Stock Code 股份代號：1178

# SHARE ECONOMY GROUP LIMITED

# 共享經濟集團有限公司

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）


# 2017

年報
ANNUAL REPORT

# CONTENTS

| | |
|---|---|
| **Corporate Information** | 2 |
| **Management Discussion and Analysis** | 4 |
| **Report of the Directors** | 10 |
| **Biographies of Directors and Senior Management** | 19 |
| **Corporate Governance Report** | 23 |
| **Environmental, Social and Governance Report** | 35 |
| **Independent Auditor's Report** | 42 |
| **Consolidated Statement of Profit or Loss and Other Comprehensive Income** | 45 |
| **Consolidated Statement of Financial Position** | 46 |
| **Consolidated Statement of Changes In Equity** | 47 |
| **Consolidated Statement of Cash Flows** | 48 |
| **Notes to the Consolidated Financial Statements** | 50 |
| **Summary of Financial Information** | 112 |

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive Directors**

Zhou Guohua *(Chairman)* (appointed as Executive Director on 8 August 2016 and appointed as Chairman on 2 June 2017)
Wong Kui Shing, Danny (appointed on 8 May 2017)
Meng Xiaoqian *(Chief Executive Officer)* (appointed as Executive Director on 2 June 2017 and appointed as Chief Executive Officer on 7 June 2017)
Christina Chan *(Chief Financial Officer)* (appointed as Executive Director and Chief Financial Officer on 7 June 2017)
Xu Zhifeng (resigned on 27 September 2017)
Chan Shun Yee (redesignated to Non-Executive Director on 4 November 2016 and resigned on 27 September 2017)
Liu Min (resigned on 1 March 2017)
Yip Tak Yin Parkson (appointed as Executive Director on 4 November 2016; appointed as Co-Chairman on 14 December 2016; redesignated to Deputy Chairman on 1 March 2017 and resigned on 10 April 2017)
Wang Jingan (appointed as Executive Director and Chairman on 1 December 2016; appointed as Co-Chairman on 14 December 2016; redesignated to Executive Director on 1 March 2017 and resigned on 20 April 2017)
Tan Jiefu (appointed as Executive Director and Chairman on 1 March 2017 and resigned on 2 June 2017)

**Non-Executive Directors**

Zhou Jian (appointed on 2 June 2017)
Chan Shun Yee (redesignated from Executive Director on 4 November 2016 and resigned on 27 September 2017)
Chau Yu-Lung Jimmy (resigned on 1 December 2016)

**Independent Non-Executive Directors**

Ng Kwok Kei Sammy (appointed on 2 June 2017)
Chen Zhihua (appointed on 7 June 2017)
Wong Chi Yan (appointed on 23 October 2017)
Su Rujia (resigned on 27 September 2017)
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)
Wong Tat Yan Paul (resigned on 2 June 2017)
Zhu Yanzhou (resigned on 14 December 2016)

## AUDIT COMMITTEE

Ng Kwok Kei Sammy *(Chairman)* (appointed on 2 June 2017)
Chen Zhihua (appointed on 7 June 2017)
Wong Chi Yan (appointed on 23 October 2017)
Wong Tat Yan Paul (resigned on 2 June 2017)
Su Rujia (resigned on 27 September 2017)
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)
Zhu Yanzhou (resigned on 14 December 2016)

## REMUNERATION COMMITTEE

Ng Kwok Kei Sammy *(Chairman)* (appointed on 2 June 2017)
Chen Zhihua (appointed on 7 June 2017)
Wong Chi Yan (appointed on 23 October 2017)
Wong Tat Yan Paul (resigned on 2 June 2017)
Su Rujia (resigned on 27 September 2017)
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)
Zhu Yanzhou (resigned on 14 December 2016)

## NOMINATION COMMITTEE
**(established on 7 June 2017)**

Wong Chi Yan *(Chairman)* (appointed on 23 October 2017)
Ng Kwok Kei Sammy (appointed on 7 June 2017)
Chen Zhihua (appointed on 7 June 2017)
Su Rujia (appointed on 7 June 2017 and resigned on 27 September 2017)
Wang Edward Xu (appointed as Chairman on 7 June 2017 and resigned on 27 September 2017)

## STRATEGIC DEVELOPMENT COMMITTEE
**(established on 29 August 2017)**

Zhou Guohua *(Chairman)* (appointed on 29 August 2017)
Wong Kui Shing, Danny (appointed on 29 August 2017)
Meng Xiaoqian (appointed on 29 August 2017)
Zhou Jian (appointed on 29 August 2017)

## COMPANY SECRETARY

Wong Siu Fan (appointed on 30 September 2017)
Yeung Shun Kee (resigned on 30 September 2017)

# CORPORATE INFORMATION

## AUTHORISED REPRESENTATIVES

Zhou Guohua (appointed on 4 August 2017)
Wong Siu Fan (appointed on 30 September 2017)
Xu Zhifeng (resigned on 4 August 2017)
Yeung Shun Kee (resigned on 30 September 2017)

## AUDITOR

Elite Partners CPA Limited
Certified Public Accountants

10/F, 8 Observatory Road, Tsim Sha Tsui
Kowloon, Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
China Minsheng Banking Corporation Limited

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3501–3502
35/F, Bank of America Tower
No. 12 Harcourt Road
Central, Hong Kong
Tel: (852) 2868 2588
Fax: (852) 2991 4711

## HEAD OFFICE IN THE PRC

Floor 8, Convention and Exhibition Centre,
No. 1, Software Road, Zhuhai, Guangdong
The People's Republic of China

## SHARE REGISTRARS AND TRANSFER OFFICES

**Cayman Islands**

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

**Hong Kong**

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

## STOCK CODE

1178

## WEBSITE ADDRESS

http://www.irasia.com/listco/hk/shareeconomy/

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Share Economy Group Limited (the "Company") is an investment holding company and its subsidiaries (the "Group") are principally engaged in manufacturing and trading of BIOenergy products, healthcare food products, multifunctional water generators and other healthcare products in the PRC and Hong Kong.

For the year ended 30 June 2017, total revenue of the Group decreased by approximately 49.45% as compared with last year. The BIOenergy products decreased in sale volume but increased in segment result. Healthcare food sales decreased in sales as well as in total value so did the multi-functional water generators. The overall revenue decreased due to the highly competitive global market in the honey industry and healthcare food supplements industry. All other business segments of the Group still faced with tough business environment during the year under review owing to fierce market competition in both Hong Kong and the PRC.

During the year ended 30 June 2017, the investment properties of the Group were vacant most of the time due to the persistent depressed state of the property market in the PRC and adverse situation in property demand in the region where such properties are located.

## FINANCIAL REVIEW

**Revenue**

The Group recorded sales revenue of approximately HK$53.52 million for the year ended 30 June 2017, representing a decrease of approximately 49.45% as compared with last year. The decrease in overall sales revenue was mainly attributed to the ineffective pricing policy and marketing strategy in BIOengergy products, which shows a decrease in approximately HK$33.48 million or 55.65% as compared with last year. In the healthcare food segment, the Group recorded a decrease in sales revenue to approximately HK$12.77 million, which is 34.61% lower than the previous financial year.

**Gross profit**

The overall gross profit margin of the Group for the year ended 30 June 2017 slightly decreased by 1.69% to approximately 31.06% as compared to last year. Such decrease reflects the Group's learning curve and development stage in its businesses of honey products and healthcare food supplements products. The gross profit of the Group for the year ended 30 June 2017 decreased by 52.06% from approximately HK$34.68 million to approximately HK$16.62 million.

**Selling and distribution expenses**

Selling and distribution expenses for the year ended 30 June 2017 amounted to approximately HK$3.86 million, representing a decrease of 32.68% from approximately HK$5.74 million in 2016. This represented the management's effective control of direct selling and distribution expenses in particular of sales commission.

**Administrative expenses**

During the year under review, administrative expenses amounted to approximately HK$57.09 million, representing a slight decrease of approximately HK$0.94 million, or 1.61% as compared with last year.

**Other operating expenses**

For the year ended 30 June 2017, other operating expenses decreased approximately 62.17% to approximately HK$32.35 million which was mainly attributable to: (1) impairment loss on other receivables; (2) impairment of goodwill and intangible assets; and (3) impairment loss on account receivables.

**Finance costs**

Finance costs amounted to approximately HK$0.6 million was mainly due to interest paid on borrowings.

**Loss for the year**

The Group's loss for the year ended 30 June 2017 was about HK$70.96 million, representing a decrease of 37.09% from approximately HK$112.8 million which was the loss for last year. The decrease was mainly attributed to the combined effect of the reductions of revenue and non-recurring other operating expenses.

## CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders at the extraordinary general meeting of the Company held on 27 October 2016 and upon obtaining the Certificate of Incorporation on Change of Name issued by the Registry of Companies in the Cayman Islands, the English name of the Company was changed from "Vitop Group Limited" to "Share Economy Group Limited" and the Chinese name "共享經濟集團有限公司" was adopted as the secondary name of the Company in place of the Chinese name "天年集團有限公司", which had been adopted for identification purpose only, both with effect from 27 October 2016.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed a total of 87 employees (30 June 2016: 81 employees), of which 60 (30 June 2016: 61) were working in the PRC, 1 (30 June 2016: 0) in New Zealand and 26 (30 June 2016: 20) were stationed in Hong Kong. The total salaries (excluding directors' emoluments) for the year ended 30 June 2017 was approximately HK$11.26 million (30 June 2016: approximately HK$11.07 million). Remuneration packages comprises salary, mandatory provident fund, bonus, statutory contributions, medical allowance and share options.

## FOREIGN EXCHANGE RISK AND MANAGEMENT

The majority of the Group's operations are located in the PRC, and the main operational currencies are Hong Kong Dollars, Renminbi and New Zealand Dollars. The Company is paying regular and active attention to Renminbi exchange rate fluctuations and consistently assess exchange risks.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, net current assets of the Group were approximately HK$109.09 million (30 June 2016: approximately HK$199.53 million). The Group's cash and bank balance at that date amounted to approximately HK$18.07 million (30 June 2016: approximately HK$39.68 million), which was mainly denominated in Hong Kong dollars and Renminbi, and the Group had borrowings at the end of this year of HK$16 million (30 June 2016: approximately HK$5.81 million).

As at 30 June 2017, the Group's current ratio and quick ratio were 3.27 (30 June 2016: 7.36) and 2.87 (30 June 2016: 6.60) respectively. The current ratio is calculated on the basis of current assets over current liabilities and the quick ratio is calculated on the same basis of the current ratio but excluded inventories.

The gearing ratio, total borrowings divided by total assets at the end of each year, was 4.59% as at 30 June 2017 (30 June 2016: 1.9%), the changes is due to increase in borrowings during the year ended 30 June 2017.

The Group continued to have no structured investment products, foreign exchange contracts and investments in listed shares, bonds and debentures.

It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity to meet operation requirements and to capture acquisition requirements.

## CAPITAL COMMITMENT

During the year ended 30 June 2017, the Group had no material capital commitments or investment commitments.

The operating lease commitment for the Group as at 30 June 2017 was around HK$8.87 million (30 June 2016: HK$4.10 million).

## FINAL DIVIDEND

The board (the "Board") of the directors (the "Directors") of the Company has resolved not to declare any final dividend for the year ended 30 June 2017 (2016: Nil).

## CONTINGENT LIABILITIES

Neither the Group nor the Company had any significant contingent liabilities at the end of this reporting year.

## LITIGATION

On 3 March 2017, two individuals who are former employees (the "Plaintiffs") of ECrent (America) Company Limited filed a summons with the Supreme Court of the State of New York County of Nassau (the "Supreme Court") in the United States of America against certain defendants, including the Company and ECrent (HK) Company Limited, claiming for unpaid salary, benefits and expenses. The Company then engaged and obtained legal advice from its US legal counsel to apply for the case dismissed. On 31 August 2017, a Notice of Discontinuance was filed by the attorneys acting for the Plaintiffs with the Supreme Court whereby the Plaintiffs formally discontinued the proceeding as against the Company and ECrent (HK) Company Limited.

## MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

Except for the acquisition of ECrent (Hong Kong) Limited ("ECrent HK", together with its subsidiary, "ECrent Group") and YSK 1860 Investment Company Limited ("YSK 1860", together with its subsidiary, "YSK Group") as disclosed in Note 17 to the consolidated financial statement, the Group had not completed any other material acquisition or disposal of subsidiaries and affiliated companies during the year ended 30 June 2017. Please refer to the Company's announcements dated 3 May 2016, 31 May 2016, 20 July 2016, 30 July 2016 and 12 August 2016 for details.

## CAPITAL STRUCTURE

On 16 August 2016, the Company issued 487,992,111 shares at HK$0.205 per share to independent third parties as part of the consideration to acquire 100% equity interests in ECrent (Hong Kong) Limited and 0.45% of the equity interest of YSK 1860 Investment Company Limited. The number of the Company's then issued shares increased from 4,456,291,922 to 4,944,284,033 shares accordingly.

On 29 December 2016, a total number of 20,000,000 share options were exercised under the share option scheme of the Company adopted on 2 December 2014 and the total number of shares which may be issued upon the exercise of all share options granted under the share option scheme of the Company was refreshed on 31 December 2015 and 29 December 2016. There was no share options granted during the year ended 30 June 2017 and the number of outstanding share options granted as at 30 June 2017 were 242,000,000.

At 30 June 2017, the Group still maintain a cash and bank balance of HK$18.07 million as general working capital.

At 30 June 2017, the capital structure of the Company comprised 4,964,284,033 ordinary shares of HK$0.025 each.

## EVENTS AFTER REPORTING PERIOD

**Placing of new shares under general mandate**

On 12 July 2017, the Company entered into a placing agreement (the "Placing Agreement") with Kingston Securities Limited as the placing agent (the "Placing Agent"), pursuant to which the Company had conditionally agreed to place through the Placing Agent, on a best effort basis, up to 988,850,000 placing shares to expected to be not less than six placees who and whose beneficial owners are independent third parties (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules")) at a placing price of HK$0.07 per placing share. All the conditions set out in the Placing Agreement have been fulfilled and completion of the Placing took place on 3 August 2017. The Placing Agent has successfully placed 988,850,000 placing shares at the placing price of HK$0.07 per placing share to not less than six placees. The net proceeds from the placing amounted to approximately HK$67 million which is intended to be used as general working capital for the Group's expansion of the existing business and/or other potential business development opportunities.

**Incident relating to the Group's acquisition of YSK 1860 Investment Company Limited and ECrent (Hong Kong) Limited**

As set out in the Company's announcements dated 3 May 2016, 31 May 2016, 20 July 2016, 30 July 2016 and 12 August 2016, the Group acquired (the "Acquisition") 0.45% of the equity interest in YSK 1860 Investment Company Limited and 100% of the equity interest in ECrent (Hong Kong) Limited from ECrent Holdings Limited, an independent third party (as defined in the Listing Rules), at a total consideration of approximately HK$110,039,000, which was completed on 12 August 2016. Upon completion of the Acquisition, YSK 1860 Investment Company Limited was treated as an investment while ECrent (Hong Kong) Limited would become a wholly-owned subsidiary of the Company and its financial results should be fully reflected on the consolidated financial statements of the Group for the year ended 30 June 2017.

During the course of the audit of the Group's financial statements for the year ended 30 June 2017, the Directors became aware that the Group was unable to obtain the books and records from ECrent Group. Despite repeated negotiation and demand for cooperation from the management of ECrent Group for provision of the accounting records and make available of other documents which the Directors considered necessary (the "Books and Records") for their inspection, no such Books and Records were provided. Due to the non-cooperation of the management of ECrent Group, the Directors considered that the Group might have lost control (the "Incident") in ECrent Group which would lead to the inability of the auditor to perform their audit and issue of the opinion on the consolidated financial statements of the Company for the year ended 30 June 2017.

During the course of the audit of the Group's financial statements for the year ended 30 June 2017, the Directors also became aware that the Group was unable to obtain appropriate evidence for the ownership of 0.45% equity interests in YSK 1860 Investment Company Limited including but not limited to the relevant share certificate(s) of YSK 1860 Investment Company Limited, which would lead to the auditor not being able to perform their audit on YSK Group properly.

**Formation of the special investigation committee of the Company**

On 21 September 2017, the Board resolved, among others, to form a special investigation committee of the Company for conducting a review (the "Investigation") on whether the investment process made by the Board in relation to the Acquisition was sufficient, proper and reasonable. In order to assist the Board on this matter, the Board has engaged Ascenda Cachet CPA Limited, an independent certified public accountant firm, to carry out a review on (i) the chronology of events leading to the Acquisition; (ii) the documentation and rationale of the Group's decision on the Acquisition; (iii) the basis of the valuation of the Acquisition; (iv) the due care of the Directors in approving the Acquisition; (v) the compliance of the Acquisition in accordance with the Listing Rules and other relevant rules and regulations; (vi) the chronology of events leading to the Incident and its consequent effect; and (vii) the internal control of the Group and its subsidiaries.

The Company will make further announcement on the results of the Investigation as and when appropriate.

