	13,630	13,969
Current asset *(note 27)*	339	339
	13,969	14,308

The prepaid land lease payments, representing medium-term land use rights in the PRC, are amortised over 50 years.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

17. INVESTMENT PROPERTIES

	2017 *RMB'000*	2016 *RMB'000*
Fair value, at 1 January	23,000	30,300
Acquisition of subsidiaries *(note 46(a)(ii))*	84,082	–
Gain/(loss) on change in fair value	13,222	(7,300)
Disposals	(18,066)	–
Reclassified to asset classified as held for sale *(note below)*	(6,246)	–
Exchange realignment	(720)	–
Fair value, at 31 December	95,272	23,000

Note: During the year, the Group entered into a sale and purchase agreement for the disposal of an investment property for a consideration of HK$7,500,000, accordingly, the investment property was reclassified to asset classified as held for sale (note 32).

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties (including that reclassified as asset classified as held for sale) at 31 December 2017 represents industrial properties on land under medium-term leases in Hong Kong. The Group's investment properties at 31 December 2016 represent industrial properties on land on medium-term land use rights in the PRC.

The investment properties (including that reclassified as asset classified as held for sale) are leased to third parties under operating leases, details of which are included in note 50(a) to the financial statements.

The Group's investment properties (including that reclassified as asset classified as held for sale) are carried at fair value at 31 December 2017 and 31 December 2016, which are valued by Royson Valuation Advisory Limited and B.I. Appraisal Limited respectively, being independent qualified professional valuers not connected with the Group.

17. INVESTMENT PROPERTIES (continued)

In estimating the fair value of the investment properties (including that reclassified as asset classified as held for sale), the highest and best use of the properties is their current use. There has been no change from the valuation technique used in the prior year.

The following table illustrates the fair value measurement hierarchy of the Group's investment properties (including that reclassified as asset classified as held for sale):

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Recurring fair value measurement for:				
Investment properties	–	–	95,272	95,272
Asset classified as held for sale	–	–	6,246	6,246

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Recurring fair value measurement for:				
Investment properties	–	–	23,000	23,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

17. INVESTMENT PROPERTIES (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties (including that reclassified as asset classified as held for sale):

At 31 December 2017

Type of properties	**Valuation technique**	**Significant unobservable inputs**	**Range of unobservable inputs**	**Relationship of unobservable inputs to fair value**
Industrial properties	Income capitalisation method	Average monthly market rent per square foot	HK$11 to HK$60	The higher the market rent, the higher the fair value
		Reversionary yield	3.4%	The higher the reversionary yield, the lower the fair value

At 31 December 2016

Type of properties	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties	Income capitalisation method	Average monthly market rent per square foot	RMB4 to RMB8	The higher the market rent, the higher the fair value
		Reversionary yield	4.5%	The higher the reversionary yield, the lower the fair value

Under the income capitalisation method, the market rentals of all lettable units of the properties are estimated by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood and the capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers knowledge of the factors specific to the respective properties.

A significant increase/decrease in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/increase in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and an opposite change in the long term vacancy rate and discount rate.

18. PROPERTIES FOR DEVELOPMENT

	2017 *RMB'000*	2016 *RMB'000*
At cost		
At 1 January	–	–
Acquisition of subsidiaries *(note 46(a)(i))*	145,837	–
Exchange realignment	(8,540)	–
At 31 December	137,297	–

Properties for development represent land and buildings located on land under medium-term leases in Hong Kong, which were acquired by the Group for development purposes. Details of the property development plans are yet to be approved by the relevant government department, accordingly the fair value of these development properties at the end of the reporting period cannot be ascertained with reasonable certainty.

19. GOODWILL

	2017 *RMB'000*	2016 *RMB'000*
Cost		
At 1 January	139,114	35,857
Arising from acquisition of subsidiaries *(note 46(b))*	–	103,257
At 31 December	139,114	139,114
Accumulated impairment losses		
At 1 January	39,500	17,500
Impairment loss recognised	36,300	22,000
At 31 December	75,800	39,500
Carrying amount		
At 31 December	63,314	99,614

Notes to Financial Statements (continued)

For the year ended 31 December 2017

19. GOODWILL (continued)

Impairment testing of goodwill

Cost of the goodwill has been allocated for impairment testing purposes to the following groups of cash-generating units ("CGUs")

	2017	2016
	RMB'000	*RMB'000*
Children's personal care products	**35,857**	35,857
Operation of online platform	**103,257**	103,257
At 31 December	**139,114**	139,114

Children's personal care products

The recoverable amount of this group of CGUs has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

Key assumptions adopted in the preparation of cash flow projections used for value in use calculation were as follows:

	2017	2016
Compound annual growth rate of revenue in five-year period	**6.5%**	6.5%
Annual growth rate beyond the five-year period	**3%**	3%
Discount rate	**18%**	15%

The budgeted gross margin used for the preparation of the cash flow projections is based on the average gross margin achieved in the year immediately before the budget year, with adjustment on the inflation of materials price.

The average annual revenue growth rate is estimated by management based on past performance, industry forecast and its expectation of market development. The discount rate used is before tax and reflects specific risks relating to this group of CGUs.

The values assigned to the key assumptions on inflation of materials price and discount rate are consistent with external information sources.

19. GOODWILL (continued)

Children's personal care products (continued)

In respect of the goodwill allocated to the CGUs of children's personal care products, the directors consider it appropriate, due to the deteriorating operating performance of this group of CGUs, to recognise impairment loss of goodwill amounted to RMB7,000,000 for the current year (2016: RMB2,000,000) based on the recoverable amount of the CGUs. The recoverable amount has been determined by value in use calculation of the present value of expected future cash flows.

Operation of online platform

The recoverable amount of this group of CGUs has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

Key assumptions adopted in the preparation of cash flow projections for value in use calculation were as follows:

	2017	2016
Compound annual growth rate of revenue in five-year period	11%	40%
Annual growth rate beyond the five-year period	3%	3%
Discount rate	24%	20%

The budgeted gross margin used for the preparation of the cash flow projections is based on the average gross margin achieved in the year immediately before the budget year, with adjustment on the inflation of direct service costs.

The average annual revenue growth rate of revenue is estimated by management based on past performance, industry forecast and its expectation of market development. The discount rate used is before tax and reflects specific risks relating to this group of CGUs.

In respect of the goodwill allocated to the CGUs of operation of an online platform, the directors consider it appropriate, due to downward adjustment of future annual growth rate of revenue after management assessment of the degree of the Group's market participation, to recognise impairment loss of goodwill amounted to RMB29,300,000 for the current year (2016: RMB20,000,000) based on the recoverable amount of the CGUs. The recoverable amount has been determined by value in use calculation of the present value of expected future cash flows.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

20. INTANGIBLE ASSETS

	Trademarks *RMB'000*	Copyrights *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2016	160	7,120	7,280
Additions during the year	593	–	593
Disposals during the year	(160)	–	(160)
At 31 December 2016, 1 January 2017 and 31 December 2017	593	7,120	7,713
Accumulated amortisation:			
At 1 January 2016	96	7,001	7,097
Provided for the year *(note 10)*	13	119	132
Eliminated on disposals	(109)	–	(109)
At 31 December 2016 and 1 January 2017	–	7,120	7,120
Provided for the year *(note 10)*	63	–	63
At 31 December 2017	63	7,120	7,183
Net carrying amount:			
At 31 December 2017	530	–	530
At 31 December 2016	593	–	593

The trademarks and copyrights are amortised over their estimated useful lives of 10 years and 5 years.

The carrying amounts of trademarks will be amortised over their remaining useful lives of 9 years (2016: 10 years).

21. INTERESTS IN ASSOCIATES

	2017 *RMB'000*	2016 *RMB'000*
Unlisted associates		
Cost of investments	16,700	–
Share of post-acquisition loss and other comprehensive income	(628)	–
Impairment loss recognised	(8,372)	–
	7,700	–

Movements during the year are as follows:

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	–	–
Acquisition of associates	700	–
Fair value of associates retained *(note 47)*	16,000	–
Share of post-acquisition loss for the year	(628)	–
Share of reserve of associates	–	–
Impairment loss recognised *(note 8)*	(8,372)	–
At 31 December	7,700	–

Particulars of the associates of the Group are as follows:

Name	Place of establishment/ registration and operations	Proportion equity interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2017	2016	2017	2016	
福建和潤供應鏈管理有限公司 ("Fujian Herun")	Fujian Province, the PRC	30%	N/A	30%	N/A	Distribution of personal care products
福建省青蛙王子品牌管理有限公司 ("Frog Prince Brand")	Fujian Province, the PRC	30%	N/A	30%	N/A	Holding of intellectual properties
廈門倍詩淘電子商務有限公司 ("Xiamen Beishitao")	Fujian Province, the PRC	35%	N/A	35%	N/A	Inactive

Notes to Financial Statements (continued)

For the year ended 31 December 2017

21. INTERESTS IN ASSOCIATES (continued)

Note:

(i) All the above associates are accounted for using the equity method in these consolidated financial statements.

(ii) On 5 May 2017, Frog Prince (China), an indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to dispose of 45% equity interest in a subsidiary, Fujian Herun together with its wholly-owned subsidiary, Frog Prince Brand, for an aggregate cash consideration of RMB100,000,000. The disposal was completed on 30 June 2017 and the Group retained 30% equity interest in Fujian Herun after the disposal, which is accounted for as an associate.

(iii) On 7 October 2017, Frog Prince (China) and two independent third parties agreed to establish Xiamen Beishitao at the cash consideration of RMB2,000,000 for 100% equity interest of the associate. Upon the completion of the above establishment, 35% of equity interest in Xiamen Beishitao is held by the Group.

In view of the management expectation of decline in the profitability of the associate, Fujian Herun, in future years, the directors considered it appropriate to make impairment loss amounted to RMB8,372,000 (2016: Nil) on investment in this associate, which was included in other expenses (note 8).

The following tables illustrate the summarised consolidated financial information in respect of Fujian Herun and its subsidiary, Frog Prince Brand, and the reconciliation of the summarised consolidated financial information to the carrying amount in the consolidated financial statements:

	31 December 2017 *RMB'000*
Non-current assets	**32,538**
Current assets	**133,500**
Current liabilities	**(94,188)**
Non-current liabilities	**–**
Net assets	**71,850**

21. INTERESTS IN ASSOCIATES (continued)

	1 July 2017 to 31 December 2017 *RMB'000*
Revenue	192,008
Profit before tax	1,069
Income tax expense	(68)
Profit and total comprehensive income for the period	1,001
Reconciliation to the Group's interest in the associates:	
Proportion of the Group's ownership	30%
Group's share of net assets of the associates	21,555
Accumulated unrealised gains on transactions with associates	(10,835)
Impairment loss recognised	(8,372)
Other adjustment *(note below)*	4,652
Carrying amount of the investment	7,000

Note: Other adjustment represents the difference between the Group's share of net asset value of the associates and the fair value retained at the date of completion of disposal.

The following table illustrates the financial information of the Group's remaining associate that is not material.

	2017 *RMB'000*
Share of the associate's profit for the year	–
Share of the associate's other comprehensive income for the year	–
Aggregate carrying amount of the Group's interests in associate	700

Notes to Financial Statements (continued)

For the year ended 31 December 2017

22. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Unlisted joint ventures		
Cost of investments	4	–
Share of post-acquisition losses and other comprehensive income	(299)	–
Adjustment to write down of amount due from a joint venture *(note 29)*	295	–
	–	–

Movements during the year are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January		
Acquisition of joint ventures	4	–
Share of post-acquisition losses for the year	(299)	–
Share of reserve of joint ventures	–	–
Loss of a joint venture applied to write down of amount due from the joint venture *(note 29)*	295	–
At 31 December	–	–

Particulars of the principal joint ventures of the Group are as follows:

Name	Place of establishment/ registration and operations	Proportion equity interest held by the Group 2017	Proportion equity interest held by the Group 2016	Principal activities
Nice Team Holdings Limited	Hong Kong	50%	N/A	Distribution of food and beverage
Ocean Trader Limited	Hong Kong	25%	N/A	Holding of yacht

Note: All the above joint ventures are accounted for using the equity method in these consolidated financial statements.

22. INTERESTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Ocean Trader Limited and the reconciliation of the summarised financial information to the carrying amount in the consolidated financial statements:

	31 December 2017 *RMB'000*
Non-current assets	17,856
Current assets	738
Current liabilities	(19,774)
Non-current liabilities	–
Net liabilities	(1,180)

	Year ended 31 December 2017 *RMB'000*
Revenue	571
Loss before tax	(1,180)
Income tax expense	–
Loss and total comprehensive expenses for the year	(1,180)
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	25%
Group's share of net liabilities of the joint venture	(295)
Write-down of amount due from a joint venture	295
Carrying amount	–

The following table illustrates the financial information of the Group's remaining joint venture that is not material:

	2017 *RMB'000*
Share of joint venture's loss for the year	(4)
Share of joint venture's other comprehensive income for the year	–
Aggregate carrying amount of the Group's interests in joint venture	–

Notes to Financial Statements (continued)

For the year ended 31 December 2017

23. AVAILABLE-FOR-SALE INVESTMENTS

	2017 *RMB'000*	2016 *RMB'000*
At fair value		
Equity securities listed in Hong Kong	68,536	–
Unlisted investment fund	117,135	–
At cost		
Unlisted investment funds	–	15,300
At cost less impairment		
Unlisted equity investments	16,448	–
	202,119	15,300

Movements during the year:

	2017 *RMB'000*	2016 *RMB'000*
Balance at 1 January	15,300	2,008
Acquisitions during the year		
– settled by cash	1,038,890	302,300
– settled by promissory notes *(note 49)*	11,592	–
Gain on change in fair value	60,928	–
Impairment loss recognised during the year *(note 8)*	(7,789)	–
Disposals during the year	(909,792)	(289,008)
Loss on exchange translation	(9,825)	–
Exchange realignment	2,815	–
Balance at 31 December	202,119	15,300
Analysed for reporting as:		
Non-current asset	202,119	–
Current asset	–	15,300
	202,119	15,300

Notes:

(a) Details regarding the fair value of equity securities listed in Hong Kong and unlisted investment fund are set out in note 56(a).

(b) The unlisted investment fund represents fund established by external fund managers which are principally engaged in securities investments. Under the terms of the fund held by the Group as at 31 December 2017, the Group is eligible to redeem the fund at any time after two years from the date on which the Group made payments to the fund. The unlisted investment funds at 31 December 2016 were fully redeemed during the current year.

23. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

(c) Included in unlisted equity investments is the Group's 10% equity interest in an entity with the carrying amount of RMB10,000,000 (2016: Nil). This entity was established in the PRC and is principally engaged in operation of online store and agency service.

(d) The unlisted equity investments are stated at cost less impairment loss, if any, because the equity investments do not have quoted market price in an active market and whose fair value cannot be measured reliably.

(e) In view of operating losses sustained by certain equity investees, impairment losses were recognised for the current year totalled RMB7,789,000 (2016: Nil) to write down the cost of investments in these investees to their estimated recoverable amounts.

24. INVENTORIES

	2017 *RMB'000*	2016 *RMB'000*
Raw materials	8,474	6,804
Work in progress	4,178	1,336
Finished goods	19,315	22,712
	31,967	30,852

25. LOAN AND INTEREST RECEIVABLES

	2017 *RMB'000*	2016 *RMB'000*
Loan and interest receivables thereon		
– within one year	105,887	118,012
– in the second to fifth years	83,253	7,329
– over the fifth years	16,242	–
	205,382	125,341
Analysed for reporting as:		
Non-current asset	99,495	7,329
Current asset	105,887	118,012
	205,382	125,341

Notes to Financial Statements (continued)

For the year ended 31 December 2017

25. LOAN AND INTEREST RECEIVABLES (continued)

Movement during the year are as follows:

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	125,341	–
Loans made by the Group	347,964	116,074
Interest on loans receivable *(note 5)*	31,820	4,091
Loans and interest repaid by borrowers	(287,432)	(365)
Exchange realignment	(12,311)	5,541
At 31 December	205,382	125,341

Details of loan receivables (excluding interest receivables) are as follows:

31 December 2017

Loan principal amount *HK$'000*	Number of borrowers	Interest rate per annum	Maturity date	Security pledged
216,427	36	10%-31.5%	Within 1 year to 20 years	Leasehold properties owned by the borrowers
21,789	122	12%-58%	Within 1 year to 4 years	Nil
238,216				

25. LOAN AND INTEREST RECEIVABLES (continued)

31 December 2016

Loan principal amount *HK$'000*	Number of borrowers	Interest rate per annum	Maturity date	Security pledged
27,000	1	38%	Within 1 year	Unlisted securities owned by the borrower
27,500	1	38%	Within 1 year	Listed securities owned by the borrower
65,264	7	9%-36%	Within 1 year to 10 years	Leasehold properties owned by the borrowers
16,000	1	60%	Within 1 year	Other assets owned by the borrower
135,764				

Loan and interest receivables thereon will be settled by the borrowers at their respective maturity dates.

26. TRADE AND BILLS RECEIVABLES

	2017 *RMB'000*	2016 *RMB'000*
Trade and bills receivables	113,415	138,834
Less: allowance for doubtful debts	(251)	(4,776)
	113,164	134,058

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days to 180 days (2016: 30 days to 180 days).

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

26. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 *RMB'000*	2016 *RMB'000*
Within 30 days	24,228	78,059
31 to 60 days	18,207	29,899
61 to 90 days	24,940	15,122
Over 90 days	45,789	10,978
	113,164	134,058

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2017 *RMB'000*	2016 *RMB'000*
Neither past due nor impaired	63,044	95,625
Past due but not impaired		
– 1 to 30 days	14,467	17,323
– Over 30 days	35,653	21,110
Total	113,164	134,058

The Group's trade receivables that were neither past due nor impaired mainly represent sales made to recognised and creditworthy customers for whom there was no recent history of default.