## PROSPECTS

Given the financial results of the existing businesses, and the Group's development in new businesses in the past financial year, the Group expects the coming financial year to be a year of positive changes and fresh take-ons.

This year, the Group will continue to make further investment on healthcare products. Healthcare products, healthy food and supplement has been one of our growing revenue drivers, and will continue to be one of the Group's major business pillars. The healthcare product business is expected to generate new profits through market development, product development and brand development. The "One Belt One Road" policy shall open up more opportunities for the Group to diversify its healthcare product categories and expand to the overseas market. Quality functional food resources shall be imported as major ingredients of the healthcare product. Overseas business partners including raw material suppliers, OEM companies, companies with established sales and distribution platforms and channels, together with our experienced staffs, shall contribute to the Group's solid profit growth and further cost reduction to maximise our shareholders' interest. The Group will allocate more investment in the healthcare product business and has optimistic forecast on further growth of both sales revenue and profit margin.

Trading will be among the business pillars of the Group and an increase in cash flows are expected to be achieved. With more investment to be made into the supply chain of our healthcare product business, the trading activities shall increase and contribute to the fast growth of the Group's trading business. Along with our healthcare business, the Company will further develop its trading business with the potential business partners. Industrial leaders which provide complete solutions from raw material importation to end product sales are among the business partners whom the Group shall seek to work with. Besides products of functional food categories, quality food resources such as bird's nest, propolis, and beef will be imported to benefit from the trend of increasing emphasis on food safety and quality life style by consumers in the Greater China region.

E-commerce, the third business pillar of the Group to be developed in the coming year, is part of the Group's endeavour to invest in the sales and distribution channel of its healthcare products and trading products. The Group is looking at promising business development opportunities with the potential partners in the PRC and Taiwan. Those partners, with established online platforms, impressive market shares and sales records, experienced industrial elite teams, are expected to expand the Group's existing market by reaching to a broader and more diversified customer base. E-commerce is the result of technology development which the Group has to embrace instead of sticking to the traditional sales models. The big data contributed by the e-commerce business will further clarify the business development model that the Group shall take in the industry and assist the Group to find its competitive market position in the long run.

The three business pillars above shall be developed hand in hand and form a virtuous circle for the Group's business development and corporate development.

The Directors present their report and the audited consolidated financial statements of Share Economy Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June 2017.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and trading of BIOenergy products, healthcare food products, multifunctional water generators and other healthcare products in the PRC and Hong Kong.

## BUSINESS REVIEW

A business review of the Group and an indication of likely future development in the Group's business are provided in the "Management Discussion and Analysis" of this annual report.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2017 and the state of affairs of the Group and the Company as at that date are set out in the audited consolidated financial statements on pages 45 to 111.

The Directors do not recommend the payment of any dividends to shareholders of the Company (the "Shareholders") for the year ended 30 June 2017.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets, liabilities and minority interests of the Group for the last five financial years is set out on page 112. This summary does not form part of the audited consolidated financial statements.

## DONATION

No donation has been made by the Group during the year ended 30 June 2017 (2016: Nil).

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year ended 30 June 2017 are set out in note 13 to the audited consolidated financial statements.

## INTANGIBLE ASSETS

Details of the movement in the Group's intangible assets during the year ended 30 June 2017 is set out in note 15 to the audited consolidated financial statements.

## SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 30 June 2017, together with the reasons therefore, are set out in note 26 to the audited consolidated financial statements.

## SHARE OPTION SCHEME

The Company has adopted a share option scheme on 2 December 2014 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant options the ("Options") to the directors (including executive director(s), non-executive director(s) and independent non-executive director(s)) and employees of the Group and any advisors, consultants, business partners, joint venture business partners, promoters, service providers whom the Board considers, in its sole discretion, have contributed or will contribute to the Group ("Participant(s)") as well as to provide incentives and help the Group in retaining its existing employees and recruiting new employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

Under the Share Option Scheme, the Board has the authority to set terms and conditions in the grant of the Options, in particular, the terms in relation to the minimum period of the Options to be held, the performance targets to be achieved before such Options can be exercised and the subscription price (the "Subscription Price"). With such authority and flexibility, the Board may assess the circumstance of each Participant and impose different terms and conditions in the grant of the Options to the Participants as they consider appropriate with a view to achieving the purpose of the Share Option Scheme.

The principal terms of the Share Option Scheme are as follows:

(i) The maximum number of shares of the Company (the "Shares") which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10 per cent. in nominal amount of the aggregate of the Shares in issue on the annual general meeting held on 2 December 2014 (the "Adoption Date"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the scheme mandate limit.

(ii) At any time, the maximum number of the Shares which may be issued upon exercise of all Options which then has been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. (or such higher percentage as may be allowed under the Listing Rules) of the Shares in issue from time to time.

(iii) Subject to (iv) below, the maximum number of the Shares issued and to be issued upon exercise of the Options granted to each grantee (the "Grantee") under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1 per cent. of the Shares in issue for the time being.

(iv) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such proposed Grantee must be fixed before the Shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant (the "Date of Grant") for the purpose of calculating the Subscription Price.

(v) The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of:

(a) the closing price of the Shares as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the Date of Grant which must be a business day;

(b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the Date of Grant; and

(c) the nominal value of the Shares.

(vi) On and subject to the terms of the Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select to take up an Option pursuant to which such Participant may, during the option period (the "Option Period"), subscribe for such number of the Shares as the Board may determine at the Subscription Price. The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include, among other things, (i) the minimum period for which an Option must be held before it can be exercised; and/or (ii) a performance target that must be reached before the Option can be exercised in whole or in part; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

(vii) An offer (the "Offer") shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of 7 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the Share Option Scheme has been terminated in accordance with the terms hereof or after the Participant for whom the Offer is made has ceased to be a Participant.

(viii) An Offer is deemed to be accepted when the Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of the Shares in respect of which the Offer is accepted and a remittance to the Company of HK$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances.

(ix) The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the 10 year period.

Movements in the number of share options outstanding and their exercise prices are as follows:

| | **Number of share options** | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name of category/participant** | **At 1 July 2016** | **Granted during the year** | **Exercised during the year** | **At 30 June 2017** | **Date of Grant** | **Exercise period** | **Exercise price (HK$)** |
| **Employees/consultants** | | | | | | | |
| In aggregate | 262,000,000 | 0 | (20,000,000) | 242,000,000 | 21 March 2016 | 21/3/2016 –20/3/2026 | 0.145 |

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision is in force for the benefit of all Directors during the year ended 30 June 2017 and at the date of this report.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 30 June 2017, there were no purchase, sale or redemption by the Company, or any its subsidiaries, of the Company's listed securities.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 30 June 2017 are set out in the consolidated statement of changes in equity and note 28 to the audited financial statements, respectively.

## DISTRIBUTABLE RESERVES

As at 30 June 2017, the Company's reserve available for distribution, calculated in accordance with the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$54 million. This includes the Company's share premium account, in the capital amount of approximately HK$510 million as at 30 June 2017, which 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. The share premium account may also be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the percentage of sales to the Group's five largest customers accounted for 91.59% of the Group's total sales for the year ended 30 June 2017 and sales to the largest customer included therein amounted to 34.63%. Purchases from the Group's five largest suppliers accounted for 35.90% of the total purchases for the year ended 30 June 2017 and purchases from the largest supplier included therein amounted to 33.02%.

At no time during the year ended 30 June 2017 had the Directors, their associates or any Shareholder (which, to the knowledge of Directors, owns more than 5% of the Company's share capital) have any interest in these major customers and suppliers.

## DIRECTORS

The Directors during the year ended 30 June 2017 and as at the date of publication of this report were as follows:

**Executive Directors**

Zhou Guohua (Chairman) (appointed as Executive Director on 8 August 2016 and appointed as Chairman on 2 June 2017)
Wong Kui Shing, Danny (appointed on 8 May 2017)
Meng Xiaoqian (Chief Executive Officer) (appointed as Executive Director on 2 June 2017 and appointed as Chief Executive Officer on 7 June 2017)
Christina Chan (Chief Financial Officer) (appointed as Executive Director and Chief Financial Officer on 7 June 2017)
Xu Zhifeng (resigned on 27 September 2017)
Chan Shun Yee (redesignated to Non-Executive Director on 4 November 2016 and resigned on 27 September 2017)
Liu Min (resigned on 1 March 2017)
Yip Tak Yin Parkson (appointed as Executive Director on 4 November 2016, appointed as Co-Chairman on 14 December 2016; redesignated to Deputy Chairman on 1 March 2017 and resigned on 10 April 2017)
Wang Jingan (appointed as Executive Director and Chairman on 1 December 2016, appointed as Co-Chairman on 14 December 2016; redesignated to Executive Director on 1 March 2017; and resigned on 20 April 2017)
Tan Jiefu (appointed as Executive Director and Chairman on 1 March 2017 and resigned on 2 June 2017)

**Non-Executive Directors**

Zhou Jian (appointed on 2 June 2017)
Chan Shun Yee (redesignated from Executive Director on 4 November 2016 and resigned on 27 September 2017)
Chau Yu-Lung Jimmy (resigned on 1 December 2016)

**Independent Non-Executive Directors**

Ng Kwok Kei Sammy (appointed on 2 June 2017)
Chen Zhihua (appointed on 7 June 2017)
Wong Chi Yan (appointed on 23 October 2017)
Su Rujia (resigned on 27 September 2017)
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)
Wong Tat Yan Paul (resigned on 2 June 2017)
Zhu Yanzhou (resigned on 14 December 2016)

In accordance with article 83(3) of the article of association of the Company, Mr. Wong Kui Shing, Danny, Ms. Meng Xiaoqian, Ms. Christina Chan, Mr. Zhou Jian, Mr. Ng Kwok Kei Sammy, Mr. Chen Zhihua and Ms. Wong Chi Yan shall retire from office at the forthcoming general meeting of the Company and shall offer themselves for re-election.

In accordance with article 84(1) of the article of association of the Company, Mr. Zhou Guohua shall retire by rotation at the forthcoming general meeting of the Company and, being eligible, offer himself for re-election at the forthcoming general meeting in accordance with article 84(2) of the articles of association.

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 19 to 22 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wong Kui Shing, Danny, Ms. Meng Xiaoqian, Ms. Christina Chan, Mr. Zhou Jian, Mr. Ng Kwok Kei Sammy and Mr. Chen Zhihua did not enter into a director's service agreement with the Company. They are not appointed for a specific term but are subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the articles of association of the Company. Mr. Zhou Guohua entered into a service contract with the Group for an initial fixed terms of contract from 8 August 2016 for two years. Ms. Wong Chi Yan had entered into the letter of appointment with the Company, which took effect from 23 October 2017 for a term of one year pursuant to which her directorship in the Company is subject to retirement and re-election at general meetings of the Company in accordance with the articles of association of the Company.

Save as disclosed above, no director proposed for re-election at the forthcoming general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its current independent non-executive director the annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules. The Company based on such confirmation, considers such independent non-executive directors of the Company are independent as at the date of this annual report.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interests, whether directly or indirectly subsisted at the end of the year or at any time during the year ended 30 June 2017.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at 30 June 2017, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 of Listing Rules, were as follows:

**Long Position in the Shares and Underlying Shares as at 30 June 2017**

| Name of Director | Capacity | Number of Shares held | Approximate percentage of interest (Note) |
|---|---|---|---|
| Zhou Guohua | Beneficial interest | 267,260,000 | 5.38% |

Note: The approximate percentage of interest is calculated based on 4,964,284,033 Shares in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, as far as the Directors are aware, none of the Directors had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' REMUNERATION

The Directors' fee is subject to Shareholders' approval at general meeting. Other emoluments are determined by the Company's Board and its remuneration committee with reference to the Directors' duties, responsibilities and performance and the results of the Group.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed herein, at no time during the year ended 30 June 2017 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year ended 30 June 2017.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Director, as at 30 June 2017, other than the interests of the Directors and Chief Executives as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

**Long positions in the Shares and underlying Shares as at 30 June 2017**

| Name of Substantial Shareholders | Capacity | Number of Shares held | Approximate percentage of interest (Note) |
|---|---|---|---|
| Chen Chunhui | Beneficial interest | 450,960,000 | 9.08% |
| Xiao Liang | Beneficial interest | 383,300,000 | 7.72% |
| Yu Yanbo | Beneficial interest | 344,480,000 | 6.94% |

Note:

The approximate percentage of interest is calculated based on 4,964,284,033 Shares in issue as at 30 June 2017.

## EMPLOYEES AND REMUNERATION POLICIES

The remuneration policy of the employees of the Group is set up by the Remuneration Committee on the basis of the merits, qualifications and competence of employees. The emoluments of the directors of the Company are decided by the Remuneration Committee with regard to the Group's operating results, individual performance and comparable market statistics. None of the directors of the Company or any of their associates, and executive is involved in deciding his own remuneration. As at 30 June 2017, the Group had 87 employees (2016: 81 employees). The Group remunerates its employees based on their individual performance, job nature and responsibilities. Moreover, the Group provides its employees with training and various benefits including medical care, provident funds, bonuses and other incentives.

## CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report of this annual report.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 30 June 2017 and up to the date of this report, none of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 35 to the consolidated financial statements.

## INDEPENDENT AUDITOR

Elite Partners CPA Limited has been appointed as the auditor of the Company since 18 February 2013.

The Company's auditor, Elite Partners CPA Limited, who retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of Elite Partners CPA Limited as the Company's auditor will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Zhou Guohua**
*Director*

Hong Kong, 27 September 2017

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and Senior Management as at the date of publication of this report are set out below:

## EXECUTIVE DIRECTORS

**Mr. Zhou Guohua (周國華)**, aged 45, is an executive director, the chairman of the board of directors and the chairman of strategic development committee of the Company. He is also the director of certain subsidiaries of the Company. He has over twenty years of experience in corporate management and industrial investment. Mr. Zhou is a holder of EMBA and Global Finance GFD of PBC School of Finance, Tsinghua University.

Mr. Zhou successively served as president and CEO of Greater China region for Rimbunan Hijau Group, a World Top 500 Company, chairman and general manager of Contemporary Eastern Investment Co., Ltd. (a company listed on main board of Shenzhen Stock Exchange in China, stock code: 000637) and CEO of Greater China region for One Media Group (a company listed on main board of SEHK, stock code: 000426).

Mr. Zhou currently acts as an independent director of He Li Chen Guang International Culture Media Co., Ltd. (a company listed on the New Third Board of China, 836201.OC).

Mr. Zhou has been engaged in operating and management of media culture, financial investment and internet industries for years and is well experienced in management and operation of companies listed in Hong Kong and mainland China.

**Mr. Wong Kui Shing, Danny (王鉅成)**, aged 58, is an executive director and a member of strategic development committee of the Company. He holds a Bachelor of Arts degree from the University of Hong Kong. He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market.

He has been appointed as the executive director, chairman and chief executive officer of China Information Technology Development Limited (a company listed on the growth enterprise market ("GEM") of the Stock Exchange, stock code: 8178) since 26 March 2015, 1 July 2015 and 20 October 2015, respectively.

He has been appointed as an independent non-executive director, member of audit committee and remuneration committee of Tech Pro Technology Development Limited (a company listed on the main board of the Stock Exchange, stock code: 3828) on 27 September 2017.

He has also been appointed as an independent non-executive director, chairman of remuneration committee and a member of nomination committee, audit committee and investment committee of Far East Holdings International Limited (a company listed on the main board of the Stock Exchange, stock code: 36) since 18 July 2017.

He has been an executive director and a member of the executive committee of Ceneric (Holdings) Limited (a company listed on the main board of the Stock Exchange, stock code: 542) since 21 August 2015 and was re-designated as the chief executive officer of Ceneric (Holdings) Limited on 18 November 2016.

He has been an executive director, a member of the nomination committee and remuneration committee of Larry Jewelry International Company Limited (a company listed on the GEM of the Stock Exchange, stock code: 8351) since 3 October 2016.

He was a vice chief executive officer and chairman of the nomination committee of InvesTech Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 1087) from 27 June 2015 to 24 September 2015 and from 29 October 2015 to 21 September 2016, respectively. He was a non-executive director and a member of the nomination committee of InvesTech Holdings Limited since 24 September 2015 and 21 September 2016 until his resignation on 1 June 2017, respectively.

He was also a non-executive director of Kong Shum Union Property Management (Holding) Limited (a company listed on the GEM of the Stock Exchange, stock code: 8181) from 19 October 2015 to 18 January 2017.

He was also a former executive director and managing director of Emperor Culture Group Limited (formerly known as See Corporation Limited) (a company listed on the main board of the Stock Exchange, stock code: 491) from 21 December 2009 to 28 January 2015.

**Ms. Meng Xiaoqian (孟筱茜)**, aged 23, is an executive director, chief executive officer and a member of strategic development committee of the Company. She is also director of certain subsidiaries of the Company. Ms. Meng graduated from The Hong Kong Polytechnic University with a master of arts in 2016 and Donghua University with a bachelor of arts in 2015. From 2015 to 2016, Ms. Meng was the chief marketing officer and one of the founders of FoodRocks Limited. She was mainly responsible for the business development of the online food ordering company. Since April 2017, Ms. Meng is a business development manager at Carry Wealth Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 643). She is responsible for the business development and monitoring the investment risk of the enterprise.