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

Movements of allowance of trade and bill receivables are as follows:

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	4,776	–
Impairment loss recognised *(note 8)*	–	4,776
Reversal of impairment *(note 7)*	(4,525)	–
At 31 December	251	4,776

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 *RMB'000*	2016 *RMB'000*
Prepayments *(note (ii))*	23,510	22,320
Deposits for purchase of property, plant and equipment	7,245	2,764
Sale consideration receivable *(note (iii))*	–	15,000
Deposits and other receivables	14,324	5,370
	45,079	45,454
Analysis for reporting purposes as:		
Non-current assets	7,245	2,864
Current assets	37,834	42,590
	45,079	45,454

Notes:

(i) None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

(ii) Included in prepayments as at 31 December 2017 are prepaid land lease payments amounted to RMB339,000 (2016: RMB339,000) (note 16).

(iii) The sale consideration receivable at 31 December 2016 represents the outstanding proceeds receivable from partial disposal of a subsidiary amounted to RMB15,000,000 (note 58(c)). Such consideration receivable, which was unsecured and interest free, was fully settled during the year.

28. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is interest free, unsecured and repayable on demand.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

29. AMOUNT DUE FROM A JOINT VENTURE

The amount due from a joint venture, which is interest free, unsecured and repayable on demand, is arrived at after deducting the share of loss of the joint venture amounted to RMB295,000 (2016: Nil) (note 22).

30. AMOUNT DUE FROM NON-CONTROLLING INTEREST

The amount due from non-controlling interest is interest free, unsecured and repayable on demand.

31. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2017 *RMB'000*	2016 *RMB'000*
Pledged bank deposits	127,118	124,866
Cash and cash equivalents		
Cash and bank balances	222,691	614,462
	349,809	739,328
The pledged bank deposits were pledged for:		
– short-term bank borrowings *(note 35)*	120,000	120,000
– bills payables *(note 33)*	7,118	4,866
Pledged bank deposits	127,118	124,866

The bank balances and pledged bank deposits to the extent of RMB229,795,000 (2016: RMB619,319,000) earned interest at floating rates based on daily bank deposit rates, with the remaining balance of RMB120,000,000 (2016: RMB120,000,000) at fixed rates of 2.73% per annum.

As at 31 December 2017, the Group's cash and bank balances and bank deposits of RMB129,504,000 (2016: RMB206,865,000) and RMB127,118,000 (2016: RMB124,866,000), respectively are denominated in RMB and are placed with banks in the PRC. The exchange of these RMB bank balances and deposits into other currencies is subject to the approval of the PRC government under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

32. ASSET CLASSIFIED AS HELD FOR SALE

	2017 *RMB'000*	2016 *RMB'000*
Asset classified as held for sale		
Investment property, at fair value *(note 17)*	6,246	–

As referred to in note 17, during the year, the Group entered into a sale and purchase agreement for the disposal of an investment property for a consideration of HK$7,500,000. Completion of the disposal took place subsequent to the end of the reporting period in February 2018.

33. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on invoice date, is as follows:

	2017 *RMB'000*	2016 *RMB'000*
Within 30 days	46,795	23,458
31 to 90 days	10,026	44,630
Over 90 days	14,630	25,607
	71,451	93,695

The trade payables are interest free and are normally settled on terms of 30 days to 180 days (2016: 30 days to 180 days).

As at 31 December 2017, bills payables amounted to RMB7,118,000 (2016: RMB4,866,000) were secured by the pledged bank deposits of RMB7,118,000 (2016: RMB4,866,000) (note 31).

34. OTHER PAYABLES AND ACCRUALS

	2017 *RMB'000*	2016 *RMB'000*
Other payables and accruals	35,513	47,625
Trade deposits received	5,735	42,385
Other tax payables	2,358	12,376
	43,606	102,386

Other payables are non-interest-bearing and are normally settled on an average term of one month.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

35. BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate per annum	Month of maturity	*RMB'000*	Effective interest rate per annum	Month of maturity	*RMB'000*
Bank loan repayable within one year	4.35%	November 2018	114,998	2.43%	November 2017	110,919
Other loan repayable within one year	13%	January 2018	49,968	N/A	N/A	N/A
			164,966			110,919

As at 31 December 2017, bank loan of RMB114,998,000 (2016: RMB110,919,000) were secured by the pledge of bank deposits amounted to RMB120,000,000 (2016: RMB120,000,000) (note 31).

Movements of the Group's bank and other borrowings for both of the years presented are as follows:

	Bank borrowings *RMB'000*	Other borrowings *RMB'000*	Total *RMB'000*
At 1 January 2016	50,000	–	50,000
New loan drawdown during the year	106,016	–	106,016
Repayment during the year	(50,000)	–	(50,000)
Gain on exchange translation	4,903	–	4,903
At 31 December 2016 and 1 January 2017	110,919	–	110,919
New loan drawdown during the year	114,998	52,032	167,030
Repayment during the year	(107,682)	–	(107,682)
Gain on exchange translation	(3,237)	–	(3,237)
Exchange realignment	–	(2,064)	(2,064)
At 31 December 2017	114,998	49,968	164,966

36. PROMISSORY NOTES PAYABLE

	2017 RMB'000	2016 RMB'000
Promissory notes payable:		
– issued on 18 August 2017 *(Note a)*	10,019	–
– issued on 21 September 2017 *(Note b)*	11,243	–
– issued on 29 December 2017 *(Note c)*	1,610	–
	22,872	–

	2017 RMB'000	2016 RMB'000
Carrying amount payable within one year	22,872	–

(a) Promissory note issued on 18 August 2017 (the "Note A")

On 18 August 2017, the Company issued the Note A with the principal amount of HK$12,000,000 as the consideration for the acquisition of 15% equity interests in an entity. The entity, through its investee, is engaged in the operation of restaurants in PRC. The investment in this entity is classified and included in available-for-sale investments.

The Note A, which is unsecured, carries interest at 5% per annum, and is payable on the maturity date of 17 August 2018 at its principal amount and accrued interest. The Company is also entitled to redeem the whole or part of the Note A at the principal amount at any time before the maturity date.

The fair value of the promissory note at the date of issue was estimated to be HK$11,693,000 (equivalent to RMB9,983,000). At the end of the reporting period, the Note A with the principal amount of HK$12,000,000 remained outstanding. The effective interest rate in respect of the Note A is 7.76% per annum.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

36. PROMISSORY NOTES PAYABLE (continued)

(b) Promissory note issued on 21 September 2017 (the "Note B")

On 21 September 2017, the Company issued the Note B with the principal amount of HK$13,500,000 as the consideration for the acquisition of the entire interest of Earn Rich Properties Limited (note 46(a)(ii)).

The Note B, which is unsecured, carries no interest and is payable on the maturity date of 12 December 2017, being the first business date after the completion of acquisition by the Group of Nice Source Properties Limited (note 46(a)(ii)). The Company is also entitled to redeem the whole or part of the Note B at the principal amount at any time before the maturity date.

The fair value of the promissory note at the date of issue was estimated to be HK$13,313,000 (equivalent to RMB11,087,000). At the end of the reporting period, the Note B with the principal amount of HK$13,500,000 remained outstanding. The effective interest rate in respect of Note B is 6.38% per annum.

(c) Promissory note issued on 29 December 2017 (the "Note C")

On 29 December 2017, the Company issued the Note C with the principal amount of HK$2,000,000 as the consideration for the acquisition of the entire equity interest of Ample Chance Limited (note 46(a)(iii)).

The Note C, which is unsecured, carries no interest and is payable on the maturity date of 28 June 2018. The Company is also entitled to redeem the whole or part of the Note C at the principal amount at any time before the maturity date.

The fair value of the promissory note at the date of issue was estimated to be HK$1,932,000 (equivalent to RMB1,609,000). At the end of the reporting period, the Note C with the principal amount of HK$2,000,000 remained outstanding. The effective interest rate in respect of Note C is 7.21% per annum.

Movements of the Group's promissory notes payable for both of the years presented are as follows:

	Note A *RMB'000*	**Note B** *RMB'000*	**Note C** *RMB'000*	**Total** *RMB'000*
At 1 January 2016, 31 December 2016 and 1 January 2017	–	–	–	–
Issue of promissory notes	9,983	11,087	1,609	22,679
Interests charge for the year *(note 9)*	293	162	1	456
Gain on exchange translation	(257)	(6)	–	(263)
At 31 December 2017	10,019	11,243	1,610	22,872

37. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates are interest free, unsecured and repayable on demand.

38. AMOUNT DUE TO A JOINT VENTURE

The amount due to a joint venture is interest free, unsecured and repayable on demand.

39. AMOUNT DUE TO NON-CONTROLLING INTEREST

The amount due to non-controlling interest is interest free, unsecured and repayable on demand.

40. AMOUNT DUE TO A DIRECTOR

The amount due to a director was interest free, unsecured and repayable on demand. The balance outstanding at 31 December 2016 was fully repaid by the Group during the year.

41. DERIVATIVE FINANCIAL LIABILITIES

	2017 *RMB'000*	2016 *RMB'000*
Financial liabilities carried at fair value through profit or loss (FVTPL)		
Outstanding foreign currency forward contracts	–	1,826

Note:

At 31 December 2016, the Group had the following outstanding foreign currency forward contracts:

Notional amount	**Maturity date**	**Exchange rates**
US$1,000,000	3 January 2017	US$1 : RMB6.4 to RMB5.2
US$1,200,000	1 February 2017	US$1 : RMB6.4 to RMB5.2
US$1,200,000	1 March 2017	US$1 : RMB6.4 to RMB5.2

During the current year, loss on change in fair value of the foreign currency forward contracts amounted to RMB1,822,000 (2016: RMB5,203,000) (note 10) has been recognised in the profit or loss.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

42. DEFERRED TAX LIABILITIES

	Withholding taxes	Changes in fair value of investment properties	Changes in fair value of available-for-sale investments	Accelerated depreciation allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016 and 31 December 2016	14,600	3,323	–	–	17,923
Charged to the profit or loss *(note 11)*	–	(937)	–	558	(379)
Charged to other comprehensive income, net	–	–	3,773	–	3,773
Credited to retained profits on disposal of properties *(note)*	–	(2,386)	–	–	(2,386)
Exchange realignment	–	–	(149)	(22)	(171)
At 31 December 2017	14,600	–	3,624	536	18,760

Note: The deferred tax liabilities arose from the gain on change in fair value of certain properties prior to their reclassification to investment properties in prior years. Such deferred tax liabilities were credited to retained profits upon the disposal of the properties during the year.

Pursuant to the income tax law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB673,922,000 at 31 December 2017 (2016: RMB753,223,000).

At 31 December 2017, there were no significant unrecognised deferred tax liabilities (2016: Nil) for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiary expected to be distributed, after considering the abovementioned factors, in the foreseeable future.

The Group has tax losses arising in Hong Kong of RMB9,351,000 (2016: RMB Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, of which the respective tax losses are subject to agreement by the Inland Revenue Department in Hong Kong. The Group also has tax losses arising in Mainland China of RMB191,318,000 (2016: RMB113,508,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of such tax losses due to the unpredictability of future profit streams.

43. SHARE CAPITAL

	Number of ordinary shares '000	2017 RMB'000	Number of ordinary shares '000	2016 RMB'000
Authorised:				
Ordinary shares of HK$0.01 each	5,000,000	41,524	5,000,000	41,524
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	1,010,491	8,386	1,010,491	8,386
Issue of shares on acquisition of subsidiaries *(note 46(a)(i))*	147,945	1,308	–	–
At 31 December	1,158,436	9,694	1,010,491	8,386

44. SHARE OPTION SCHEME

On 22 June 2011, the Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include, among others, the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group and the Company's shareholders. The Scheme was conditionally approved on 22 June 2011, for 10 years from that date. The Scheme became effective on 15 July 2011 upon the listing of the Company's shares on the Stock Exchange. The limit of the Scheme was refreshed on 30 June 2017 and the Scheme will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding the independent non-executive director who or whose associate is the grantee of the option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

44. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and ends on a date which is not later than ten years from the date of grant of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of: (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 18 January 2016 and 20 January 2016, options to subscribe 31,437,000 shares and 9,700,000 shares respectively at the same exercise price HK$0.81 per share were granted by the Company.

On 24 May 2017, options to subscribe 15,300,000 shares at the exercise price HK$0.38 per share were granted by the Company.

The following options granted were forfeited for the years ended 31 December 2017 and 2016:

2017 Number of options *'000*	**Exercise price per share** *HK$*	**Exercise period**
66	**2.94**	**21-06-2013 to 20-06-2022**
600	**1.83**	**26-09-2015 to 25-09-2024**
900	**0.81**	**18-01-2017 to 27-12-2025**
1,566		

2016 Number of options *'000*	Exercise price per share *HK$*	Exercise period
162	1.92	14-10-2012 to 13-10-2021
78	2.94	21-06-2013 to 20-06-2022
300	1.83	26-09-2015 to 25-09-2024
250	0.81	18-01-2017 to 27-12-2025
790		

44. SHARE OPTION SCHEME (continued)

Movements of share options during the year are as follows:

	2017 Weighted average exercise price per share HK$	2017 Number of options '000	2016 Weighted average exercise price per share HK$	2016 Number of options '000
As at 1 January	1.43	81,093	2.05	40,746
Granted during the year	0.38	15,300	0.81	41,137
Forfeited during the year	1.29	(1,566)	1.64	(790)
At 31 December	1.26	94,827	1.43	81,093

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2017 Number of options '000	Exercise price per share HK$	Exercise period
8,940	1.92	14-10-2012 to 13-10-2021
7,210	2.94	21-06-2013 to 20-06-2022
23,390	1.83	26-09-2015 to 25-09-2024
30,287	0.81	18-01-2017 to 27-12-2025
9,700	0.81	20-01-2017 to 27-12-2025
15,300	0.38	24-05-2017 to 23-05-2027
94,827		

2016 Number of options '000	Exercise price per share HK$	Exercise period
8,940	1.92	14-10-2012 to 13-10-2021
7,276	2.94	21-06-2013 to 20-06-2022
23,990	1.83	26-09-2015 to 25-09-2024
31,187	0.81	18-01-2017 to 27-12-2025
9,700	0.81	20-01-2017 to 27-12-2025
81,093		

Notes to Financial Statements (continued)

For the year ended 31 December 2017

44. SHARE OPTION SCHEME (continued)

The fair values of equity-settled share options granted during the year ended 31 December 2017 and 31 December 2016 were estimated as at the dates of grant, using a binomial and a trinomial model respectively, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Share options granted on 18 January 2016	Share options granted on 20 January 2016	Share options granted on 24 May 2017
Dividend yield *(%)*	Nil	Nil	**Nil**
Expected volatility *(%)*	66.12	66.14	**43.63**
Risk-free interest rate *(%)*	1.486	1.707	**1.318**
Expected life of options *(year)*	8-10	8-10	**10**
Share price of the Company's shares *(HK$ per share)*	0.81	0.81	**0.375**

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had approximately 94,827,000 (2016: 81,093,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of approximately 94,827,000 (2016: 81,093,000) additional ordinary shares of the Company which would give rise to the total proceeds of HK$119,369,000 (2016: HK$115,760,000).

Up to the date of approval of these consolidated financial statements, the Company had 94,541,000 share options outstanding under the Scheme, which represented approximately 8.2% of the Company's shares in issue as at that date.

45. 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 set out on page 70 and 71.

Statutory reserve fund

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the entities' registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

46. ACQUISITION OF SUBSIDIARIES

	2017 RMB'000	2016 RMB'000
Net outflow of cash and cash equivalents on the acquisition of		
– Apex Magic *(note (a)(i))*	22,115	–
– Earn Rich and Nice Source *(note (a)(ii))*	72,512	–
– Ample Chance *(note (a)(iii))*	–	–
– Marvel *(note (b))*	–	103,979
Net outflow of cash and cash equivalents included in cash flows used in investing activities	94,627	103,979

(a) Acquisition of subsidiaries during the year ended 31 December 2017

(i) Acquisition of Apex Magic International Limited ("Apex Magic")

On 27 April 2017, the Company entered into an agreement with a third party for the acquisition of 100% equity interest in Apex Magic for a consideration of HK$79,000,000. Completion of the acquisition took place on 24 May 2017 and the consideration for the acquisition was satisfied by the payment in cash amounted to HK$25,000,000 (equivalent to RMB22,115,000) with the remaining balance of HK$54,000,000 (equivalent to RMB47,768,000) by the issue of 147,945,000 new shares of the Company (note 43). The fair value of the shares issued is estimated to be RMB49,077,000 at the date of issue, which is calculated based on the closing market price of the Company's share at the issue date.

Apex Magic, being an investment holding company, holds 50% equity interest in Jumbo Excel Investment Corporation ("Jumbo Excel"). As detailed in note 58(a)(i), the Group is in a position to exercise control over Jumbo Excel, Jumbo Excel is regarded a subsidiary of Apex Magic upon the completion of the acquisition.

Jumbo Excel is an investment holding company. The principal assets of the subsidiaries of Jumbo Excel are properties located in Hong Kong. No business has been undertaken by Jumbo Excel and its subsidiaries since their dates of incorporation. Accordingly, the acquisition of Apex Magic and its subsidiaries (comprising Jumbo Excel and its subsidiaries) is accounted for as acquisition of assets.

The Group has elected to measure the non-controlling interest in Apex Magic at the non-controlling interest's proportionate share of the identifiable net assets of Apex Magic.