**Ms. Christina Chan (陳雅文)**, aged 24, is an executive director and chief financial officer of the Company. She is also director of certain subsidiaries of the Company. Ms. Chan completed a master of science in china business studies from The Hong Kong Polytechnic University in 2017 and graduated from The University of Manchester with a bachelor's degree in international management in 2015. Ms. Chan has worked as the vice president in Shenzhen Nanyin Investment Holdings Ltd, which mainly deals with real estate and financial equity investment, and was in charge of corporate finance. Before that, she has interned in China Cinda (HK) Asset Management Company Limited, where she mainly focused on loan and special type of investments. Moreover, Ms. Chan is a daughter of Mr. Chen Chunhui, who is interested in 450,960,000 shares, representing approximately 7.58% of the issued share capital of the Company as at the date of this report.

## NON-EXECUTIVE DIRECTOR

**Mr. Zhou Jian (周健)**, aged 46, has been appointed as a non-executive director and a member of strategic development committee of the Company. Mr. Zhou graduated with an Executive Master of Business Administration degree from the PBC School of Finance at Tsinghua University. Mr. Zhou has over 10 years of experience in state-owned banks and management of enterprises and hence is familiar with the practical application of asset management. From 2010 to 2015, Mr. Zhou was the chairman and the legal representative of Jiangxi Zhengbang Technology Co. Ltd. (江西正邦科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002157).

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ng Kwok Kei Sammy (伍國基)**, aged 52, has been appointed as an independent non-executive director, the chairman of each of the audit committee and the remuneration committee and a member of the nomination committee of the Company. Mr. Ng has many years of experience in the fields of accounting and auditing as well as business and financial advisory.

He worked as an auditor in Ernst & Young from July 1989 to August 1992. He was an assistance director in the accounting department of Capital Asia Limited (currently known as Goldin Properties Holdings Limited), a company formerly listed on the Stock Exchange, from June 1993 to August 1996. Mr. Ng worked as group financial controller in Fortune Oil Holdings Plc., a company formerly listed on the London Stock Exchange (stock code: FTO), from June 2001 to March 2008. He was the chief financial officer of the mining division of the Mongolia Investment Group Limited (currently known as Peace Map Holding Limited), a company listed on the Stock Exchange (stock code: 0402) ("Mongolia Investment"), from May 2010 to March 2013, and was re-designated as senior consultant of Mongolia Investment from April 2013 until he left in December 2013. Mr. Ng has also been the independent non-executive director, chairman of the remuneration committee, member of both the audit committee and the nomination committee of BCI Group Holdings Limited, a company listed on the Growth Enterprise Market operated by the Stock Exchange (stock code: 8412) since March 2017. Mr. Ng has been an executive director of Kolux Development Limited since its incorporation on 25 August 1992. Mr. Ng is also a practising accountant in Hong Kong.

Mr. Ng obtained an honours diploma in accountancy from Lingnan College (currently known as Lingnan University) in Hong Kong in November 1988, a bachelor of commerce accounting degree from Curtin University of Technology in Australia in February 1996 and a master of business administration degree from The University of Hong Kong in Hong Kong in November 2007. He has been a fellow of Hong Kong Institute of Certified Public Accountants since May 2000, a fellow of Association of Chartered Certified Accountants since October 1996 and an associate of The Institute of Chartered Accountants in England and Wales since January 2005 and an associate of The Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators since December 2016.

**Mr. Chen Zhihua (陳志華)**, aged 51, is an independent non-executive director and member of each of audit committee, remuneration committee and nomination committee of the Company. He graduated with a degree in industrial and civil construction engineering from Tongji University and a master degree in business administration from Donghua University. Mr. Chen is currently the group vice president and general manager of Guangdong Division and was the general manager of Beijing & Tianjin division and the assistant to president of Greenland (Group) Co. Ltd, a company listed on the Shanghai Stock Exchange (stock code: 600606). Mr. Chen has worked in the real estate industry for more than 20 years. Mr. Chen has worked as a vice general manager of Shanghai New Changning Group Co. Ltd and the president of Shanghai Forte (Group) Co. Ltd.

**Ms. Wong Chi Yan (黃志恩)**, aged 36, was appointed as an independent non-executive director, a member of each of the audit committee and remuneration committee of the Company and the chairman of the nomination committee of the Company with effect from 23 October 2017. Ms. Wong holds a bachelor of business administration degree in accounting from Hong Kong Baptist University and a master of laws in international corporate and financial law from The University of Wolverhampton, UK. She is an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Wong has extensive experiences in auditing, accounting and financing as well as merger and acquisition.

Ms. Wong is currently an executive director of CHerish Holdings Limited (stock code: 2113), which shares are listed on the Main Board of the Stock Exchange. She is also an executive director and authorised representative of Elegance Optical International Holdings Limited (stock code: 907), which shares are listed on the Main Board of the Stock Exchange.

Ms. Wong is also an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823), and the company secretary of Flyke International Holdings Ltd. (stock code: 1998), each of which is listed on the Main Board of the Stock Exchange.

Ms. Wong was an executive director and authorised representative of Aurum Pacific (China) Group Limited (stock code: 8148) from May 2015 to October 2017.

She was also an executive director, company secretary and authorised representative of PPS International (Holdings) Limited (stock code: 8201) from June 2015 to July 2016, each of which is listed on the GEM of the Stock Exchange.

She was also the executive director of China Taifeng Beddings Holdings Limited (stock code: 873), a company listed on the Main Board of the Stock Exchange from July 2016 to August 2016.

She was an independent non-executive director of Prosten Health Holdings Limited (stock code: 8026) whose shares are listed on GEM of the Stock Exchange from June 2015 to October 2015.

She was also an independent non-executive director of Co-Prosperity Holdings Limited (stock code: 707) whose shares are listed on the Main Board of the Stock Exchange from October 2015 to January 2016.

She was the company secretary and authorised representative of U-RIGHT International Holdings Limited (stock code: 627) whose shares are listed on the Main Board of the Stock Exchange from September 2013 to April 2016.

## SENIOR MANAGEMENT

**Ms. Wong Siu Fan (黃少芬)**, has been appointed as a Company Secretary and Authorised Representative of the Company since 30 September 2017. Ms. Wong is an associate member of Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, and Hong Kong Institute of Certified Public Accountants. She holds a master of science degree in financial management from the University of London and a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University. She has extensive experience in auditing, accounting, corporate finance and company secretarial in an international accounting firm and listed companies.

**Ms. Chan Yuet Kwai (陳月貴)**, has joined the Group as the Group Financial Controller since October 2017. Ms. Chan is a fellow member of both Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She also holds a master degree in business administration. Ms. Chan has extensive experience in the fields of auditing, accounting and finance. Before joining the Group, she had served as financial controller of Hong Kong listed companies for over 20 years.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers at set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code for securities transactions by directors. All members of the Board as at 27 September 2017 have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code during the year ended 30 June 2017.

## BOARD OF DIRECTORS

**Executive Directors**

Zhou Guohua (Chairman) (appointed as Executive Director on 8 August 2016 and appointed as Chairman on 2 June 2017)
Wong Kui Shing, Danny (appointed on 8 May 2017)
Meng Xiaoqian (Chief Executive Officer) (appointed as Executive Director on 2 June 2017 and appointed as Chief Executive Officer on 7 June 2017)
Christina Chan (Chief Financial Officer) (appointed as Executive Director and Chief Financial Officer on 7 June 2017)
Xu Zhifeng (resigned on 27 September 2017)
Chan Shun Yee (redesignated to Non-Executive Director on 4 November 2016 and resigned on 27 September 2017)
Liu Min (resigned on 1 March 2017)
Yip Tak Yin Parkson (appointed as Executive Director on 4 November 2016; appointed as Co-Chairman on 14 December 2016; redesignated to Deputy Chairman on 1 March 2017 and resigned on 10 April 2017)
Wang Jingan (appointed as Executive Director and Chairman on 1 December 2016, appointed as Co-Chairman on 14 December 2016; redesignated to Executive Director on 1 March 2017; and resigned on 20 April 2017)
Tan Jiefu (appointed as Executive Director and Chairman on 1 March 2017 and resigned on 2 June 2017)

**Non-Executive Directors**

Zhou Jian (appointed on 2 June 2017)
Chan Shun Yee (redesignated from Executive Director on 4 November 2016 and resigned on 27 September 2017)
Chau Yu-Lung Jimmy (resigned on 1 December 2016)

**Independent Non-Executive Directors**

Ng Kwok Kei Sammy (appointed on 2 June 2017)
Chen Zhihua (appointed on 7 June 2017)
Wong Chi Yan (appointed on 23 October 2017)
Su Rujia (resigned on 27 September 2017)
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)
Wong Tat Yan Paul (resigned on 2 June 2017)
Zhu Yanzhou (resigned on 14 December 2016)

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to establish and maintain high standards of corporate governance. The directors of the Company (the "Directors") believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests.

During the year ended 30 June 2017, the Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), except for the deviations from Code provisions A.2.1, A.2.7, A.4.1, A.5.1, A.6.7 and C.1.2 as stated and explained below.

The Board assumes responsibility for leadership and control of the Company and shall be collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board formulates overall strategies and policies of the Group and monitors the performance and activities of the management. With delegating authorities from the Board, the management of the Company is responsible for the day-to-day operations of the Group.

To the best knowledge of the Company, there is no financial, business, family or other material or relevant relationships among members of the Board as at 27 September 2017.

**Code Provision A.2.1 — Roles of chairman and chief executive to be separate**

Under Code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the resignation of Mr. Zhang Wen as the chief executive officer of the Company with effect from 16 November 2015 and during part of the year, the Company did not appoint any individual to be the chief executive officer of the Company as the Board was still in the process of identifying a suitable candidate. As a result, the functions of the chief executive had been performed collectively by the Board for the period from 1 July 2016 to 6 June 2017. The Board considered that this arrangement allowed contributions from all Directors with different expertise and was beneficial to the continuity of the Company's policies and strategies. Following Ms. Meng Xiaoqian's appointment as the chief executive officer of the Company with effect from 7 June 2017, the Company has complied with Code provision A.2.1.

**Code Provision A.2.7 — Annual meetings between chairman and Non-Executive Directors**

Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year ended 30 June 2017, a formal meeting could not be arranged between the chairman of the Board and the Non-Executive Directors (including Independent Non-Executive Directors) without the Executive Directors present due to their tight schedules. Although such meeting was not held during the year, the chairman of the Board could be contacted by email or phone to discuss any potential concerns and/ or questions that the Non-Executive Director and the Independent Non-Executive Directors might have and would arrange to set up follow-up meetings, whenever necessary.

**Code Provision A.4.1 – Non-Executive Directors to be appointed for a specific term**

Under Code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. During the year ended 30 June 2017, all Non-Executive Directors and Independent Non-executive Directors were not appointed for a specific term. However, under the articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation every year at the annual general meeting of the Company provided that every Director shall retire by rotation at least once every three years. Hence the terms of appointment of the Non-Executive Directors and Independent Non-executive Directors are limited accordingly.

**Code Provision A.5.1 – Nomination Committee**

Code provision A.5.1 provides that the Company should establish a nomination committee which is chaired by the chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors. Under Code provision A.5.2, the nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. It should perform the duties as set out in Code provision A.5.2. Notwithstanding the above, the Company did not have a nomination committee during part of the year ended 30 June 2017. Although the Company previously did not have a nomination committee, the Board was empowered under the articles of association of the Company to appoint any person as a director of the Company either to fill a casual vacancy or as an addition to the existing Board. The Board as a whole was responsible for considering the suitability of an individual to act as a Director, and approving and terminating the appointment of a Director.

On 7 June 2017, the Board established the nomination committee (the "Nomination Committee") on the written terms of reference in compliance with the Listing Rules. The primary duties of the Nomination Committee are, among others, to (i) review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of the Independent Non-executive Directors; and (iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. For the period from 7 June 2017 to 30 June 2017, the Nomination Committee consisted of the four Independent Non-executive Directors, namely, Dr. Wang Edward Xu, Mr. Ng Kwok Kei Sammy, Mr. Su Rujia and Mr. Chen Zhihua. Dr. Wang Edward Xu has been appointed as the chairman of the Nomination Committee. Following the establishment of the Nomination Committee, the Company has complied with Code provisions A.5.1 and A.5.2.

Following the resignation of Mr. Su Rujia and Dr. Wang Edward Xu on 27 September 2017, the Company had two Nomination Committee members but the position of chairman is vacant, which did not comply with Code provision A.5.1. Subsequently following the appointment of Ms. Wong Chi Yan as an Independent Non-Executive Director and the chairman of the Nomination Committee on 23 October 2017, the Company has complied with Code provision A.5.1.

**Code Provision A.6.7 — Attending of general meetings by Non-Executive Directors**

Code provision A.6.7 requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagement, the former Non-Executive Director and Independent Non-Executive Directors below did not attend general meeting(s) of the Company as followings:

(i) Mr. Su Rujia, the former Independent Non-Executive Director, did not attend the Company's extraordinary general meeting held on 16 December 2016;

(ii) Dr. Wang Edward Xu, the former Independent Non-Executive Director, did not attend the Company's extraordinary and annual general meetings held on 16 December 2016 and 29 December 2016 respectively;

(iii) Mr. Chau Yu-Lung Jimmy, the former Non-Executive Director, did not attend the Company's extraordinary general meeting held on 27 October 2016; and

(iv) Ms. Zhu Yanzhou, the former Independent Non-Executive Director, did not attend the Company's extraordinary general meeting held on 27 October 2016.

**Code Provision C.1.2 — Monthly updates of the Company from management**

Code provision C.1.2 provides that management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management keeps providing information and updates to the members of the Board as and when appropriate.

## BOARD MEETINGS

For a regular board meeting, notice of at least fourteen days is given to all Directors, who are given an opportunity to include matters in the agenda for discussion, and an agenda and accompanying board papers are sent to all directors of the Company at least three days before the intended date of a regular board meeting.

Minutes of board meetings and meetings of board committees are kept by the secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director. Draft and final versions of minutes of board meetings are sent to all directors of the Company for their comment and records respectively, in both cases within a reasonable time after the board meeting is held.

The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

During the year ended 30 June 2017, 43 full board meetings were held and the individual attendance of each Director at the board meetings was as follows:

| Directors | Board meeting Attendance | General meeting Attendance |
|---|---|---|
| **Executive Directors** | | |
| Zhou Guohua (Chairman) (appointed as Executive Director on 8 August 2016 and appointed as Chairman on 2 June 2017) | 27/38 | 1/3 |
| Wong Kui Shing, Danny (appointed on 8 May 2017) | 6/6 | N/A |
| Meng Xiaoqian (Chief Executive Officer) (appointed as Executive Director on 2 June 2017 and appointed as Chief Executive Officer on 7 June 2017) | 4/4 | N/A |
| Christina Chan (Chief Financial Officer) (appointed as Executive Director and Chief Financial Officer on 7 June 2017) | 2/2 | N/A |
| Xu Zhifeng (resigned on 27 September 2017) | 42/43 | 3/3 |
| Chan Shun Yee (redesignated to Non-Executive Director on 4 November 2016 and resigned on 27 September 2017) | 16/17 | 1/1 |
| Liu Min (resigned on 1 March 2017) | 16/30 | 0/3 |
| Yip Tak Yin Parkson (appointed as Executive Director on 4 November 2016, appointed as Co-Chairman on 14 December 2016; redesignated to Deputy Chairman on 1 March 2017 and resigned on 10 April 2017) | 13/15 | 2/2 |
| Wang Jingan (appointed as Executive Director and Chairman on 1 December 2016, appointed as Co-Chairman on 14 December 2016; redesignated to Executive Director on 1 March 2017 and resigned on 20 April 2017) | 13/13 | 1/2 |
| Tan Jiefu (appointed as Executive Director and Chairman on 1 March 2017 and resigned on 2 June 2017) | 9/10 | N/A |
| **Non-Executive Directors** | | |
| Zhou Jian (appointed on 2 June 2017) | 1/4 | N/A |
| Chan Shun Yee (redesignated from Executive Director on 4 November 2016 and resigned on 27 September 2017) | 15/26 | 2/2 |
| Chau Yu-Lung Jimmy (resigned on 1 December 2016) | 3/19 | 0/1 |
| **Independent Non-Executive Directors** | | |
| Ng Kwok Kei Sammy (appointed on 2 June 2017) | 2/4 | N/A |
| Chen Zhihua (appointed on 7 June 2017) | 2/2 | N/A |
| Su Rujia (resigned on 27 September 2017) | 28/43 | 2/3 |
| Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017) | 6/22 | 0/2 |
| Wong Tat Yan Paul (resigned on 2 June 2017) | 29/39 | 3/3 |
| Zhu Yanzhou (resigned on 14 December 2016) | 0/20 | 0/1 |

**Listing Rules 3.10(1), 3.10A and 3.21**

Rule 3.10(1) of the Listing Rules requires the Company to maintain the Board which includes at least three independent non-executive directors, Rule 3.10A of the Listing Rules requires the Company to appoint independent non-executive directors representing at least one-third of the board and Rule 3.21 of the Listing Rules requires the Audit Committee must comprise a minimum of three members. Following the resignation of Mr. Su Rujia and Dr. Wang Edward Xu on 27 September 2017, the Board comprised seven members with four Executive Directors, one Non-Executive Director and two Independent Non-Executive Directors. As a result, (i) the number of Independent Non-Executive Directors was less than three and one-third of the Board which was below the minimum requirement prescribed under Rules 3.10(1) and 3.10A of the Listing Rules; and (ii) the number of the Audit Committee members fell below three which was below the minimum requirement prescribed under Rule 3.21 of the Listing Rules. Following the appointment of Ms. Wong Chi Yan as an Independent Non-Executive Director, a member of each of the Audit Committee and Remuneration Committee and the chairman of the Nomination Committee on 23 October 2017, the Company has complied with Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

Saved for the above disclosed, the Company has complied with Rules 3.10(1), 3.10(A) and 3.21 during the year ended 30 June 2017 and up to the date of publication of this report.

**Independent Non-executive Directors**

The Board has been in compliance with Rule 3.10(2) of the Listing Rules, which requires one of those independent non-executive directors to be specialised in accounting or relevant financial management. The Company has received the confirmation from each of the Independent Non-Executive Directors as at 27 September 2017 confirming that they were in compliance with Rule 3.13 of the Listing Rules in respect of their independence for the year ended 30 June 2017. The Company is of the opinion that all of the Independent Non-Executive Directors as at 27 September 2017 were independent for the year ended 30 June 2017.

## AUDIT COMMITTEE

The Audit Committee currently comprises of three Independent Non-Executive Directors, namely Mr. Ng Kwok Kei Sammy (chairman of the committee), Mr. Chen Zhihua and Ms. Wong Chi Yan. Both Mr. Ng Kwok Kei Sammy and Ms. Wong Chi Yan possess appropriate professional accounting qualifications and related financial management expertise as required under rule 3.10 (2) of the Listing Rules.

The Audit Committee meets at least twice a year. The terms of reference of Audit Committee are available on the Company's website and the website of the Stock Exchange.

The primary duties of the Audit Committee include the review and supervision of the financial reporting process, risk management and internal control system, review and monitor the effectiveness of the internal audit function and the review of the interim and annual results and reports of the Group.

During the year ended 30 June 2017, 3 meetings were held by the Audit Committee to review the annual report of the Group for the year ended 30 June 2016 and the interim report of the Group for the six months ended 31 December 2016 before submission to the Board for approval, and to provide advice and comments thereon to the Board. The individual attendance of each member at the Audit Committee meetings was as follows:

| **Members** | **Attendance** |
|---|---|
| Ng Kwok Kei Sammy (Chairman) (appointed on 2 June 2017) | 0/1 |
| Chen Zhihua (appointed on 7 June 2017) | 1/1 |
| Wong Tat Yan Paul (resigned on 2 June 2017) | 2/2 |
| Su Rujia (resigned on 27 September 2017) | 3/3 |
| Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017) | 1/2 |
| Zhu Yanzhou (resigned on 14 December 2016) | 0/1 |

For the year ended 30 June 2017, the work performed by the Audit Committee included:

- reviewing the annual report which comprised the audited consolidated financial statements for the year ended 30 June 2017; and
- reviewing the final results announcement; and
- reviewing the interim report and interim results announcement; and
- reviewing the significant accounting issues raised by the management; and
- reviewing the Company's compliance with regulatory and statutory requirements; and
- reviewing the Group's risk management and internal control system; and
- reviewing the effectiveness of the Group's internal audit function.

The Audit Committee of the Company has reviewed the Group's financial results for the year ended 30 June 2017.

## NOMINATION COMMITTEE

The Nomination Committee has been established on 7 June 2017. It currently comprises of three Independent Non-Executive Directors of the Company, namely Ms. Wong Chi Yan (chairman of the committee), Mr. Ng Kwok Kei Sammy and Mr. Chen Zhihua.

The Nomination Committee meets at least once a year. The terms of reference of Nomination Committee are available on the Company's website and the website of the Stock Exchange.

During the year ended 30 June 2017, no Nomination Committee meeting was held.

## REMUNERATION COMMITTEE

The Remuneration Committee currently comprises of three Independent Non-Executive Directors, namely Mr. Ng Kwok Kei Sammy (chairman of the committee), Mr. Chen Zhihua and Ms. Wong Chi Yan.

The Remuneration Committee meets at least once a year. The terms of reference of Remuneration Committee are available on the Company's website and the website of the Stock Exchange.

The roles and functions of the Remuneration Committee primarily include reviewing, considering and approving proposals as well as making recommendations to the Board on the Company's policy and structure relating to the remuneration of directors and senior management. During the year ended 30 June 2017, the Remuneration Committee held 8 meetings.

The individual attendance of each member at the Remuneration Committee meetings was as follows:

| **Members** | **Attendance** |
|---|---|
| Ng Kwok Kei Sammy (Chairman) (appointed on 2 June 2017) | 1/1 |
| Chen Zhihua (appointed on 7 June 2017) | N/A |
| Wong Tat Yan Paul (resigned on 2 June 2017) | 7/7 |
| Su Rujia (resigned on 27 September 2017) | 7/8 |
| Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017) | 2/4 |
| Zhu Yanzhou (resigned on 14 December 2016) | 0/4 |

During the meetings, the Remuneration Committee reviewed and recommended to the Board the remuneration packages for all Directors, the employee's salary increment proposal and relevant reports.

Details of remuneration paid to member of senior management for the year ended 30 June 2017 fell within the following band:

| | Number of individual |
|---|---|
| HK$500,001 – HK$1,000,000 | 1 |

## STRATEGIC DEVELOPMENT COMMITTEE

The Strategic Development Committee has been established on 29 August 2017. It currently comprises of four Directors of the Company, namely Mr. Zhou Guohua (chairman of the committee), Mr. Wong Kui Shing, Danny, Ms. Meng Xiaoqian and Mr. Zhou Jian.

The Strategic Development Committee meets at least once a year. The terms of reference of Strategic Development Committee are available on the Company's website and the website of the Stock Exchange.

During the year ended 30 June 2017, no Strategic Development Committee meeting was held.

## BOARD DIVERSITY POLICY

The Nomination Committee is responsible for monitoring the achievement of the measureable objectives set out in the Board Diversity Policy which sets out the approach to achieve diversity on the Board.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, selection of candidates of the Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

## AUDITOR'S REMUNERATION

During the year ended 30 June 2017, the remuneration paid/payable to the Company's auditor, Elite Partners CPA Limited, is set out as follows:

| Nature of Services | Fee paid/payable |
|---|---|
| | HK$'000 |
| Audit services | 780 |
| Non-audit services | 100 |
| Total: | 880 |

## DIRECTORS' AND AUDITOR'S RESPONSIBILITIES ON THE ACCOUNTS

The Directors as at 27 September 2017 acknowledge their responsibility for preparing the accounts of the Group for the year ended 30 June 2017.

The statement by Messrs. Elite Partners CPA Limited, the existing external auditor of the Company, with regard to its reporting responsibilities on the accounts of the Group is set out in the Independent Auditor's Report on pages 42 to 44.

As at 30 June 2017, the Directors as at 27 September 2017 confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors as at 27 September 2017 have prepared the accounts of the Group on a going concern basis.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year ended 30 June 2017, each newly appointed Director received induction on the first occasion of his/her appointment, so as to ensure that he/she has an appropriate understanding of the business and operations of the Company.

To assist directors' continuing professional development ("CPD"), the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All Directors also participate in continuous professional development programmes to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the company secretary of the Company.

During the year ended 30 June 2017, all Directors as at 27 September 2017 have participated in continuous professional development to develop and refresh their knowledge and skills.

## DIRECTORS' AND OFFICERS' LIABILITIES

The Company has in place appropriate insurance coverage on directors' and officers' liabilities in respect of any legal actions taken against directors and officers of the Group arising out of corporate activities.

## CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; and

(d) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

According to article 84(1) of the article of association of the Company, one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting of the Company provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Mr. Zhou Guohua shall retire from office at the forthcoming annual general meeting of the Company and shall offer himself for re-election.

According to article 83(3) of the article of association of the Company, Mr. Wong Kui Shing, Danny, Ms. Meng Xiaoqian, Ms. Christina Chan, Mr. Zhou Jian, Mr. Ng Kwok Kei Sammy, Mr. Chen Zhihua and Ms. Wong Chi Yan shall retire from office at the forthcoming annual general meeting of the Company and shall offer themselves for re-election.

Save as Ms. Wong Chi Yan, the Independent Non-executive Directors were not appointed for a fixed term but are subject to re-election at general meetings.

The Board has set measurable objectives based on four focus areas: gender, age, working experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Board will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

## COMPANY SECRETARY

Throughout the year ended 30 June 2017, Mr. Yeung Shun Kee was the company secretary of the Company (the "Company Secretary"). Mr. Yeung has taken no less than 15 hours of relevant professional training during the financial year ended 30 June 2017 to comply with Rule 3.29 of the Listing Rules. Mr. Yeung resigned as the Company Secretary with effect from 30 September 2017.

Ms. Wong Siu Fan has been appointed as the Company Secretary with effect from 30 September 2017.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is overall responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group established and maintained appropriate and effective risk management and internal control systems.

The Audit Committee annually reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resource, qualifications and experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The Board oversee the management of the Group in designing, maintaining, implementing and monitoring of the risk management and internal control system to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest.

The management has maintained certain procedures to identify the business risk and developed risk handling strategy as well as the internal control procedures to reduce the adverse impact and the occurrence opportunity of risks associated with the business.

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact results from the risks. The risk management and internal control system are design 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.

For the year ended 30 June 2017, the Group has also engaged an external advisory firm to undertake the internal audit function to perform the internal audit procedures on the treasury functions to address the effectiveness and efficiency of the risk management and internal control system of the Group. Certain internal control was not enforced effectively in the newly acquired business and hence the financial information of ECrent Group has not been consolidated to the Group for the year ended 30 June 2017. The issue has been noted by the Board and subsequently a strategic development committee has been established by the Board on 29 August 2017, together with the Audit Committee and the external advisors, to strength the control over the business development, investment and acquisition policy and procedures of the Group. The Group is also considering the recommendations on the deficiencies identified by the external advisory firm and expects to complete the implementation of the aforesaid recommendations within 3 to 6 months.

The Board will oversee the Group's risk management and internal control systems on an ongoing basis to ensure the effectiveness and adequacy of the risk management and internal control system are properly in place. The Board will identify the risks associate with the business of the Group by considering both internal and external factors and events which include political, economic, technology, environment, social and staff. Each of risks will be assessed and prioritized based on their relevant impact and occurrence opportunity. Relevant risk management strategy will be applied to each type of risks according to the assessment results.

## SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an Extraordinary General Meeting ("EGM").

**— Right to convene Extraordinary General Meeting**

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Room 3501–3502, 35/F, Bank of America Tower, No. 12 Harcourt Road, Central, Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner within two months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

— At least 21 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes a special resolution of the Company in EGM.

**— Right to put enquiries to the Board**

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

**— Right to put forward proposals at general meetings**

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 85 of the Company's Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Company Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and notice in writing signed by the person to be proposed of his willingness to be elected. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

## INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website.

## CONSTITUTIONAL DOCUMENTS

During the year ended 30 June 2017 and up to the publication of this report, the Company's constitutional documents have not been amended.

## INTRODUCTION AND SCOPE OF ESG REPORT

This is the first Environmental, Social and Governance ("ESG") report and the Group is committed towards sustainability and understands the importance of sustainable development of its business and community. This report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out by The Stock Exchange of Hong Kong Limited on Main Board ("Main Board Listing Rules").

As this is the first ESG report of the Group it will present mainly policies, initiatives and performance and will also disclose material aspects identified and activities implemented for the year ended 30 June 2017. The Board is pleased to present our performance and progress and has reviewed and approved the report to ensure all material issues and impacts are fairly presented.

The Group understands the importance of ESG report and is committed to making continuous improvements in corporate social responsibility into our business in order to better meet the changing needs of an advancing society. The following will show the ESG issues that found material for the Group and the relation to the ESG Guide:

| ESG Guide | ESG issues relevant to the Group |
|---|---|
| A. Environmental | |
| A.1 Emissions | Carbon dioxide emissions and waste management |
| A.2 Use of resources | Energy and raw materials consumption |
| A.3 Environment and natural resources | Measures in reducing environmental impact |
| B. Social | |
| B.1 Employment | Labour practices |
| B.2 Health and safety | Workplace health and safety |
| B.3 Development and training | Employee development and training |
| B.4 Labour standards | Child labour and forced labor |
| B.5 Supply chain management | Supplier management |
| B.6 Product responsibility | Product safety and quality |
| B.7 Anti-corruption | Anti-corruption and money laundering |
| B.8 Community investment | Community involvement |

**Information about the Group**

The Group is diversified with core business areas including manufacturing and trading of BIOenergy products, healthcare food products, other healthcare products and properties investments. The regions of all sub-companies can be divided into manufacture and sale of BIOenergy products, other healthcare products and properties investments in the People's Republic of China (the "PRC"); trading healthcare food products in Hong Kong. The scope of this ESG report mainly includes data and activities of the factory in the PRC, the healthcare food products company and the management headquarter in Hong Kong for the year ended 30 June 2017.

To reduce environmental impact and create value in community, the Group seeks every opportunity to incorporate sustainability standards and practices into all aspects of its business.

Also, social responsibility is the fundamental duty of the Group to contribute the society in which it is brought up. The Group believes that this is much more so for a group and participate actively that help the underprivileged.

**A. Environmental**

*A.1 Emissions*

Carbon dioxide (Co2) emissions

The Group sticks to the principle of active participation and environmental responsibility, the Group can fulfill not only its market mandate but also greatly support green activities and actively implement national policies aimed at emission reduction.

All members of the Group would build up a saving habit on energy resources. The reduction policy has suggested some tactics to create a better and cleaner environment for the society.

The Group are under governed by Environmental Protection of the People's Republic of China Prevention 《中華人民共和國環境保護法》. The guidelines for the environmental requirement of local government and violate these environmental regulations may result temporary suspension of production.

The Group is engaging in manufacture of BIOenergy products and healthcare products in the PRC, strict control has been taken for emission of air and land waste. It is the Group's policy to maintain the manufacture process in an efficient and effective manner to continue minimizing environmental impact.

Waste management

The Group would also produce land waste when packing products or providing management and administration work in offices. The major land waste is the paper used to prepare office documents as well as the packing materials of products. The Group has also established policies to reduce and handle the land waste as follows:

- Emphasis on the reuse and recycle waste resources; and
- Emphasis on the use of recycled paper when printing the internal documents; and
- Encourage the use of double-sided printing when printing documents for external use; and
- Encouragement for using as fewer packing materials as possible.

The Group has constantly updated with the local legislation and standards for environmental protection and assessed whether these legislations and standards are related to the business of the Group. During the year ended 30 June 2017, the Group has complied with environmental laws and regulations applicable to the Group's business. The Group will continue looking for ways to reduce carbon dioxide and land contamination.

*A.2 Use of resources*

Fossil fuel, electricity and raw materials and packaging materials consumption

The Group always encourages staff to adopt environmentally responsible habits mentioned in the environmental management practices to measure and reduce the use of resources, minimize waste and recycle materials.

During the year, the use of fossil fuel, electricity, raw materials and packing materials directly impact the environment. Whenever it packs products or operates the office, the Group exerts an impact through electricity and packing materials. Also, the Group tries its very best to reduce the usage of energy and consumption of electricity. Besides reducing waste, the Group utilizes resources effectively and responsibly to achieve sustainable development.

The Group's resources consumption during the year of 2017 are listed in the below table:

| **Resources Consumption** | **Unit** | **Amount** |
|---|---|---|
| Electricity consumption | kWh | 49,486 |
| Vehicles travelled | km | 50,000 |

As a whole, the "save more use less" concept is being promoted throughout all work sites. The Group would rearrange production schedules to improve the production efficiency to reduce use of resources including energy, labour and raw materials.

*A.3 Environment and natural resources*

Measures in reducing environmental impact

According to the group's environmental philosophy, all sub-companies are committed to provide services to customers and simultaneously the Group ensures that all business activities impact the environment positively. There is no doubt that energy efficiency and environmental protections are great concerns and difficult long-term tasks for the Group and the society.

The Group strictly monitors and reviews the data from time to time, minimizing the negative effect to the environment and maximizing its business development and operation at the same time.

## B. Social

### *B.1 Employment*

Labour practices

For the year ended 30 June 2017, the Group has complied with all relevant employment and labour laws and regulations such as the Labor Law of the People's Republic of China 《中華人民共和國勞動法》, Labor Contract Law of People's Republic of China 《中華人民共和國勞動合同法》.

The Group has encouraged its employees to work according to the standard working hour per day and week as stated in the labour contract. The Group would pay an employee overtime wages in accordance with labour law.

Apart from that, the Group guarantees the rights and interests of employees relating to compensation and dismissal, recruitment and promotion, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfares. The Group explains the details of the employment rights to employees clearly.