The Group incurred insignificant transaction costs for the acquisition of Apex Magic. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries during the year ended 31 December 2017 (continued)

(i) Acquisition of Apex Magic International Limited ("Apex Magic") (continued)

Assets and liabilities recognised at the acquisition date:

	RMB'000
Assets	
Properties for development *(note 18)*	145,837
Liabilities	
Other payables	(3,445)
Total identifiable net assets acquired	142,392

	RMB'000
Representing	
Consideration transferred	
– Cash paid by the Group	22,115
– Shares issued by the Company	49,077
	71,192
Non-controlling interests	71,200
	142,392

An analysis of cash flows in respect of the acquisition of Apex Magic is as follows:

	RMB'000
Consideration paid in cash	22,115
Cash and cash equivalents acquired	–
Net outflow of cash and cash equivalents	22,115

46. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries during the year ended 31 December 2017 (continued)

(ii) Acquisition of Earn Rich Properties Limited ("Earn Rich") and Nice Source Properties Limited ("Nice Source")

On 21 September 2017, the Group entered into an agreement with a third party for the acquisition of 100% equity interest in Earn Rich for a consideration of HK$13,500,000. Completion of the acquisition took place on the same date and the consideration for the acquisition was satisfied by the issue of the promissory note issued by the Company (note 36(b)).

Prior to the acquisition of Earn Rich, Earn Rich was inactive except that Earn Rich entered into an agreement with another third party, under which Earn Rich is granted a right for the acquisition of 100% equity interest in Nice Source for a consideration of HK$90,800,000. The principal assets of Nice Source are investment properties located in Hong Kong.

On 11 December 2017, the completion of the acquisition of Nice Source took place and the consideration for the acquisition of Nice Source amounted to RMB72,512,000 was paid in cash by the Group.

The acquisitions of Earn Rich and Nice Source are accounted for as acquisition of assets.

The Group incurred insignificant costs of the acquisition of Earn Rich and Nice Source. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of completion of Earn Rich and Nice Source:

	Earn Rich *RMB'000*	Nice Source *RMB'000*	Total *RMB'000*
Assets			
Investment properties *(note 17)*	–	84,082	84,082
Prepayments and deposits	–	433	433
Tax recoverable	–	141	141
	–	84,656	84,656
Liabilities			
Other payables and accruals	–	(1,057)	(1,057)
Total identifiable net assets acquired	–	83,599	83,599

Notes to Financial Statements (continued)

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries during the year ended 31 December 2017 (continued)

(ii) Acquisition of Earn Rich Properties Limited ("Earn Rich") and Nice Source Properties Limited ("Nice Source") (continued)

	RMB'000
Representing	
Consideration transferred	
– Cash paid by the Group	72,512
– Promissory notes issued by the Company *(note 36(b))*	11,087
	83,599

An analysis of cash flows in respect of the acquisition of Earn Rich and Nice Source is as follows:

	RMB'000
Consideration paid in cash	72,512
Cash and cash equivalents acquired	–
Net outflow of cash and cash equivalents	72,512

(iii) Acquisition of Ample Chance Limited ("Ample Chance")

On 29 December 2017, the Company entered into an agreement with a director, Mr. Ma Chi Ming, for the acquisition of 100% equity interest in Ample Chance for a consideration of HK$2,000,000. Completion of the acquisition took place on the same date and the consideration for the acquisition was satisfied by the issue of the promissory note issued by the Company (note 36(c)).

Ample Chance is an investment holding company and the principal asset of Ample Chance is 2% equity interest in an investee which is engaged in the operations of restaurants in PRC. The acquisition of Ample Chance is accounted for as acquisition of asset.

The Group incurred insignificant costs of the acquisition of Ample Chance. The transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

46. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries during the year ended 31 December 2017 (continued)

(iii) Acquisition of Ample Chance Limited ("Ample Chance") (continued)

Assets recognised at the acquisition date:

	RMB'000
Assets	
Available-for-sale investments	1,609

	RMB'000
Representing	
Consideration transferred	
– Promissory notes issued by the Company *(note 36(c))*	1,609

An analysis of cash flows in respect of the acquisition of Ample Chance is as follows:

	RMB'000
Consideration paid in cash	–
Cash and cash equivalents acquired	–
Net outflow of cash and cash equivalents	–

(b) Acquisition of subsidiaries during the year ended 31 December 2016

Acquisition of Marvel Paramount Holdings Limited ("Marvel")

On 9 December 2016, the Group acquired 51% equity interest in Marvel, a limited company established in the British Virgin Islands, from an independent third party for the cash consideration of HK$117,000,000 (equivalent to RMB104,010,000). Marvel is an investment holding company and through its subsidiary, MyBB Media Company Limited, is principally engaged in operation of online platform.

The Group has elected to measure the non-controlling interest in Marvel at the non-controlling interest's proportionate share of identifiable net assets of Marvel and its subsidiary.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of subsidiaries during the year ended 31 December 2016 (continued)

Acquisition of Marvel Paramount Holdings Limited ("Marvel") (continued)

Pursuant to the related acquisition agreement, guarantees have been given by the vendor to the Company that the net profit after tax of Marvel and its subsidiary for each of the two financial years ending 31 March 2017 and 31 March 2018 shall not be less than HK$8,000,000 and HK$16,000,000 respectively.

On the other hand, in the event that the Marvel and its subsidiary fails to meet the guaranteed profit for the two financial years ending 31 March 2017 and 2018, the vendor shall pay the Company a compensation which is calculated as specified in the acquisition agreement. Management is of the view that receipt of the compensation from the vendor, if any, is beyond reasonable doubt, accordingly such compensation has not been recognised in the consolidated financial statements.

Marvel and its subsidiary had achieved the guaranteed profit for the financial year ended 31 March 2017.

Details regarding the acquisition of Marvel by the Group are set out in the announcement dated 8 December 2016 made by the Company.

Assets and liabilities recognised at the acquisition date:

	RMB'000
Assets	
Inventories	72
Trade receivables	927
Prepayments, deposits and other receivables	590
Tax recoverable	12
Cash and cash equivalents	31
	1,632
Liabilities	
Trade and bills payables	(13)
Other payables and accruals	(143)
	(156)
Total identifiable net assets acquired	1,476

The trade receivables acquired had gross contractual amount of RMB927,000.

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of subsidiaries during the year ended 31 December 2016 (continued)

Acquisition of Marvel Paramount Holdings Limited ("Marvel") (continued)

	RMB'000
Goodwill arising on acquisition	
Consideration transferred	104,010
Non-controlling interests	723
Less: Fair value of identifiable net assets acquired	(1,476)
Goodwill arising on acquisition *(note 19)*	103,257

The goodwill is mainly attributable to the future cash flows to be derived from the operation of the internet online platform.

The Group incurred insignificant transaction costs for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000
Consideration paid in cash	104,010
Cash and cash equivalents acquired	(31)
Net outflow of cash and cash equivalents included in cash flows from investing activities	103,979

Since the acquisition, Marvel and its subsidiary contributed revenue of RMB4,796,000 and loss of RMB15,416,000 (after taking into account of impairment of goodwill of RMB20,000,000) to the Group's revenue and consolidated loss for the year ended 31 December 2016.

Had the combination taken place at the beginning of the prior year ended 31 December 2016, the revenue of the Group and the consolidated loss of the Group for that year would have been RMB1,002,881,000 and RMB109,026,000 respectively.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

47. DISPOSAL OF SUBSIDIARIES

Disposal took place during the year ended 31 December 2017

On 5 May 2017, Frog Prince (China), an indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to dispose of 45% equity interest in a subsidiary, 福建和潤供應鏈管理有限公司 ("Fujian Herun"), for an aggregate cash consideration of RMB100,000,000. Fujian Herun and its subsidiary, Frog Prince Brand, are principally engaged in the distribution of personal care products and holding of intellectual properties. The disposal was completed on 30 June 2017 and the Group retained 30% equity interest in Fujian Herun after the disposal, which is accounted for as an associate.

An analysis of assets and liabilities of date of disposal over which control was lost:

	RMB'000
Property, plant and equipment *(note 15)*	612
Inventories	13,813
Trade and bills receivables	19,657
Prepayments, deposits and other receivables	22,268
Amount due from a related company	356
Amount due from the Group	42,204
Cash and cash equivalents	2,323
Trade and bills payables	(1,021)
Other payables and accruals	(57,146)
Amount due to the Group	(5,239)
Net assets disposed of	37,827

Gain on disposal of subsidiaries

	RMB'000
Cash consideration	100,000
Fair value of equity interest retained *(note 21)*	16,000
	116,000
Net assets disposed of	(37,827)
Non-controlling interests	17,712
Gain on disposal of subsidiaries *(note 7)*	95,885

47. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the cash flow from the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration received	100,000
Cash and cash equivalents disposed of	(2,323)
Net cash inflow from disposal of subsidiaries	97,677

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities for the year ended 31 December 2017, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings *RMB'000*	**Other borrowings** *RMB'000*	**Total** *RMB'000*
As 1 January 2017	110,919	–	110,919
Financing cash inflows	114,998	52,032	167,030
Financing cash outflows	(107,682)	–	(107,682)
Gain on exchange translation	(3,237)	–	(3,237)
Exchange realignment	–	(2,064)	(2,064)
As 31 December 2017	114,998	49,968	164,966

Notes to Financial Statements (continued)

For the year ended 31 December 2017

49. MAJOR NON-CASH TRANSACTIONS

During the year,

(a) the Group acquired certain subsidiaries. Portions of the consideration for the acquisitions were settled by the Company of (i)147,945,000 new shares of the Company and (ii) by the issues of promissory notes with aggregate principal amounts of HK$15,500,000 (2016: Nil), details of which are set out in note 46(a).