The Group has an annual review of the employment policy and strikes a balance between employee remuneration and business growth, which can benefit the Group development.

Anti-discrimination and equal opportunity

The Group would diversify its staff by means of gender and age to balance the culture and communications between staffs. The Group is committed to having a workplace environment free from discrimination and equal opportunities for all despite age, gender, race, colour, sexual orientation, disability or marital status. The Group encourages labour diversity and welcomes all manpower, thus putting the principle of fairness into practices. The Group had no reported incidents of non-compliance with regulations concerning employment during the year.

*B.2 Health and Safety*

Workplace health and safety

Protecting employee's occupational health and safety is critical for the Group. The Group respects occupational safety and health and other applicable regulations for a safe and comfortable working environment that protects employees from occupational hazards.

The Group would regularly assess emerging risks and other health and safety issues. Hazards in workplace has been accurately identified in order to protect workers and control the risks using a systematic approach by correcting unsafe conditions.

To ensure safety, the Group set a strict space constraint in the factory, keeping a safe distance between the machine and the machine in order to avoid unnecessary accidents. Production staff are equipped with worker protection items such as personal protective equipment in order to minimize the negative impact on employees' health.

Moreover, the Group provides medical insurance and other health benefit for employees. During the year, the Group takes up responsibilities to improve the working environment and create a safe and comfortable workplace for employees. For the year ended 30 June 2017, the Group has reported zero work related fatalities.

*B.3 Development and Training*

Employee development and training

Keeping employees trained is part of a fundamental role in business growth. The Group encourages employees for continuous development and improves their skill set through training. The Group understands that training is the most sustainable way for long term development; which is beneficial for both the Group and the employees.

The Group provides training for directors regarding directors' responsibilities and essential skills, including continuing obligations, notifiable transactions, non-competition undertakings, corporate governance code and market misconduct, in order to have better understanding of laws and regulation under Securities and Futures Commission and The Stock Exchange of Hong Kong Limited.

The Group also provides various internal trainings for developing the workforce, including orientation and on-board trainings for new staff to adapt to the operation of the Group efficiently and strengthen the skill and knowledge required at work. It is important for employees to perform tasks safely, follow safe work procedures and operate machines and equipment carefully.

The Group evaluates the training programs from time to time and reviews the effectiveness of the training. The Group puts effort to improve employees' knowledge and technical skills for discharging duties at work.

Moreover, the Group encourages mutual communication between management and employees. The Group respects and cares about employees' opinions and suggestions. At the same time, the Group delivers the latest corporate news to all employees in a timely manner.

*B.4 Labour Standards*

Child labour and forced labor

Any individuals hired under legal working age and without any identification documents are disqualified from employment. It is the Group's policy to disqualify the person from employment if he or she is found to be hired against the requirements of the Labour Contract Law.

The Group makes good use of the Human Resource Department to ensure employment compliance with laws and regulations. The Human Resource Department takes up the responsibilities to review and confirm employment practices, avoiding child and forced labour. In case of any unlawful labour is discovered, the Group would immediately assist the employee and cooperate with relevant labour authorities.

The Group follows the laws and regulations prohibiting child labour and forced labour, which mainly include:

- Employment Ordinance of HKSAR
- Labor Law of the PRC
- Labor Contract Law of the PRC
- Law of the PRC on Protection of Minors
- Regulations on Prohibiting Use of Child Labor (State Council Order No. 364)

For the year ended 30 June 2017, there was no violation regarding age of employment and any labour dispute within the Group.

*B.5 Supply Chain Management*

Supply chain management

The Group aims to provide comprehensive solutions that meet customers' needs and establish a comprehensive vertical supply chain management system through resource integration and supplier screening and management.

The objectives are to deepen the collaborative relationship with the strategic suppliers and to create competitive advantages in the value chain, thereby aiming to enhance the impact on the society and environment. The Group maintains long term relationship with its suppliers for ensuring stable supply.

The Group chooses the suppliers with good reputation all over the world like the United States, New Zealand, Malaysia and Japan. There are also some honorable suppliers in Hong Kong. It is advisable for the Group to use different suppliers to stabilize the healthcare products supply in the market. On the other hand, the Group chose different suppliers to provide packaging materials throughout the year.

During this year, the Group carried out a regular review for the supplies. The Group would suspend suppliers if significant deterioration was found in the supplier's quality: This ensures that suppliers conform to the Group's standard.

*B.6 Product Responsibility*

Product safety and quality

Policies the Group has adopted to ensure customer satisfaction and product quality include the ability to return any defect products to the customers. The Group strives to provide clients with quality and safe products to establish good credibility and reputation.

To ensure the quality of healthcare food products, the Group has a strict policy to recycle products. Retailers assist the Group to check the expiration date frequently.

The Group also considers customer satisfaction and promoters gives advice to customers based on their health condition. Promoters adjust the portion of taking healthcare food products and taking methods, in order to fit customers' demand. Promoters would also follow up the situation of customers, assisting them to maintain a good health.

The Group established a strict policy to verify the quality of the products. The Group conducts quality and safety testing to ensure the standard of products are approved by the Hong Kong Government and the PRC. Customers can also return the problematic BIOenergy products within a year.

The Group deals with the information provided by customers in accordance with the Personal Data (Privacy) Ordinance and protects the privacy rights of a person in relation to personal data. The information collected is handled by the marketing department.

*B.7 Anti-Corruption*

Anti-corruption and money laundering

The Group operation complies with local and national legislation strictly, such as the Prevention of Bribery Ordinance of Hong Kong and relevant legislation on anti-corruption of mainland China.

The Group strives to maintain a system with moral integrity and an anti-corruption mechanism, which is the cornerstone for sustainable and healthy development. To effectively strengthen the Group integrity, it continues to improve the internal supervision and anti-corruption management. The Group also requests our employees to follow the code of conducts to eliminate corruption such as bribery, extortion, fraud and anti-money laundering in any circumstance. Any suspected criminal offence will be promptly whistle-blown and reported to relevant authorities. For the year ended 30 June 2017, no such events took place in the Group.

*B.8 Community involvement*

Contributing to society is a part of the Group's sustainable development strategy. The Group is committed to providing career opportunities to locals and promoting the development of the community's economy.

The Group believes the public welfare is indivisible from the development of the Group. The Group encourages employees to participate in volunteer activities and environmental protection activities actively, in order to raise community awareness and concern, inspiring more and more employees to participate in community service.

**To the members of**
**Share Economy Group Limited**
(Formerly known as "Vitop Group Limited")
*(Incorporated in the Cayman Islands with limited liability)*

## DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Share Economy Group Limited (the "Company") (formerly known as "Vitop Group Limited") and its subsidiaries (together referred to as the "Group") set out on pages 45 to 111, which comprise the consolidated statement of financial position as at 30 June 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR DISCLAIMER OPINION

As disclosed in Note 17 to the consolidated financial statements, during the year ended 30 June 2017, the Company entered into a sales and purchase agreement with ECrent Holdings Limited (the "Vendor") (the "SPA") for the acquisition of the entire equity interests in ECrent (Hong Kong) Limited and its subsidiary, ECrent (HK) Company Limited ("ECrent Group") and 0.45% equity interests in YSK 1860 Investment Company Limited and its subsidiary, ECrent (USA) Limited ("YSK Group") at a consideration settled by way of cash payment of HK$10,000,000 and issuance of 487,992,111 shares (the "Acquisition"). The Group determined that the fair value of the consideration for acquisition of ECrent Group and YSK Group were approximately HK$95,936,000 and approximately HK$14,103,000 respectively with reference to the SPA. The Acquisition was completed on 12 August 2016.

**ECrent Group**

The management of the Company represented that subsequent to the completion of the Acquisition, the Company assigned its directors to ECrent Group for the purpose of obtaining information of ECrent Group including but not limited to the request for handing over the accounting books and records, financial information, original vouchers and related contracts of ECrent Group. However, despite various communications with the management of ECrent Group, due to the non-cooperation with the management of ECrent Group, no books and records has been provided by the management of ECrent Group.

The directors of the Company are of the opinion that the Group was unable to exercise control over ECrent Group, under these circumstance. For the purpose of preparing the consolidated financial statements of the Group for the year ended 30 June 2017, the financial information of ECrent Group has not been consolidated to the Group, alternatively, the investment of approximately HK$95,936,000 has been accounted for on a cost basis and recorded as "Other Assets" in the consolidated statement of financial position of the Group.

In the absence of the books and records of ECrect Group, there were no alternative audit procedure that we could perform to satisfy ourselves as to the carrying amount of Other Assets was free from material misstatements or to determine whether any provision for impairment loss is necessary as at 30 June 2017. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Group as at 30 June 2017, its net loss for the year then ended and the related disclosures in the consolidated financial statements.

**YSK Group**

The management of the Company represented that subsequent to the completion of the Acquisition, the Group was unable to obtain appropriate evidence for the ownership of 0.45% equity interests in YSK Group including but not limited to the relevant share certificate of YSK Group. The investment is therefore accounted for on a cost basis and recorded as "Other Assets" in the consolidated statement of financial position of the Group.

We were unable to obtain sufficient evidence as to the appropriateness of accounting treatment to record the investment in YSK Group at cost. In accordance with the terms of the SPA, the investment of YSK Group should be accounted for as puttable financial instruments which should be recorded at fair value at both initial recognition and subsequent measurement in accordance with relevant HKFRSs. In addition, we were unable to (i) obtain appropriate audit evidence to verify the ownership of the Group's 0.45% equity interests in YSK Group; and (ii) satisfy ourselves as to the recoverability of the investment costs of YSK Group of approximately HK$14,103,000 were free from material misstatement as at 30 June 2017.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Group as at 30 June 2017, its net loss for the year then ended and the related disclosures in the consolidated financial statements.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company 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.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. 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 these requirements and the Code.

The engagement director on the audit resulting in this independent auditor's report is Yip Kai Yin with practising certificate number P05131.

**Elite Partners CPA Limited**
*Certified Public Accountants*

Hong Kong, 27 September 2017

10/F., 8 Observatory Road,
Tsimshatsui, Hong Kong

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 30 June 2017*

| | Notes | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|---|
| Revenue | 6(a) | **53,524** | 105,893 |
| Cost of sales | | **(36,900)** | (71,213) |
| Gross profit | | **16,624** | 34,680 |
| Other income | 6(b) | **4,391** | 1,786 |
| Selling and distribution costs | | **(3,862)** | (5,737) |
| Administrative expenses | | **(57,090)** | (58,025) |
| Other operating expenses | | **(32,347)** | (85,504) |
| Loss from operations | 7 | **(72,284)** | (112,800) |
| Finance costs | 8 | **(604)** | (464) |
| Loss before income tax | | **(72,888)** | (113,264) |
| Income tax credit | 9 | **1,925** | 458 |
| Loss for the year | | **(70,963)** | (112,806) |
| Other comprehensive expense | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation | | **(4,770)** | (4,197) |
| Total comprehensive expense for the year | | **(75,733)** | (117,003) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | **(70,505)** | (112,641) |
| Non-controlling interests | | **(458)** | (165) |
| | | **(70,963)** | (112,806) |
| Total comprehensive expense attributable to: | | | |
| Owners of the Company | | **(75,262)** | (116,794) |
| Non-controlling interests | | **(471)** | (209) |
| | | **(75,733)** | (117,003) |
| Loss per share attributable to owners of the Company | | | |
| Basic | 11 | **HK(1.44) cents** | HK(3.59) cents |
| Diluted | 11 | **HK(1.44) cents** | HK(3.59) cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2017*

| | Notes | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **2,578** | 2,465 |
| Investment properties | 14 | **30,287** | 38,721 |
| Intangible assets | 15 | **14,021** | 25,725 |
| Goodwill | 16 | **3,703** | 8,541 |
| Other receivables | 21 | **30,550** | – |
| Other assets | 17 | **110,039** | – |
| | | **191,178** | 75,452 |
| **Current assets** | | | |
| Inventories | 19 | **19,153** | 23,951 |
| Trade receivables | 20 | **37,446** | 42,508 |
| Trade deposits paid | | **–** | 50,963 |
| Deposits, prepayments and other receivables | 21 | **82,466** | 73,805 |
| Cash and bank balances | 22 | **18,069** | 39,680 |
| | | **157,134** | 230,907 |
| **Current liabilities** | | | |
| Trade payables | 23 | **13,181** | 12,840 |
| Trade deposits received | | **8,366** | 8,451 |
| Accrued liabilities and other payables | | **5,700** | 4,246 |
| Amounts due to directors | | **4,728** | – |
| Borrowings | 24 | **16,000** | 5,814 |
| Tax payables | | **70** | 22 |
| | | **48,045** | 31,373 |
| **Net current assets** | | **109,089** | 199,534 |
| **Total assets less current liabilities** | | **300,267** | 274,986 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 25 | **2,302** | 4,227 |
| **Net assets** | | **297,965** | 270,759 |
| **Capital and reserves** | | | |
| Share capital | 26 | **124,107** | 111,407 |
| Reserves | 28 | **173,078** | 158,101 |
| | | **297,185** | 269,508 |
| **Non-controlling interests** | | **780** | 1,251 |
| **Total equity** | | **297,965** | 270,759 |

Approved and authorised for issue by the Board on 27 September 2017

**Zhou Guohua**
*Director*

**Wong Kui Shing, Danny**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 30 June 2017*

| | Attributable to equity shareholders | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** HK$'000 | **Share premium** HK$'000 | **Statutory reserves** HK$'000 | **Capital redemption reserves** HK$'000 | **Share options reserves** HK$'000 | **Capital reserves** HK$'000 | **Translation reserves** HK$'000 | **Accumulated losses** HK$'000 | **Total** HK$'000 | **Non-controlling interests** HK$'000 | **Total equity** HK$'000 |
| At 1 July 2015 | 62,565 | 240,191 | 8,789 | 29 | – | 28,764 | 15,308 | (191,464) | 164,182 | 1,460 | 165,642 |
| Loss for the year | – | – | – | – | – | – | – | (112,641) | (112,641) | (165) | (112,806) |
| Other comprehensive loss for the year | – | – | – | – | – | – | (4,153) | – | (4,153) | (44) | (4,197) |
| **Total comprehensive loss for the year** | – | – | – | – | – | – | (4,153) | (112,641) | (116,794) | (209) | (117,003) |
| Issue of subscription shares | 8,342 | 41,410 | – | – | – | – | – | – | 49,752 | – | 49,752 |
| Placing of shares | 40,000 | 114,804 | – | – | – | – | – | – | 154,804 | – | 154,804 |
| Grant of share option | – | – | – | – | 14,664 | – | – | – | 14,664 | – | 14,664 |
| Exercise of share option | 500 | 3,440 | – | – | (1,040) | – | – | – | 2,900 | – | 2,900 |
| At 30 June 2016 and at 1 July 2016 | **111,407** | **399,845** | **8,789** | **29** | **13,624** | **28,764** | **11,155** | **(304,105)** | **269,508** | **1,251** | **270,759** |
| Loss for the year | – | – | – | – | – | – | – | (70,505) | (70,505) | (458) | (70,963) |
| Other comprehensive loss for the year | – | – | – | – | – | – | (4,757) | – | (4,757) | (13) | (4,770) |
| **Total comprehensive loss for the year** | – | – | – | – | – | – | (4,757) | (70,505) | (75,262) | (471) | (75,733) |
| Issue of shares for acquisition | 12,200 | 87,839 | – | – | – | – | – | – | 100,039 | – | 100,039 |
| Exercise of share option | 500 | 3,440 | – | – | (1,040) | – | – | – | 2,900 | – | 2,900 |
| At 30 June 2017 | **124,107** | **491,124** | **8,789** | **29** | **12,584** | **28,764** | **6,398** | **(374,610)** | **297,185** | **780** | **297,965** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 30 June 2017*

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before income tax | **(72,888)** | (113,264) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **437** | 386 |
| Interest income | **(50)** | (102) |
| Amortisation of intangible assets | **5,347** | 3,227 |
| Gain on disposal of property, plant and equipment, net | **(1)** | – |
| Impairment loss for available-for-sale investments | **–** | 21,700 |
| Impairment loss of goodwill | **4,838** | – |
| Impairment loss of deposits, prepayments and other receivables | **3,163** | 1,866 |
| Impairment loss of intangible assets | **6,357** | – |
| Impairment loss of trade receivables | **1,925** | 244 |
| Finance costs | **604** | 464 |
| Provision for obsolete and slow moving inventories | **304** | 40,881 |
| Reversal of provision for obsolete and slow moving inventories | **(163)** | – |
| Fair value loss of investment properties | **7,991** | 13,623 |
| Share-based payment expenses | **–** | 14,664 |
| Operating loss before working capital changes | **(42,136)** | (16,311) |
| Decrease/(Increase) in inventories | **4,569** | (13,344) |
| Decrease/(Increase) in trade receivables | **2,215** | (39,824) |
| Increase in deposits, prepayments and other receivables | **(43,295)** | (49,412) |
| Decrease/(Increase) in trade deposit paid | **50,963** | (33,841) |
| Increase in trade payables | **985** | 4,755 |
| Increase/(Decrease) in accrued liabilities and other payables | **1,454** | (28,379) |
| Increase/(Decrease) in amounts due to directors | **4,728** | (98) |
| Decrease in deposits received | **–** | (694) |
| Cash used in operations | **(20,517)** | (177,148) |
| Tax paid | **–** | (60) |
| Net cash used in operating activities | **(20,517)** | (177,208) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 30 June 2017*

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Cash flows from investing activities** | | |
| Interest received | **50** | 102 |
| Purchase of property, plant and equipment | **(565)** | (569) |
| Proceeds from disposal of property, plant and equipment | **–** | 123 |
| Net cash outflow arising from acquisition of subsidiaries | **–** | (33,673) |
| Payment for acquisition of other assets | **(10,000)** | – |
| Net cash used in investing activities | **(10,515)** | (34,017) |
| **Cash flows from financing activities** | | |
| Interest paid | **(604)** | (464) |
| Net proceed from placing of shares | **–** | 154,803 |
| Proceeds from issuance of subscription shares | **–** | 34,652 |
| Exercise of share option | **2,900** | 2,900 |
| Repayment of borrowings | **(5,814)** | (6,024) |
| Proceed from borrowings | **16,000** | 5,814 |
| Net cash generated from financing activities | **12,482** | 191,681 |
| **Net decrease in cash and cash equivalents** | **(18,550)** | (19,544) |
| Cash and cash equivalents at 1 July | **39,680** | 62,946 |
| Effect of foreign exchange rate changes, net | **(3,061)** | (3,722) |
| **Cash and cash equivalents at 30 June** | **18,069** | 39,680 |
| **Analysis of balances of cash and cash equivalents** | | |
| Cash and bank balances | **18,069** | 39,680 |

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 February 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company withdrew the listing of its shares on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 February 2003, and on the same date, by way of introduction, listed its entire issued share capital on the Main Board of the Stock Exchange.

The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-111, Cayman Islands. The Company's principal place of business in Hong Kong is Room 3501–3502, 35/F., Bank of America Tower, No. 12 Harcourt Road, Central, Hong Kong.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 27 October 2016 and approved by the Registrar of Companies in Hong Kong, the name of the Company was changed from "Vitop Group Limited" to "Share Economy Group Limited" and the Chinese name of the Company was changed from "天年集團有限公司" to "共享經濟集團有限公司".

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacturing and trading of BIOenergy products, healthcare food products, multi-functional water generators, other healthcare products and properties investments in the People's Republic of China (the "PRC") and Hong Kong.

The consolidated financial statements are prepared in Hong Kong dollars, which is the same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

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

### 2.1 Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs, for the first time in the current year.

| | |
|---|---|
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: Applying the Consolidation Exception |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2012–2014 cycle |

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### 2.1 Application of new and revised HKFRSs *(Continued)*

*Amendments to HKAS 1 Disclosure Initiative*

The amendments clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material (even if the HKFRS contains a list of specific requirements or describes them as minimum requirements). The amendments also give guidance on the bases of aggregating and disaggregating information for disclosure purposes. The amendments emphasise that an entity should consider whether to provide additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Furthermore, the amendments require that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

*Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue-based amortisation is not an appropriate basis for amortisation of an intangible asset. The amendments states that such a presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

With regard to the Group's property, plant and equipment and intangible assets, the Group did not use revenue-based depreciation method and hence the amendments have not have any impact on the Group's financial position and financial performance. Rather, the Group has been using the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### 2.1 Application of new and revised HKFRSs *(Continued)*

*Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants*

The amendments define a bearer plant that is a living plant that:

a) is used in the production or supply of agricultural produce;

b) is expected to bear produce for more than one period; and

c) has a remote likelihood of being sold as agricultural produce except for incidental scrap sales.

The amendments require that biological assets that meet the definition of a bearer plant should be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

*Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception*

The amendments mainly clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The Company is not an investment entity. Also, given that the Company is a listed entity, the consolidation exception set out in the amendments will not be applicable to the Company and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

*Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations*

The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The amendments also require that a joint operator to disclose the relevant information required by HKFRS 3 and other standards for business combinations. The amendments require prospective application; prospectively in annual periods beginning on or after 1 January 2016. The Group did not have any such transactions in the current year and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### 2.1 Application of new and revised HKFRSs *(Continued)*

*Annual Improvements to HKFRSs 2012-2014 Cycle*

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

Firstly, the amendments to HKFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply.

Secondly, the amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

Thirdly, the amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on the Group's consolidated financial statements.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### 2.2 New and revised HKFRSs that are not mandatorily effective for the current year

The Group has not applied any of the following new and revised HKFRSs that have been issued but are not yet mandatorily effective:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 and amendments to HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[2] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 7 | Disclosure Initiative[4] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[4] |
| Amendments to HKAS 40 | Transfers of Investment Property[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014–2016 Cycle[5] |
| HK (IFRIC) Interpretation 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HK (IFRIC) Interpretation 23 | Uncertainty over income tax treatment[2] |

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

The Group anticipates that the application of the above new or amended standards have no material impact on the results and the financial position of the Group.

*HKFRS 9 Financial Instruments*

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### 2.2 New and revised HKFRSs that are not mandatorily effective for the current year *(Continued)*

*HKFRS 9 Financial Instruments (Continued)*

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is still in the process of assessing the impact of HKFRS 9. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

*HKFRS 15 Revenue from Contracts with Customers and the clarifications to HKFRS 15*

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### 2.2 New and revised HKFRSs that are not mandatorily effective for the current year *(Continued)*

*HKFRS 15 Revenue from Contracts with Customers and the clarifications to HKFRS 15 (Continued)*

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group is still in the process of assessing the impact of HKFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

*HKFRS 16 Leases*

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

The Group is in the process of assessing the impact of HKFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### 2.2 New and revised HKFRSs that are not mandatorily effective for the current year *(Continued)*

*Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions*

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments and hence the directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

*Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group did not enter into these transactions in the current year. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### 2.2 New and revised HKFRSs that are not mandatorily effective for the current year *(Continued)*

*Amendments to HKAS 7 Disclosure Initiative*

The amendments require an entity to make disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

*Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments provide a number of guidance to help entities assess and estimate whether sufficient taxable profits will be available against which it can utilise a deductible temporary difference. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

*Amendments to HKAS 40 Transfers of Investment Property*

The amendments clarify that an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments emphasises that a change in management's intentions for the use of a property, in isolation, does not provide evidence of a change in use. Further, the amendments clarify that the list of circumstances set out in paragraph 57 of HKAS 40 are examples only.

The amendments require an entity to apply the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (i.e. the date of initial application). At the date of initial application, an entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

*HK (IFRIC) 22 Foreign Currency Transactions and Advance Consideration*

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Interpretation concludes that the date of the transaction for the abovementioned purpose is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which is collective term including all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The measurement base adopted is the historical cost convention except for the revaluation of certain assets and liabilities.

During the year ended 30 June 2017, the Company entered into a sales and purchase agreement with ECrent Holdings Limited for the acquisition of the entire equity interests in ECrent (Hong Kong) Limited and its subsidiary, ECrent (HK) Company Limited ("ECrent Group"). However, the directors of the Company are in the opinion that the Group was unable to exercise control over ECrent Group, under this circumstance, for the purpose of preparing the consolidated financial statements of the Group for the year ended 30 June 2017, the financial information of ECrent Group has not been consolidated to the Group.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and 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 Group 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.

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 the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

## 3. SUMMARY OF 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, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 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 HKFRS 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 HKFRS 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 HKFRS.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) 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 are 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.

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.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, provided that the Group maintains neither managerial involvement to the degree usually associated with the ownership, nor effective control over the goods sold;

Operating lease rental income is recognised on a straight-line basis over the term of lease agreement. Contingent rental income (representing income over and above base rent) such as turnover rent, is recognised according to terms of the lease agreements when the amount can be reliably measured, in the accounting period in which it is earned. Lease incentives provided, such as rent-free periods, are amortised on a straight-line basis are recognised as a reduction of rental income over the respective term of lease; and

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rate applicable.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates:

| | |
|---|---|
| Leasehold improvement | 5 years or over the lease terms, whichever is shorter |
| Machinery and equipment | 8 to 12 years |
| Furniture and office equipment | 3 to 8 years |
| Motor vehicle | 8 years |

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 derecognition of the asset (calculated as the difference between the sales proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

**Investment properties**

A property that is held for long-term rental yields or for capital appreciation or both, is classified as an investment property.

An investment property is measured initially at its cost, including related transaction costs.

After initial recognition, an investment property is carried at fair value, representing open market value determined at each reporting date. The carrying value of the investment property is reviewed every six months and is independently valued by external valuers at least annually.

Changes in fair values of the investment properties are recognised in the consolidated statement of profit or loss and other comprehensive income.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the consolidated statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method and, in the case of work in progress and finished goods, comprise direct materials, where applicable, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Intangible assets and research and development costs**

*Intangible assets*

Intangible assets acquired in a business combination separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Intangible assets are tested for impairment as described below. Amortisation commences when the intangible assets are available for use. Patents and technical know-how are recognised as intangible assets and amortised on a straight line basis over their useful lives.

*Research and development costs*

Costs associated with research activities are expensed in the profit or loss as they occur.

Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets. Development costs recognised as intangible assets are amortised on a straight-line basis over their useful lives. All other development costs are expensed as incurred.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Impairment of assets**

At the end of each 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).

Recoverable amount is the higher of fair value less costs to sell and value in use. 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. When 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.

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 the 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 cash-generating unit) is increased to the revised estimated 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Employee benefits**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Retirement Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the Retirement Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the Retirement Scheme. The assets of the Retirement 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 Retirement Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Retirement Scheme.

Pursuant to the relevant regulations of the government of the PRC, subsidiaries of the Group operating in the PRC are required to participate in an employee pension scheme operated by the relevant local government authorities in the PRC and to make contributions for employees who are registered as permanent residents in the PRC. Such contributions are charged to profit or loss as they become payable.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Foreign currency**

The consolidated financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.

**Financial instruments**

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

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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

*Financial assets*

The Group's financial assets are classified into loans and receivables. 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.

*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 on 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 of initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designed as at FVTPL.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, trade deposits paid, deposit and other receivables) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 investment have been affected.

For certain categories of financial asset, such as trade receivables, trade deposits paid, deposit and other 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 average credit period, as well as 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 estimated future cash flows, discounted at the financial asset's original effective interest rate.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

*Impairment of financial assets (Continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets' 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 periods (see the accounting policy below).

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets except for trade 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.

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

*Other financial liabilities*

Other financial liabilities (including trade payables, trade deposits received, accrued liabilities and other payables and borrowings) are subsequently measured at amortised cost using the effective interest method.

*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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

*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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and 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 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 differences 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 difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the reporting 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.

Current and deferred tax are recognised in profit or loss, except when they relate 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Related parties**

For the purposes of these consolidated financial statements, related parties include a person and an entity as defined below:

(i) A person or a close member of that person's family is related to the Group if that person:

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group or a parent of the Group.

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

- (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (b) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member);
- (c) both entities are joint ventures of the same third entity;
- (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the Group;
- (f) the entity is controlled or jointly controlled by a person identified in (i);
- (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Share-based payment transaction**

The Company issues equity-settled share-based payments to eligible employees including directors of the Company and its subsidiaries, and other persons including consultants, advisors, agents, customers, suppliers etc. to subscribe for shares in the Company. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effort of non market-based vesting conditions.

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

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

**Leasing**

*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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**Share capital**

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate. Specifically, government grant whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Cash and cash equivalents**

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

**Borrowing costs**

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that any entity incurs in connection with the borrowing of funds.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the consolidated financial statements. 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.

### (i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

### (ii) Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that is probable that some portion or all of the deferred tax assets will ultimately be realised, such as existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the consolidated statement of profit or loss and other comprehensive income.

### (iii) Depreciation and amortisation

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

### (iv) Allowance for bad and doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

### (v) Fair value measurement of investment properties

The Group's investment properties are measured at fair value. In estimating the fair value of investment property, the Group engaged third party qualified valuer to perform the valuation. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 14 provide detailed information about the valuation technique, input and key assumptions used in the determination of fair value of investment properties.

## 5. SEGMENT INFORMATION

The Group identified its operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision maker for the purposes of resource allocation and performance assessment.

### (a) Segment revenue, results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment assets and liabilities principally comprise all tangible assets, intangible assets, current assets and current liabilities directly attributable to each segment.

The five reportable operating segments are listed as follows:

(i) BIOenergy products: manufacturing and trading of bedding products, underclothing and body protection accessories containing the BIOenergy compound;

## 5. SEGMENT INFORMATION *(Continued)*

### (a) Segment revenue, results, assets and liabilities *(Continued)*

(ii) Healthcare food products: trading of healthcare food products, including honey and polypeptide products;

(iii) Multi-functional water generators: manufacturing and trading of multi-functional water generators;

(iv) Rental: letting properties for rental income; and

(v) Others: trading of other healthcare and skincare products and others.

*Business segments*

The following tables present revenue, results and certain assets, liabilities and other segment information for the Group's operating segments:

| | BIOenergy products | | Healthcare food products | | Multi-functional water generators | | Rental | | Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Revenue:** | | | | | | | | | | | | |
| Sales to external customers | **26,682** | 60,159 | **24,124** | 36,892 | **1,698** | 6,326 | **137** | 579 | **883** | 1,937 | **53,524** | 105,893 |
| **Segment result** | **5,498** | (33,468) | **(11,945)** | (1,058) | **(127)** | (3,520) | **(8,402)** | 579 | **47** | (1,070) | **(14,929)** | (38,537) |
| Unallocated other income | | | | | | | | | | | **4,391** | 1,786 |
| Unallocated expenses | | | | | | | | | | | **(61,746)** | (76,049) |
| Loss from operations | | | | | | | | | | | **(72,284)** | (112,800) |
| Finance costs | | | | | | | | | | | **(604)** | (464) |
| Loss before income tax | | | | | | | | | | | **(72,888)** | (113,264) |
| Income tax credit | | | | | | | | | | | **1,925** | 458 |
| Loss for the year | | | | | | | | | | | **(70,963)** | (112,806) |

## 5. SEGMENT INFORMATION *(Continued)*

### (a) Segment revenue, results, assets and liabilities *(Continued)*

*Business segments (Continued)*

| | BIOenergy products | | Healthcare food products | | Multi-functional water generators | | Rental | | Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Segment assets** | **41,207** | 50,993 | **102,111** | 87,103 | **5,617** | 5,365 | **30,351** | 39,404 | **1,641** | 1,641 | **180,927** | 184,506 |
| Unallocated assets | | | | | | | | | | | **167,385** | 121,853 |
| Total assets | | | | | | | | | | | **348,312** | 306,359 |
| **Segment liabilities** | **20,875** | 24,733 | **24,073** | 2,239 | **3,357** | 2,603 | **128** | 13 | **797** | 797 | **49,230** | 30,385 |
| Unallocated liabilities | | | | | | | | | | | **1,117** | 5,215 |
| Total liabilities | | | | | | | | | | | **50,347** | 35,600 |
| **Other segment information** | | | | | | | | | | | | |
| Depreciation | **276** | 233 | **125** | – | **31** | – | **–** | – | **–** | – | **432** | 233 |
| Unallocated amount of depreciation | | | | | | | | | | | **5** | 153 |
| | | | | | | | | | | | **437** | 386 |
| Amortisation of intangible assets | **–** | – | **5,347** | 3,227 | **–** | – | **–** | – | **–** | – | **5,347** | 3,227 |
| Capital expenditure* | **306** | – | **259** | 144 | **–** | – | **–** | – | **–** | – | **565** | 144 |
| Unallocated amounts of capital expenditure | | | | | | | | | | | **–** | 523 |
| | | | | | | | | | | | **565** | 667 |

* Capital expenditure consists of additions to property, plant and equipment and investment properties, including assets from the acquisition of subsidiaries.

## 5. SEGMENT INFORMATION *(Continued)*

### (b) Geographical segments

A geographical analysis of the Group's revenue from external customers, certain assets and expenditure information is not presented as the Group's revenue and assets in geographical segments other than Mainland China are less than 10% of the aggregate amount of all segments.

### (c) Information about major customers

Revenue from customers contributing over 10% of the total sales, all of whom were derived from trading of BIOenergy products and healthcare food products are as follows:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A (Healthcare food products) | **18,538** | 35,119 |
| Customer B (BIOenergy products) | **N/A*** | 21,171 |
| Customer C (BIOenergy products) | **16,259** | N/A* |
| Customer D (BIOenergy products) | **7,411** | N/A* |
| Customer E (Healthcare food products) | **5,439** | N/A* |

* Revenue from Customer B, C, D and E did not contribute over 10% of the year or prior year.

## 6. REVENUE AND OTHER INCOME

### (a) Revenue

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Sales of goods | **53,387** | 105,314 |
| Rental income | **137** | 579 |
| | **53,524** | 105,893 |

## 6. REVENUE AND OTHER INCOME *(Continued)*

### (a) Revenue *(Continued)*

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts where applicable; the rental income represents the properties leasing income. All significant intra-group transactions have been eliminated on consolidation.