(b) the Group issued promissory note with the principal amount of HK$12,000,000 as consideration for the acquisition of 15% of equity interest in an entity as detailed in note 36(a).

(c) deposits of RMB Nil (2016: RMB1,442,000) were utilised for settlement of purchase consideration of items of property, plant and equipment.

(d) intangible asset of RMB Nil (2016: RMB593,000) was settled through trade and bills receivables.

50. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (including that reclassified as asset classified as held for sale) (notes 17 and 32) under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years (2016: one to three years).

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Within one year	**2,335**	1,229
In the second to fifth years, inclusive	**90**	–
	2,425	1,229

50. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its warehouses and office premises under operating lease arrangements. Leases for properties are negotiated for terms of two to five years (2016: two to three years) with an option for renewal after that date, at which times all terms will be renegotiated.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 *RMB'000*	2016 *RMB'000*
Within one year	3,902	804
In the second to fifth years, inclusive	7,332	536
	11,234	1,340

51. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 50 above, the Group had the following capital commitments at the end of the reporting period:

	2017 *RMB'000*	2016 *RMB'000*
Contracted, but not provided for:		
Purchase of items of property, plant and equipment	2,184	1,116

52. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2017 and 31 December 2016.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

53. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions and balances with related parties detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2017 *RMB'000*	2016 *RMB'000*
Related companies:			
Sale of products	(a)	**5,311**	5,718
Purchase of products	(b)	**8,387**	–
Sale of trademark	(c)	**–**	40
Director:			
Promissory note issued	(d)	**1,609**	–
Associates:			
Sale of products	(e)	**98,070**	–
Purchase of products	(e)	**7,497**	–
Miscellaneous income	(e)	**435**	–
Management fee expense	(f)	**1,709**	–

Notes:

(a) Sale to a related company, Shuangfei Daily Chemicals (USA) Inc. ("Shuangfei USA"), which is controlled by Mr. Li Zhenhui and Mr. Xie Jinling, directors of Frog Prince (China), a subsidiary of the Company, were made on mutually agreed terms.

(b) Purchases from a related company, Fujian Shuangfei Daily Chemicals Co., Ltd. ("Fujian Shuangfei") which is controlled by Mr. Li Zhenhui, were made on mutually agreed terms.

(c) Sale of trademark to a related company, Fujian Shuangfei, was made on mutually agreed terms.

(d) Promissory note with the principal amount of HK$2,000,000 was issued to Mr. Ma Chi Ming, executive director of the Company, for the acquisition of a subsidiary (notes 36(c) and 46(a)(iii)).

(e) Sale to, purchase from and miscellaneous income from an associate, Fujian Herun, were made on mutually agreed terms.

(f) Management fee paid to an associate, Frog Prince Brand, was made on mutually agreed terms.

53. RELATED PARTY TRANSACTIONS (continued)

(ii) An analysis of the balances with related parties are as follows:

Particulars of the amounts due from related parties, which were derived from sales and purchases by the Group to the related parties, are as follows:

Year ended 31 December 2017

Name	1 January 2017 *RMB'000*	31 December 2017 *RMB'000*	Maximum amount outstanding during the year *RMB'000*
Shuangfei USA	7,418	8,748	8,748
Fujian Shuangfei	–	1,000	1,000
	7,418	9,748	

Year ended 31 December 2016

Name	1 January 2016 *RMB'000*	31 December 2016 *RMB'000*	Maximum amount outstanding during the year *RMB'000*
Shuangfei USA	5,903	7,418	7,418

The outstanding balances with related parties are interest-free, unsecured and have no fixed terms of repayment.

(iii) Compensation of key management personnel of the Group

Further details of directors' and the chief executive's remuneration are included in note 12 to these financial statements.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

54. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2017 *RMB'000*	2016 *RMB'000*
Available-for-sale investments		
At fair value	185,671	–
At amortised cost	16,448	15,300
	202,119	15,300
Loans and receivables at amortised cost		
Loan and interest receivables	205,382	125,341
Trade and bills receivables	113,164	134,058
Other receivables	10,911	20,270
Amounts due from related companies	9,748	7,418
Amount due from an associate	40,067	–
Amount due from a joint venture	6,462	–
Amount due from non-controlling interest	1,663	–
Pledged bank deposits	127,118	124,866
Cash and cash equivalents	222,691	614,462
	737,206	1,026,415
	939,325	1,041,715

Financial liabilities

	2017 *RMB'000*	2016 *RMB'000*
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities	–	1,826
Financial liabilities at amortised cost		
Trade and bills payables	71,451	93,695
Other payables	5,735	40,710
Amounts due to associates	79,982	–
Amount due to a joint venture	4	–
Amount due to non-controlling interest	762	–
Amount due to a director	–	399
Promissory notes payable	22,872	–
Bank and other borrowings	164,966	110,919
	345,772	245,723
	345,772	247,549

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise pledged bank deposits, cash and cash equivalents and available-for-sale investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as loan and interest receivables, trade and bills receivables, balances with related companies, an associate, a joint venture, non-controlling interest, other receivables, trade and bills payables, other payables, bank and other borrowings, and balances with associates, a joint venture, non-controlling interest, a director, which arise directly from its operations.

The Group also enters into derivative transactions, including principally foreign currency forward contracts. The purpose is to manage the currency risks arising from the Group's operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces prudent strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposit with floating interest rates. The bank and other borrowings outstanding at 31 December 2017 carried interest at fixed interest rates. The bank borrowings outstanding at 31 December 2016 carried interest at floating interest rates. The Group regularly reviews and monitors the floating interest rate in order to manage its interest rate risks. The directors have reviewed the Group's interest-bearing financial instruments and determined that the Group has no significant interest rate risk.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- loss for the year ended 31 December 2017 would decrease/increase by RMB1,386,000 (2016: decrease/increase by RMB2,692,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank deposits (2016: bank deposits and bank borrowings).

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sale and purchase transactions and cash and bank balances denominated in currencies other than functional currencies of the group entities, mainly in United States dollars ("US$") and Hong Kong dollars ("HK$").

The following table demonstrates the sensitivity at the end of the reporting period to the reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's loss before tax.

	Increase/ (decrease) in US$/HK$ rate	Decrease/(increase) in loss before tax	
		2017	2016
	%	***RMB'000***	*RMB'000*
If RMB weakens against US$	5	**6,446**	4,175
If RMB strengthens against US$	(5)	**(6,446)**	(4,175)
If RMB weakens against HK$	5	**4,350**	8,852
If RMB strengthens against HK$	(5)	**(4,350)**	(8,852)

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk in relation to trade and bill receivables from the business of personal care products as approximately 23% (2016: 8%) and 57% (2016: 27%) of such receivables are due from one customer and the top five customers respectively.

The Group has significant concentration of credit risk in relation to loan and interest receivables as approximately 41% (2016: 21%) and 63% (2016: 83%) of such receivables are due from one borrower and the top five borrowers respectively.

At 31 December 2017, the Group has also significant concentration of credit risk arising from the amount due from an associate amounted to RMB40,067,000 (2016: Nil).

The credit risk on bank deposits is limited because the counterparties are banks with high credit ratings.

None of the Group's financial assets is secured by collateral or other credit enhancements. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position of the Group after deducting any impairment losses.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents and available banking facilities. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The maturity profile of the Group's non-derivative financial assets and financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

The Group

At 31 December 2017	Within 1 year RMB'000	More than 1 Year but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial assets					
Loan and interest receivables	128,962	119,616	30,676	279,254	205,382
Trade and bills receivables	113,164	–	–	113,164	113,164
Other receivables	10,911	–	–	10,911	10,911
Amounts due from related companies	9,748	–	–	9,748	9,748
Amount due from an associate	40,067	–	–	40,067	40,067
Amount due from a joint venture	6,462	–	–	6,462	6,462
Amount due from non-controlling interest	1,663	–	–	1,663	1,663
Pledged bank deposits	127,118	–	–	127,118	127,118
Cash and cash equivalents	222,691	–	–	222,691	222,691
	660,786	119,616	30,676	811,078	737,206
Non-derivative financial liabilities					
Trade and bill payables	71,451	–	–	71,451	71,451
Other payables	5,735	–	–	5,735	5,735
Bank and other borrowings	165,932	–	–	165,932	164,966
Promissory notes payable	22,872	–	–	22,872	22,872
Amounts due to associates	79,982	–	–	79,982	79,982
Amount due to a joint venture	4	–	–	4	4
Amount due to a non-controlling interest	762	–	–	762	762
	346,738	–	–	346,738	345,772