Revenue generated in Mainland China is subject to value added tax ("VAT") at a rate of 17% ("output VAT"). Such output VAT is payable after offsetting VAT paid by the Company on purchases ("input VAT").

### (b) Other Income

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest income | **50** | 102 |
| Gain on disposal of property, plant and equipment | **22** | – |
| Exchange gain | **440** | – |
| Government grant | **–** | 12 |
| Reversal of provision of obsolete and slow moving inventories | **163** | – |
| Sales of component materials | **3,054** | – |
| Others | **662** | 1,672 |
| | **4,391** | 1,786 |

## 7. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Auditor's remuneration | | |
| Audit services | **780** | 740 |
| Non-audit services | **100** | 10 |
| Cost of inventories sold | **36,900** | 71,213 |
| Staff costs (including directors' remuneration) | | |
| Wages and salaries | **19,661** | 23,465 |
| Share-based payment expenses# | **–** | 1,300 |
| Pension scheme contributions | **530** | 923 |
| | **20,191** | 25,688 |
| Depreciation of property, plant and equipment# | **437** | 386 |
| Amortisation of intangible assets* | **5,347** | 3,227 |
| Operating lease charges in respect of land and buildings# | **5,189** | 3,540 |
| Share-based payment expenses# | **–** | 13,364 |
| Impairment loss recognised in respect of other receivables* | **3,163** | 1,866 |
| Impairment loss recognised in respect of trade receivables* | **1,925** | 244 |
| Impairment loss recognised in respect of available-for-sale investments* | **–** | 21,700 |
| Impairment loss recognised in respect of intangible assets* | **6,357** | – |
| Impairment loss recognised in respect of goodwill* | **4,838** | – |
| Fair value loss on investment properties* | **7,991** | 13,623 |
| Loss on disposal of property, plant and equipment* | **21** | – |
| Provision for obsolete and slow moving inventories* | **304** | 40,881 |
| Cost of sales of component materials* | **2,107** | – |

* included in other operating expenses
\# included in administrative expenses

## 8. FINANCE COSTS

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest on borrowings | **604** | 464 |

## 9. INCOME TAX CREDIT

No provision of Hong Kong Profits Tax has been provided as no assessable profits arising in Hong Kong during the year (2016: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the year. The PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% (2016: 25%).

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current tax | | |
| the PRC Enterprise Income Tax | **–** | 68 |
| Deferred tax | **(1,925)** | (526) |
| | **(1,925)** | (458) |

Reconciliation between income tax credit and accounting loss at applicable tax rate:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Loss before income tax | **(72,888)** | (113,264) |
| Tax at the applicable tax rate (Note) | **(12,859)** | (23,040) |
| Tax effect of non-deductible expenses | **10,838** | 19,202 |
| Tax effect of non-taxable income | **(257)** | (1,169) |
| Tax effect of tax losses not recognised | **353** | 4,549 |
| Income tax credit | **(1,925)** | (458) |

The Group had not recognised deferred tax assets in respect of the tax losses due to unpredictability of the future profit streams.

Note: The applicable rates are the rates prevailing in the jurisdictions in which the Company and its subsidiaries operate.

## 10. DIVIDENDS

No final dividend has been paid or declared by the Company during the year presented in these consolidated financial statements (2016: Nil).

## 11. LOSS PER SHARE

The calculation of basic loss per share is based on loss attributable to owners of the Company for the year ended 30 June 2017 of approximately HK$70.51 million (2016: loss of approximately HK$112.64 million) and the weighted average number of 4,894,400,096 (2016: the weighted average number of 3,134,038,223) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the year ended 30 June 2017 in arriving at diluted loss per share in respect of potential dilution impact of share option as these options had an anti-dilutive effect on the basic loss per share amount presented.

## 12. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

### (a) Directors' remuneration

The directors' remuneration disclosed pursuant to the Listing Rules and Section 383(1) of the Hong Kong Companies Ordinance is as follows:

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Fees | **598** | 435 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **7,808** | 7,436 |
| Pension scheme contributions | **23** | 28 |
| | **8,429** | 7,899 |

## 12. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

### (a) Directors' remuneration *(Continued)*

The emoluments of each director, on a named basis, for the year ended 30 June 2017 and 2016 are set out below:

**Year ended 30 June 2017**

| | Notes | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Xu Zhifeng | | – | 2,000 | – | 2,000 |
| Chan Shun Yee | 1 | – | 506 | 7 | 513 |
| Liu Min | 2 | – | 850 | – | 850 |
| Zhou Guohua | 3 | – | 2,974 | 8 | 2,982 |
| Yip Tak Yin | 4 | – | 418 | 8 | 426 |
| Wang Jingan | 5 | – | 767 | – | 767 |
| Tan Jiefu | 6 | – | – | – | – |
| Wong Kui Shing | 7 | – | 177 | – | 177 |
| Meng Xiaoqian | 8 | – | 58 | – | 58 |
| Christina Chan | 9 | – | 58 | – | 58 |
| Chau Yu-Lung Jimmy | 10 | 60 | – | – | 60 |
| Zhou Jian | 11 | 60 | – | – | 60 |
| Su Rujia | | 144 | – | – | 144 |
| Wong Tat Yan Paul | 12 | 133 | – | – | 133 |
| Zhu Yanzhou | 13 | 54 | – | – | 54 |
| Wang Edward Xu | 14 | 79 | – | – | 79 |
| Ng Kwok Kei Sammy | 15 | 20 | – | – | 20 |
| Chen Zhihua | 16 | 48 | – | – | 48 |
| | | 598 | 7,808 | 23 | 8,429 |

## 12. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

### (a) Directors' remuneration *(Continued)*

Year ended 30 June 2016

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Zhang Wen | – | 1,495 | 8 | 1,503 |
| Han Qingyun | – | 299 | 2 | 301 |
| Liu Min | – | 600 | – | 600 |
| Chan Shun Yee | – | 402 | 18 | 420 |
| Xu Zhifeng | – | 4,640 | – | 4,640 |
| Wong Tat Yan Paul | 144 | – | – | 144 |
| Su Rujia | 135 | – | – | 135 |
| Zhu Yanzhou | 83 | – | – | 83 |
| Chau Yu-Lung Jimmy | 73 | – | – | 73 |
| | 435 | 7,436 | 28 | 7,899 |

Notes:

1 Mr. Chan Shun Yee was resigned as an executive director on 4 November 2016 and was appointed as an non-executive director on 4 November 2016
2 Mr. Liu Min was resigned as an executive director on 1 March 2017
3 Mr. Zhou Guohua was appointed as an executive director on 8 August 2016
4 Mr. Yip Tak Yin was appointed as an executive director on 4 November 2016 and was resigned on 10 April 2017
5 Mr. Wan Jingan was appointed as an executive director on 1 December 2016 and was resigned on 20 April 2017
6 Mr. Tan Jiefu was appointed as an executive director on 1 March 2017 and was resigned on 2 June 2017
7 Mr. Wong Kui Shing was appointed as an executive director on 8 May 2017
8 Ms. Meng Xiaoqian was appointed as executive director on 2 June 2017
9 Ms. Christina Chan was appointed as executive director on 7 June 217
10 Mr. Chau Yu-Lung Jimmy was resigned as a non-executive director on 1 December 2016
11 Mr. Zhou Jian was appointed as a non-executive director on 2 June 2017
12 Mr. Wong Tat Yan Paul was resigned as an independent non-executive director on 2 June 2017
13 Mr. Zhu Yanzhou was resigned as an independent non-executive director on 14 December 2016
14 Mr. Wang Edward Xu was appointed as an independent non-executive director on 14 December 2016
15 Mr. Ng Kwok Dei Sammy was appointed as an independent non-executive director on 2 June 2017
16 Mr. Chen Zhihua was appointed as an independent non-executive director on 7 June 2017

During the year ended 30 June 2017, Mr. Tan Jiefu agreed to waive his remuneration of HK$300,000 (2016: Nil).

During the year, no director (2016: Nil) has been granted any share option in respect of their services to the Group. Further details of the share option scheme were set out in note 27 to the consolidated financial statements.

## 12. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

### (a) Directors' remuneration *(Continued)*

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

### (b) Five highest paid individuals

The five highest paid individuals of the Group during the year included three directors (2016: three), details of whose emoluments have been disclosed in note (a) above. The emoluments paid to the remaining two (2016: two) non-directors, highest paid individuals for the year are as follows:

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **2,345** | 2,562 |
| Pension scheme contributions | **46** | 47 |
| Share-based payment expenses | **–** | 1,300 |
| | **2,391** | 3,909 |

The number of the remaining highest paid individuals whose emoluments fell within the following band is as follows:

| | **2017** | 2016 |
|---|---|---|
| Nil to HK$1,000,000 | **1** | 1 |
| HK$1,500,001 to HK$2,000,000 | **1** | – |
| HK$3,000,001 to HK$3,500,000 | **–** | 1 |
| | **2** | 2 |

During the years ended 30 June 2017 and 2016, no emoluments were paid by the Group to the directors or any of the five highest paid employees of the Group as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvement HK$'000 | Machinery and equipment HK$'000 | Furniture & office equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 1 July 2015 | 17,506 | 943 | 10,010 | 3,356 | 31,815 |
| Addition | 4 | 36 | 243 | 286 | 569 |
| Addition from acquisition | – | – | 53 | – | 53 |
| Disposal | – | – | (132) | (409) | (541) |
| Exchange realignment | (1,221) | (67) | (701) | (206) | (2,195) |
| At 30 June 2016 and at 1 July 2016 | 16,289 | 912 | 9,473 | 3,027 | 29,701 |
| Addition | – | – | 277 | 288 | 565 |
| Disposal and written off | (14,411) | – | (3) | (516) | (14,930) |
| Exchange realignment | (283) | (9) | (81) | (28) | (401) |
| At 30 June 2017 | 1,595 | 903 | 9,666 | 2,771 | 14,935 |
| **Accumulated depreciation:** | | | | | |
| At 1 July 2015 | 17,449 | 248 | 8,357 | 3,247 | 29,301 |
| Provided for the year | 15 | 180 | 162 | 29 | 386 |
| Written back for disposal | – | – | (60) | (358) | (418) |
| Exchange realignment | (1,219) | (24) | (612) | (178) | (2,033) |
| At 30 June 2016 and at 1 July 2016 | 16,245 | 404 | 7,847 | 2,740 | 27,236 |
| Provided for the year | 15 | 169 | 237 | 16 | 437 |
| Written back for disposal and written off | (14,411) | – | (2) | (516) | (14,929) |
| Exchange realignment | (282) | (2) | (73) | (30) | (387) |
| At 30 June 2017 | 1,567 | 571 | 8,009 | 2,210 | 12,357 |
| **Net carrying value:** | | | | | |
| **At 30 June 2017** | **28** | **332** | **1,657** | **561** | **2,578** |
| At 30 June 2016 | 44 | 508 | 1,626 | 287 | 2,465 |

## 14. INVESTMENT PROPERTIES

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **At fair value:** | | |
| Balance at beginning of the year | **38,721** | 55,759 |
| Change in fair value recognised in profit or loss | **(7,991)** | (13,623) |
| Exchange realignment | **(443)** | (3,415) |
| Balance at end of the year | **30,287** | 38,721 |

All of the Group's investment properties held to earn rental are classified and accounted for as investment properties.

All investment properties are located in the PRC with medium lease term.

The fair value of the Group's investment properties as at 30 June 2017 has been arrived at on the basis of a valuation carried out by LCH (Asia Pacific) Surveyors Limited, an independent qualified professional valuer not connected to the Group.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The entire amount of fair value measurement of the Group's investment properties is categorised as level 3 hierarchy, as defined in HKFRS 13.

**Information about level 3 fair value measurements**

| | **Valuation Technique(s)** | **Unobservable input(s)** | **Range** |
|---|---|---|---|
| Investment properties | Direct comparison | Discount for different characteristics of the properties | –50.3% to –6.6% |

The fair value of investment properties is determined using direct comparison approach to value these properties in their respective existing states and uses on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristic of the properties which included the location, size, shape, view, floor level, year of completion and others factors collectively. Higher premium for properties with better characteristic will result in a higher fair value measurement.

## 15. INTANGIBLE ASSETS

| | Patents and technical know-how | Trade name | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **At cost:** | | | |
| At 1 July 2015 | 7,113 | – | 7,113 |
| Addition from acquisition of subsidiaries | – | 28,807 | 28,807 |
| Exchange realignment | (496) | – | (496) |
| At 30 June 2016 and at 1 July 2016 | 6,617 | 28,807 | 35,424 |
| Exchange realignment | (64) | – | (64) |
| At 30 June 2017 | 6,553 | 28,807 | 35,360 |
| **Accumulated amortisation:** | | | |
| At 1 July 2015 | 6,960 | – | 6,960 |
| Charge for the year | 37 | 3,190 | 3,227 |
| Exchange realignment | (488) | – | (488) |
| At 30 June 2016 and at 1 July 2016 | 6,509 | 3,190 | 9,699 |
| Charge for the year | 34 | 5,313 | 5,347 |
| Impairment loss | – | 6,357 | 6,357 |
| Exchange realignment | (64) | – | (64) |
| At 30 June 2017 | 6,479 | 14,860 | 21,339 |
| **Net carrying amount:** | | | |
| At 30 June 2017 | 74 | 13,947 | 14,021 |
| At 30 June 2016 | 108 | 25,617 | 25,725 |

Trade name was recognised as part of a business combination during the year ended 30 June 2016. Details of business combination are set out in note 29(a) and 29(b) respectively.

Trade name belonged to two individual cash generating units ("CGUs"). The directors of the Company conducted an impairment review of the Group's CGUs as at 30 June 2017. The recoverable amounts of the CGUs have been determined taking into account the valuation performed by an independent professional valuer, based on a value in use calculation which derived from the financial budgets approved by management covering a period of 5 years. Detail of the impairment assessment are set out in Note 16.

As the result of the impairment review, an impairment loss of approximately HK$6,357,000 has been recognised.

## 16. GOODWILL

| | HK$'000 |
|---|---|
| **Cost:** | |
| At 1 July 2015 | 61 |
| Arising from acquisition of subsidiaries | 8,541 |
| At 30 June 2016, at 1 July 2016 and at 30 June 2017 | 8,602 |
| **Accumulated impairment:** | |
| At 1 July 2015, at 30 June 2016 and at 1 July 2016 | 61 |
| Impairment loss | 4,838 |
| At 30 June 2017 | 4,899 |
| **Net carrying value:** | |
| At 30 June 2017 | 3,703 |
| At 30 June 2016 | 8,541 |

For the purpose of impairment testing, goodwill has been allocated into two individual CGUs. The carrying amounts of goodwill as at year end allocated to these units are as follow:

| | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|
| Me In Holdings Limited ("Me In") | **–** | 2,886 |
| Fine Treasure Asia Limited ("Fine Treasure") | **3,703** | 5,655 |
| | **3,703** | 8,541 |

**Me In**

The recoverable amount of this CGU 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 management.

The discount rate applied to cash flow projections is 18.23% per annum (2016: 15.62%) and the growth rate used to extrapolate the cash flows of the group of cash generating units beyond the five year period is 2.83% per annum (2016: 2.68%) with reference to the valuation performed by an independent professional valuer.

Goodwill which arose from the acquisition of a subsidiary, Me In, amounting to approximately HK$2,886,000, was fully provided for impairment loss in the consolidated financial statements for the year ended 30 June 2017.

## 16. GOODWILL *(Continued)*

**Fine Treasure**

The recoverable amount of this CGU 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 management.

The discount rate applied to cash flow projections is 15.73% per annum (2016: 14.67%) and the growth rate used to extrapolate the cash flows of the group of cash generating units beyond the five year period is 2.17% per annum (2016: 2.67%) with reference to the valuation performed by an independent professional valuer.

As the recoverable amount of the CGU for Fine Treasure was below the carrying amount, an impairment loss of approximately HK$1,952,000 has been recognised in the consolidated financial statements for the year ended 30 June 2017.

## 17. OTHER ASSETS

During the year ended 30 June 2017, the Company entered into a sales and purchase agreement with ECrent Holdings Limited (the "Vendor") (the "SPA") for the acquisition of the entire equity interests in ECrent (Hong Kong) Limited and its subsidiary, ECrent (HK) Company Limited ("ECrent Group") and 0.45% equity interests in YSK 1860 Investment Company Limited and its subsidiary, ECrent (USA) Limited ("YSK Group") at a consideration of HK$110,039,000 (the "Acquisition"). The consideration comprised of cash payment of HK$10,000,000 and issuance of 487,992,111 shares for which based on the quoted market price of the shares on 12 August 2016 of HK$0.205 per share amounted to HK$100,039,000. As the consideration for the Acquisition included both ECrent Group and YSK Group, the Group determined that the consideration for acquisition of ECrent Group and YSK Group were approximately HK$95,936,000 and approximately HK$14,103,000 respectively with reference to the SPA. The Acquisition was completed on 12 August 2016.