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The Group (continued)

At 31 December 2016	Within 1 year RMB'000	More than 1 Year but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial assets					
Loan and interest receivables	129,660	7,668	9,381	146,709	125,341
Trade and bills receivables	134,058	–	–	134,058	134,058
Other receivables	20,270	–	–	20,270	20,270
Amount due from a related company	7,418	–	–	7,418	7,418
Pledged bank deposits	124,866	–	–	124,866	124,866
Cash and cash equivalents	614,462	–	–	614,462	614,462
	1,030,734	7,668	9,381	1,047,783	1,026,415
Non-derivative financial liabilities					
Trade and bill payables	93,695	–	–	93,695	93,695
Other payables	40,710	–	–	40,710	40,710
Bank borrowings	113,611	–	–	113,611	110,919
Amount due to a director	399	–	–	399	399
	248,415	–	–	248,415	245,723

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

56. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

The Group's equity securities listed in Hong Kong and unlisted investment fund (included in available-for-sale investments) and derivative financial liabilities (representing foreign currency forward contracts) are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 31 December 2017 RMB'000	Fair value as at 31 December 2016 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets				
Equity securities listed in Hong Kong	68,536	–	Level 1	Quoted bid prices in an active market
Unlisted investment fund	117,135	–	Level 2	Quoted bid prices of listed securities held by the fund
Financial liabilities				
Foreign currency forward contracts	–	1,826	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The fair value of all the equity securities listed in Hong Kong at 31 December 2017 is measured based on the quoted bid price as at 29 December 2017, being the last trading date of the securities for the year ended 31 December 2017.

The fair value of unlisted investment fund at 31 December 2017 is measured based on the valuation performed by fund managers by reference to quoted bid prices of the listed securities held by the fund.

There were no transfers between Level 1 and 2 in the period.

(b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis but fair value disclosures are required.

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flows analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

(c) Reconciliation of Level 3 fair value measurements

The Group's financial assets and financial liabilities carried at fair value are measured at fair value on Level 1 and Level 2 fair value measurement. Reconciliation of Level 3 fair value measurement is not presented.

57. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 *RMB'000*	2016 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**236,325**	199,304
Property, plant and equipment	**1,653**	–
Available-for-sale investments	**121,973**	–
	359,951	199,304
CURRENT ASSETS		
Prepayments, deposits and other receivables	**687**	1,479
Amounts due from subsidiaries	**515,627**	458,636
Cash and cash equivalents	**3,563**	345,846
	519,877	805,961
CURRENT LIABILITIES		
Other payables and accruals	**5,669**	21,223
Amounts due to subsidiaries	**463,515**	496,578
Bank borrowings	**–**	110,919
Promissory notes payable	**22,872**	–
	492,056	628,720
NET CURRENT ASSETS	**27,821**	177,241
TOTAL ASSETS LESS CURRENT LIABILITIES	**387,772**	376,545
Net assets	**387,772**	376,545
EQUITY		
Share capital	**9,694**	8,386
Reserves *(note)*	**378,078**	368,159
Total equity	**387,772**	376,545

The Company's statement of financial position was approved and authorised for issue by the board of directors on 28 March 2018 and is signed on its behalf by:

Tsai Wallen
Director

Ma Chi Ming
Director

Notes to Financial Statements (continued)

For the year ended 31 December 2017

57. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Investment valuation reserve RMB'000	Capital redemption reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At1 January 2016	448,802	22,317	(4,613)	–	16	(97,346)	369,176
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	(10,630)	(10,630)
Recognition of equity-settled share-based payments	–	9,613	–	–	–	–	9,613
Transferred to accumulated losses upon forfeiture of share options	–	(380)	–	–	–	380	–
At 31 December 2016 and 1 January 2017	448,802	31,550	(4,613)	–	16	(107,596)	368,159
Loss for the year	–	–	–	–	–	(70,799)	(70,799)
Other comprehensive income for the year							
Gain on change in fair value of available-for-sale investments, net of tax	–	–	–	26,581	–	–	26,581
Total comprehensive income/(expense) for the year	–	–	–	26,581	–	(70,799)	(44,218)
Issue of new shares	47,769	–	–	–	–	–	47,769
Share issue expenses	(27)	–	–	–	–	–	(27)
Recognition of equity-settled share-based payments	–	6,395	–	–	–	–	6,395
Transferred to accumulated losses upon forfeiture of share options	–	(610)	–	–	–	610	–
At 31 December 2017	496,544	37,335	(4,613)	26,581	16	(177,785)	378,078

The capital reserve represents the excess of the nominal value of the Company's shares issued in exchange therefor over the then net asset value of the subsidiaries acquired.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay off its debts as and when they fall due in the ordinary course of business.

58. SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the Group's principal subsidiaries are as follows:

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group			
				Directly		Indirectly	
				2017	2016	2017	2016
Prince Frog Investment Limited	Investment holdings	British Virgin Islands ("BVI")	US$30 (2016: US$30)	100%	100%	–	–
Prince Frog (HK) Daily Chemicals Company Limited	Investment holdings	Hong Kong	HK$10,100 (2016: HK$10,100)	–	–	100%	100%
青蛙王子(中國)日化有限公司[1]	Manufacture and sale of personal care products	PRC	US$60,000,000 (2016: US$60,000,000)	–	–	100%	100%
福建愛潔麗日化有限公司[2] ("Fujian Azalli")	Manufacture and sale of toothpaste products	PRC	RMB10,000,000 (2016: RMB10,000,000)	–	–	80%	80%
青蛙王子(福建)電子商務有限公司[2]	Trading of personal care products and other commodities	PRC	RMB500,000 (2016: RMB500,000)	–	–	100%	100%
青蛙王子(福建)嬰童護理用品有限公司[2]	Trading of personal care products	PRC	RMB50,000,000 (2016: N/A)	–	–	100%	–
福建和潤供應鏈管理有限公司[2] (Fujian Herun Supply Chain Management Co., Limited*) ("Fujian Herun")	Distribution of personal care products	PRC	RMB56,000,000 (2016: RMB56,000,000)	–	–	N/A	75%

Notes to Financial Statements (continued)

For the year ended 31 December 2017

58. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group			
				Directly		Indirectly	
				2017	2016	2017	2016
福建省青蛙王子品牌管理有限公司[2] (Fujian Frog Prince Brand Management Co., Limited*) ("Frog Prince Brand")	Holding of brand name	PRC	RMB30,000,000 (2016: RMB30,000,000)	–	–	N/A	75%
Overseas Travel Science and Technology Limited	Holding of motor vehicles	Hong Kong	HK$10,000,000 (2016: HK$10,000,000)	–	100%	100%	–
紐倫港投資諮詢(深圳)有限公司[1]	Inactive	PRC	RMB100,000 (2016: RMB100,000)	–	–	100%	100%
Future Elite Ventures Limited	Investment holdings	BVI	US$10 (2016: US$10)	100%	100%	–	–
Queen's Finance Limited (formerly known as "Axis Consulting Services Company Limited")	Money lending	Hong Kong	HK$2 (2016: HK$2)	–	–	100%	100%
Brisk Day Limited	Investment holdings	BVI	US$10 (2016: US$10)	100%	100%	–	–
Big Chain Limited	Marketing consultation	Hong Kong	HK$1 (2016: HK$1)	–	–	100%	100%
Link Culture Limited	Trading of commodities	BVI	US$10 (2016: US$10)	100%	100%	–	–
Joy Link Limited	Trading of securities	Hong Kong	HK$1 (2016: HK$1)	–	–	100%	100%
Focus Great Limited	Trading of commodities	Note 3 below	US$10 (2016: US$10)	100%	100%	–	–

58. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group Directly 2017	Directly 2016	Indirectly 2017	Indirectly 2016
Marvel Paramount Holdings Limited ("Marvel")	Operation of online platform	Note 4 below	US$50,000 (2016: US$50,000)	51%	51%	–	–
MyBB Media Limited	Operation of online platform	Hong Kong	HK$10 (2016: HK$10)	–	–	51%	51%
東莞市策潤供應鏈管理有限公司[1]	Trading of commodities	PRC	RMB10,000,000 (2016: N/A)	–	–	100%	–
Apex Magic International Limited	Investment holdings	BVI	US$1 (2016: N/A)	100%	–	–	–
Jumbo Excel Investment Corporation ("Jumbo Excel")	Investment holdings	BVI	US$2 (2016: N/A)	–	–	50%	–
Grand Ray Investment Limited ("Grand Ray")	Properties holdings	Hong Kong	HK$1 (2016: N/A)	–	–	50%	–
Regent Way Limited ("Regent Way")	Properties holdings	Hong Kong	HK$1 (2016: N/A)	–	–	50%	–
Speedy Maker Limited ("Speedy Maker")	Properties holdings	Hong Kong	HK$1 (2016: N/A)	–	–	50%	–
Cheer Winner Investment Limited	Investment holdings	BVI	US$10 (2016: N/A)	100%	–	–	–
Earn Rich Properties Limited	Investment holdings	Hong Kong	HK$1 (2016: N/A)	–	–	100%	–

Notes to Financial Statements (continued)

For the year ended 31 December 2017

58. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group			
				Directly		Indirectly	
				2017	2016	2017	2016
Nice Source Properties Limited	Properties holdings	Hong Kong	HK$10,000 (2016: N/A)	–	–	100%	–
Ample Chance Limited	Investment holdings	BVI	US$100 (2016: N/A)	100%	–	–	–
Sunshine Summit Group Limited	Investment holdings	BVI	US$10 (2016: N/A)	100%	–	–	–

Notes:

1. Wholly-foreign-owned enterprises established under the law of the PRC
2. A limited liability company established under the law of the PRC
3. Focus Great Limited was incorporated in the British Virgin Islands and is operating in Hong Kong.
4. Marvel Paramount Holdings Limited was incorporated in the British Virgin Islands and is operating in Hong Kong.
5. The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results 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.
6. None of the subsidiaries had issued any debt securities at the end of the year.

* For identification purpose only

58. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Major changes in the subsidiaries of the Group during the years ended 31 December 2017 and 31 December 2016 are summarised as follows:

(i) During the year ended 31 December 2017, the Company acquired 100% equity interest in Apex Magic International Limited together with its subsidiaries, details of which are set out in note 46(a)(i). The Group holds 50% of the issued share capital of Jumbo Excel with the remaining 50% of its issued share capital held by a third party unrelated to the Group and Grand Ray, Regent Way and Speedy Maker are wholly-owned subsidiaries of Jumbo Excel. Pursuant to the acquisition agreement, the Group is granted the right for the exercise of control over the composition of the board of directors of Jumbo Excel. Accordingly, the directors of the Company consider that the Group has control over Jumbo Excel, which is classified as a subsidiary of the Group.

(ii) During the year ended 31 December 2017, the Group acquired 100% equity interest in Earn Rich Properties Limited, details of which are set out in note 46(a)(ii).

(iii) During the year ended 31 December 2017, the Group acquired 100% equity interest in Ample Chance Limited, details of which are set out in note 46(a)(iii).

(iv) During the year ended 31 December 2017, the Group disposed of 45% equity interest in Fujian Herun Supply Chain Management Co., Limited and its subsidiary to a third party. Upon the completion of disposal, Fujian Herun became an associate of the Group, details of which are set out in note 47.

(v) During the year ended 31 December 2016, the Company acquired 51% equity interests in Marvel Paramount Holdings Limited together with its subsidiary, MyBB Media Company Limited, details of which are set out in note 46(b).

(vi) During the year ended 31 December 2016, Fujian Herun Supply Chain Management Co., Limited and its subsidiary Fujian Frog Prince Brand Management Co., Limited, were established by the Group on 23 June 2016 and 28 September 2016 respectively. On 29 December 2016, the Group disposed of 25% equity interests in Fujian Herun to a third party. Further details of this disposal are included in note 58(c) below.

(b) Summarised financial information on subsidiaries with material non-controlling interests

The table below shows details of subsidiaries with material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Marvel and its subsidiary	Note (a) below	49%	49%	6,735	1,876	8,975	2,694
Jumbo Excel and its subsidiaries	Note (b) below	50%	N/A	1,261	N/A	68,271	N/A

Notes:

(a) Marvel was incorporated in the British Virgin Islands. The subsidiary of Marvel was incorporated in and is operating in Hong Kong. Marvel and its subsidiaries are principally engaged in operation of online platform.

(b) Jumbo Excel was incorporated in the British Virgin Islands. The subsidiaries of Jumbo Excel were incorporated in and are operating in Hong Kong. Jumbo Excel and its subsidiaries are principally engaged in properties holding.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

58. SUBSIDIARIES (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Set out below are the summarised consolidated financial information for subsidiaries of the Group that have material non-controlling interests.

Summarised consolidated statement of financial position

	Marvel and its subsidiary		Jumbo Excel and its subsidiaries	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current assets	**931**	–	**137,297**	–
Current assets	**20,843**	6,370	**–**	–
Current liabilities	**(3,459)**	(872)	**(755)**	–
Non-current liabilities	**–**	–	**–**	–
Net assets	**18,315**	5,498	**136,542**	–
Proportion of non-controlling interests' ownership	**8,975**	2,694	**68,271**	–

Summarised consolidated statement of profit or loss and other comprehensive income

	Marvel and its subsidiary		Jumbo Excel and its subsidiaries	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue and other income	**21,070**	4,796	**2,523**	–
Expenses	**(7,324)**	(968)	**–**	–
Profit for the year	**13,746**	3,828	**2,523**	–
Profit for the year allocated to non-controlling interest	**6,735**	1,876	**1,261**	–
Total comprehensive income/(expense)	**12,820**	3,828	**(5,915)**	–
Total comprehensive income/(expense) allocated to non-controlling interests	**6,281**	1,876	**(2,957)**	–

58. SUBSIDIARIES (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised consolidated statement of cash flows

	Marvel and its subsidiary		Jumbo Excel and its subsidiaries	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net cash inflow from operating activities	**1,643**	31	**–**	–
Net cash outflow from operating activities	**(1,308)**	–	**–**	–
Net cash inflow from financing activities	**–**	–	**–**	–
Net cash inflow	**335**	31	**–**	–

(c) Changes in the Group's ownership interest in a subsidiary

During the year ended 31 December 2016, the Group disposed of its 25% equity interest in a subsidiary, Fujian Herun. The consideration for the disposal amounted to RMB33,000,000, of which RMB18,000,000 was received by the Group with the remaining outstanding balance amounted to RMB15,000,000 which is included in prepayments, deposits and other receivables (note 27). An amount of RMB18,439,000 (being the proportionate share of the carrying amount of the net assets of Fujian Herun) has been transferred to non-controlling interests. The difference of RMB14,561,000 between the increase in the non-controlling interests and the consideration has been credited to retained profits.

Summary Financial Information

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below.

RESULTS

	Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**795,580**	999,544	913,716	1,482,469	1,712,206
(LOSS)/PROFIT BEFORE TAX	**(156,538)**	(106,003)	(49,260)	215,187	309,624
Income tax expense	**(6,745)**	(3,473)	(556)	(14,794)	(110,046)
(LOSS)/PROFIT FOR THE YEAR	**(163,283)**	(109,476)	(49,816)	200,393	199,578
Attributable to:					
Equity holders of the Company	**(170,744)**	(111,189)	(50,309)	200,393	199,578
Non-controlling interests	**7,461**	1,713	493	–	–
	(163,283)	(109,476)	(49,816)	200,393	199,578

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**1,731,628**	1,687,036	1,606,732	1,692,646	1,468,019
Total liabilities	**(416,047)**	(336,858)	(191,896)	(207,202)	(145,859)
Non-controlling interests	**(85,711)**	(25,190)	(4,222)	–	–
	1,229,870	1,324,988	1,410,614	1,485,444	1,322,160

Note:

(i) The consolidated results of the Group for the five years ended 31 December 2013, 2014, 2015, 2016 and 2017 and the consolidated assets and liabilities of the Group as at 31 December 2013, 2014, 2015, 2016 and 2017 were extracted from the published audited financial statements.

The summary above does not form part of the audited financial statements.

Particulars of Major Properties

INVESTMENT PROPERTIES

Location	Existing use	Type of lease
Workshop C6 on G/F of Block C, Hong Kong Industrial Centre, Nos. 489-491 Castle Peak Road, Kowloon	Industrial	Medium term

ASSET CLASSIFIED AS HELD FOR SALES

Location	Existing use	Type of lease
Workshop C7 on 1/F of Block C, Hong Kong Industrial Centre, Nos. 489-491 Castle Peak Road, Kowloon	Industrial	Medium term

Particulars of Major Properties (continued)

PROPERTIES FOR DEVELOPMENT

Location	Gross Floor Area (square meter)	Stage of Completion	Lease Expiry	Group's Interest	Anticipated completion
Section A of Lot 2044 in Demarcation District 104, Yuen Long, New Territories	162.70	Pending Stage	2047	50%	N/A
Section B of Lot 2044 in Demarcation District 104, Yuen Long, New Territories	164.50	Pending Stage	2047	50%	N/A
Section A of Lot 2051 in Demarcation District 104, Yuen Long, New Territories	132.90	Pending Stage	2047	50%	N/A
Section A of Lot 2052 in Demarcation District 104, Yuen Long, New Territories	77.70	Pending Stage	2047	50%	N/A
Section A of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	135.30	Pending Stage	2047	50%	N/A
Section B of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	112.80	Pending Stage	2047	50%	N/A
Section C of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	99.70	Pending Stage	2047	50%	N/A
Section D of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	96.90	Pending Stage	2047	50%	N/A
Section A of Lot 2061 in Demarcation District 104, Yuen Long, New Territories	131.10	Pending Stage	2047	50%	N/A
Section B of Lot 2061 in Demarcation District 104, Yuen Long, New Territories	122.80	Pending Stage	2047	50%	N/A