**ECrent Group**

Subsequent to the completion of the Acquisition, the Company assigned its Directors to ECrent Group for the purpose to obtain control over the operation of ECrent Group including but not limited to the request for handing over the accounting books and records, financial information, original vouchers and related contracts of ECrent Group. However, despite various communication with the management of ECrent Group, due to the non-cooperation with the management of ECrent Group, no books and records has been provided by the management of ECrent Group.

The directors of the Company are of the opinion that the Group was unable to exercise control over ECrent Group, under this circumstance, for the purpose of preparing the consolidated financial statements of the Group for the year ended 30 June 2017, the financial information of ECrent Group has not been consolidated to the Group, alternatively, the investment has been accounted for on a cost basis and recorded as "Other Assets" in the consolidated statement of financial position of the Group.

**YSK Group**

The management of the Company are of the opinion that subsequent to the completion of the Acquisition, the Group was unable to obtain appropriate evidence for the ownership of 0.45% equity interests in YSK Group including but not limited to the relevant share certificate of YSK Group. The investment is therefore accounted for on a cost basis and recorded as "Other Assets" in the consolidated statements of financial position of the Group.

## 18. PARTICULARS OF THE SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2017 are as follows:

| Name | Place of incorporation/ establishment and operations | Particulars of issued capital/ registered capital | Percentage of equity attributable to the Group | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Vitop Bioenergy Limited | British Virgin Islands | 1 ordinary share of US$1 | 100% | – | Investment holding |
| Vitop Bioenergy (China) Limited* ("Vitop China") | the PRC | Registered capital of HK$95,000,000 | – | 100% | Manufacturing and trading of BIOenergy® products, and trading of multi-functional water generators, healthcare food products and other healthcare products |
| Hefei Vitop Meiling Technology Limited** | the PRC | Registered capital of RMB5,840,000 | – | 80% | Manufacturing and trading of multi-functional water generators |
| Zhuhai Detox Bioenergy Technology Limited* | the PRC | Registered capital of RMB1,000,000 | – | 100% | Trading of healthcare product |
| Topgold Industrial Limited | Hong Kong | 1 ordinary share | 100% | – | Investment holding |
| Zhuhai Wei Tuo Po Technology Limited* | the PRC | Registered capital of RMB5,000,000 | – | 100% | Manufacturing and trading of multi-functional water generators and ionisers |
| Guangzhou Zhan'ao Trade Commerce Company Limited* | the PRC | Registered capital of RMB1,000,000 | – | 100% | Properties investments |
| Cosmic Global Holdings Limited | British Virgin Islands | 1 ordinary share of US$1 | 100% | – | Investment Holding |
| Smart Key Holdings Limited | British Virgin Islands | 1 ordinary share of US$1 | – | 100% | Investment Holding |
| Fine Treasure Asia Limited | British Virgin Islands | 1 ordinary share of US$1 | – | 100% | Investment Holding |
| Red Health Products Company Limited | Hong Kong | 1 ordinary share | – | 100% | Trading of healthcare product |

## 18. PARTICULARS OF THE SUBSIDIARIES *(Continued)*

| Name | Place of incorporation/ establishment and operations | Particulars of issued capital/ registered capital | Percentage of equity attributable to the Group Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Me In Holdings Limited | British Virgin Islands | 1 ordinary share of US$1 | – | 100% | Investment Holding |
| Me In Limited | Hong Kong | 4,000,000 ordinary shares | – | 100% | Trading of healthcare product |
| Vitop Manuka Resources Limited | Hong Kong | 1 ordinary share | 100% | – | Investment Holding |
| Richora Group Limited | New Zealand | 100 ordinary shares of NZD1 each | – | 51% | Trading of honey |

* Registered as wholly-foreign owned enterprise ("WFOE") under the PRC law.

** Registered as Sino-foreign joint venture under the PRC law.

The above table lists the subsidiaries of the Company which have, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, results in particulars of excessive length.

## 19. INVENTORIES

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Raw materials | **6,056** | 5,147 |
| Work in progress | **4,096** | 5,230 |
| Finished goods | **63,475** | 66,792 |
| | **73,627** | 77,169 |
| Less: Provision for obsolete and slow-moving inventories | **(54,474)** | (53,218) |
| | **19,153** | 23,951 |

## 20. TRADE RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **47,751** | 50,780 |
| Less: Accumulated impairment loss | **(10,305)** | (8,272) |
| | **37,446** | 42,508 |

The majority of the Group's sales are on credit terms up to 90 days from the end of the month of invoice. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

An aging analysis of trade receivables based on the invoice dates, which approximated the revenue recognition dates, is as follows:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0–30 days | **1,290** | 36,312 |
| 31–60 days | **6** | 89 |
| 61–180 days | **2,062** | 459 |
| Over 180 days | **34,088** | 5,648 |
| | **37,446** | 42,508 |

Included in the balances are trade receivables with an aggregate carrying amount of approximately HK$34.09 million (2016: approximately HK$5.65 million) which are past due at the reporting date for which the Group has not provided impairment loss as there has no significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances. No interest is charged on the trade receivables.

Aging of trade receivables which are past due but not impaired:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 91–180 days | **–** | 5 |
| Over 180 days | **34,088** | 5,648 |
| | **34,088** | 5,653 |

## 20. TRADE RECEIVABLES *(Continued)*

**Movement in the allowance for doubtful debts**

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Balance at the beginning of the year | **8,272** | 8,639 |
| Impairment loss on trade receivables | **1,925** | 244 |
| Exchange realignment | **108** | (611) |
| Balance at the end of the year | **10,305** | 8,272 |

## 21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Non-current | | |
| Other receivables | **30,550** | – |
| Current | | |
| Deposits for rental and utilities | **1,550** | 1,182 |
| Deposits for the proposed acquisition of subsidiaries | **–** | 5,000 |
| Refundable investment deposits | **20,000** | 20,000 |
| Other receivables | **58,305** | 43,759 |
| Deposit for purchases of inventories | **9,526** | 7,616 |
| | **89,381** | 77,557 |
| Less: Accumulated impairment loss | **(6,915)** | (3,752) |
| | **82,466** | 73,805 |

As at 30 June 2017, there were approximately HK$80,550,000 outstanding included in deposits, prepayments and other receivables which were past due but not impaired (the "Receivables"). During the year, the Group entered into repayment agreements with debtors of the Receivables for the settlement of the outstanding balances. Pursuant to the repayment agreements and schedules, the Receivables would be carrying interest at 10% per annum, payable on quarterly basis and the latest matures in 3 years. The Receivables of approximately HK$30,550,000 were classified as non-current assets according to the repayment terms.

## 22. CASH AND BANK BALANCES

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Cash and bank balances | **18,069** | 39,680 |

As at the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$11.73 million (2016: approximately HK$12.28 million). The RMB is not freely convertible into other currencies.

## 23. TRADE PAYABLES

The credit terms of trade payables varies according to the terms agreed with different suppliers. The aging analysis of the Group's trade payables as at the end of the reporting period, based on the due date, is as follows:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0–30 days | **426** | 1,597 |
| 31–60 days | **264** | 489 |
| 61–180 days | **5,503** | 2,151 |
| Over 180 days | **6,988** | 8,603 |
| | **13,181** | 12,840 |

## 24. BORROWINGS

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Borrowings, repayable within one year | **16,000** | 5,814 |

At 30 June 2017, borrowings of HK$16 million were guaranteed by the Company. The effective interest rate for borrowings of HK$6 million is 10% per annum and repayable within one month; and the effective interest rate for borrowings of HK$10 million is 12% per annum and repayable within one year.

At 30 June 2016, borrowings of RMB 5 million (approximately equivalent to HK$5.81 million) were guaranteed and secured by properties of independent third parties. The effective interest rate for borrowings was 13% per annum and repayable within one year.

## 25. DEFERRED TAXATION

Deferred tax liabilities:

| | **Fair value of intangible assets** |
|---|---|
| | HK$'000 |
| At 1 July 2015 | – |
| Acquisition of subsidiaries | 4,753 |
| Deferred tax credit to the consolidated statement of profit or loss and other comprehensive income | (526) |
| At 30 June 2016 and at 1 July 2016 | 4,227 |
| Deferred tax credit to the consolidated statement of profit or loss and other comprehensive income | (1,925) |
| At 30 June 2017 | 2,302 |

At the end of the reporting period, the Group has unused tax losses of HK$72.80 million (2016: HK$72.18 million) available for offsetting against future taxable profits of the companies which incurred taxation losses. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

## 26. SHARE CAPITAL

| | Notes | Number of Shares | Amount HK$'000 |
|---|---|---|---|
| Authorised: | | | |
| At 1 July 2015, at 30 June 2016, at 1 July 2016 and at 30 June 2017, at HK$0.025 each | | 20,000,000,000 | 500,000 |
| Issued and fully paid: | | | |
| At 1 July 2015 | | 2,502,611,922 | 62,565 |
| First tranche subscription of new shares | a | 105,000,000 | 2,625 |
| Second tranche subscription of new shares | a | 50,000,000 | 1,250 |
| Third tranche subscription of new shares | a | 70,000,000 | 1,750 |
| Fourth tranche subscription of new shares | a | 108,680,000 | 2,717 |
| Placing of new shares | b | 1,600,000,000 | 40,000 |
| Share option exercises | c | 20,000,000 | 500 |
| At 30 June 2016 and at 1 July 2016 | | 4,456,291,922 | 111,407 |
| Issue of shares pursuant to acquisition of subsidiaries | d | 487,992,111 | 12,200 |
| Share option exercises | e | 20,000,000 | 500 |
| At 30 June 2017 | | 4,964,284,033 | 124,107 |

Notes:

(a) On 10 July 2015, the Company entered into a subscription agreement with an agent for subscription a total number of 333,680,000 new shares at the subscription has been completed by four tranches by 105,000,000 shares, 50,000,000 shares, 70,000,000 shares, 108,680,000 shares on 16 July 2015, 29 July 2015, 31 July 2015 and 5 August 2015 respectively.

(b) On 4 November 2015, the Company entered into placing agreement with a placing agent for placing an aggregate of 1,600,000,000 new shares to ultimate beneficial owners at a price of HK$0.10 per placing share. The placing was subsequently completed on 22 January 2016.

(c) The share option holder, Mr. Li Jingrui, exercised a total number of 20,000,000 ordinary shares at the exercised price of HK$0.145 each on 1 June 2016.

(d) On 12 August 2016, the Company issued 487,992,111 shares as consideration to acquire the entire equity interests in ECrent (Hong Kong) Limited and 0.45% equity interests in YSK 1860 Investment Company Limited. The total consideration for the acquisition was approximately HK$110,039,000, of which HK$10,000,000 was settled by cash and approximately HK$100,039,000 was settled by issuing new shares.

(e) The share option holder, Mr. Chow Kin Ming, exercised a total number of 20,000,000 ordinary shares at the exercised price of HK$0.145 each on 30 December 2016.

## 27. SHARE OPTION SCHEME

In connection with the listing of the Company's shares on the Main Board of the Stock Exchange, the Company conditionally adopted a share option scheme (the "Scheme") pursuant to an ordinary resolution passed by the shareholders of the Company on 2 December 2014. The Scheme became effective on 2 December 2014 upon the listing of the Company's shares on the Main Board of the Stock Exchange by way of introduction and, unless otherwise cancelled or amended, the Scheme remains in force for ten years from that date.

The purpose of this Scheme is to reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

The participants of the Scheme include: directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their associates, are subject to approval in advance by independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or 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 the grant) in excess of HK$5,000,000, in any twelve-month period up to the date of grant, are subject to shareholders' approval in advance in a general meeting.

The total number of shares of the Company in respect of which options may be granted under the Scheme must not exceed 494,428,403 shares, being 10% of the total number of shares of the Company in issue on the date when the 10% Scheme limit has been refreshed.

The total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted to each participant (including exercised and outstanding options) in any twelve-month period up to the date of grant shall not exceed 1% of the total number of shares of the Company in issue as at the date of grant (the "Individual Limit"). Any further grant of options in excess of the Individual Limit must be subject to shareholders' approval in general meeting with such participant and his or her associates abstaining from voting.

An option may be exercised at any time during a period as the Board of the Company may determine which shall not be more than ten years from the date of grant of the option.

Save as determined by the Board, there is no minimum period for which an option must be held before it can be exercised.

The acceptance of an offer of the grant of an option must be made within 7 days from the date upon which such offer is made with a non-refundable payment of HK$1.00 from the grantee to the Company by way of consideration for the grant thereof.

## 27. SHARE OPTION SCHEME *(Continued)*

The subscription price of a share of the Company in respect of any option shall be such price as the Board in its absolute discretion shall determine, save that such price will not be lower than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a trading day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the option; and (c) the nominal value of the share.

Subject to earlier termination of the Company by resolution in general meeting, the Scheme shall be valid and effective till 2 December 2024. After the expiry of such valid period, no further options will be offered but in all other respects the provisions of the Scheme shall remain in full force and effect.

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

The fair value of equity-settled share options granted was estimated as at the date of grant, using the Binominal option price model, taking into account the terms and conditions upon which the share options were granted. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessary be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

Details of the specific categories of options are as follows:

| **Grantee** | **Date of Grant** | **Exercise period** | **Exercise price** (Note) HK$ |
|---|---|---|---|
| Employees and consultants | 21 March 2016 | 21/3/2016–20/3/2026 | 0.145 |

Details of the share option outstanding during the year are as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Number of share options** | **Weighted average exercise price (HK$)** | Number of share options | Weighted average exercise price (HK$) |
| Outstanding at the beginning of the year | **262,000,000** | **0.145** | – | – |
| Granted during the year | **–** | **–** | 282,000,000 | 0.145 |
| Exercised during the year | **(20,000,000)** | **0.145** | (20,000,000) | 0.145 |
| Outstanding at the end of the year | **242,000,000** | **0.145** | 262,000,000 | 0.145 |
| Exercisable at the end of the year | **242,000,000** | **0.145** | 262,000,000 | 0.145 |

The options outstanding at 30 June 2017 had an exercise price at HK$0.145 per share and a weighted average remaining contractual life of 8.7 years (2016: 9.7 years).

## 27. SHARE OPTION SCHEME *(Continued)*

The fair value of share options is determined at the date of grant using Binominal Option Pricing Model by an independent valuer and the following assumptions were used to calculate the fair value of share options:

| | 21 March 2016 |
|---|---|
| Fair value at grant date | HK$0.052 |
| Share price | HK$0.138 |
| Exercise price | HK$0.145 |
| Expected Volatility of Underlying Share (expressed as weighted average Volatility used in the modeling under the Binominal Option Price Model) | 109.74% |
| Option life (expressed as weighted average life used in the modeling under the Binominal Option Price Model) | 10 years |
| Expected dividends | 0% |
| Risk free rate | 1.228% |

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

There were no equity-settled share-base payments charge to the profit or loss during the year ended 30 June 2017 (2016: HK$14,664,000).

At the end of the reporting period, the Company has 242,000,000 share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 242,000,000 additional ordinary shares of the Company and additional share capital of approximately HK$6,050,000.

During the year ended 30 June 2017, a total number of 20,000,000 share options have been exercised.

## 28. 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.

The share premium account of the Group mainly includes: (i) shares issued at a premium; and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the reorganisation scheme (the "Group Reorganisation") in preparation for the public listing of the Company's shares on the GEM of the Stock Exchange over the nominal value of the share capital of the Company issued in exchange therefore.

In accordance with the relevant the PRC regulations applicable to WOFE, all the PRC subsidiaries of the Company, are required to transfer 10% of their profit after tax, if any, to the statutory reserve until the balance of the fund reach 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant the PRC regulations, the statutory reserve may be used to offset against their respective accumulated losses.

## 29. ACQUISITION OF SUBSIDIARIES

During the year ended 30 June 2017, the Group did not have any acquisition of subsidiary (except as disclosed in note 17), the details of acquisition of the Group during the year ended 30 June 2016 are as follow:

### (a) ACQUISITION OF ME IN HOLDINGS LIMITED

On 12 April, 2016, the Group completed the acquisition of 100% equity interest in Me In Holdings Limited and its subsidiaries (the "Me In Group") from an independent third party at a consideration of HK$10 million in cash.

The fair value of the identifiable assets and liabilities of Me In Group as at date of acquisition were as follows:

| | 2016<br>HK$'000 |
|---|---|
| Property, plant and equipment | 10 |
| Tradename | 7,860 |
| Inventories | 567 |
| Cash and bank balances | 2 |
| Trade receivables | 193 |
| Prepayment | – |
| Accrued liabilities and other payables | (221) |
| Deferred tax liabilities | (1,297) |
| Total identifiable net assets at fair value | 7,114 |
| Goodwill | 2,886 |
| Total consideration satisfied by cash | 10,000 |
| Net cash outflow arising on acquisition | |
| Cash and cash equivalent acquired | 2 |
| Cash consideration | (10,000) |
| Net cash outflow arising from acquisition of Me In Group | (9,998) |

*Acquisition of Me In Group*

During the year ended 30 June 2016, Me In Group contributed approximately HK$2,000 to the Group's revenue and loss of approximately HK$278,000 to the Group's results in aggregate for the period from the date of acquisition to 30 June 2016.

If the acquisition of Me In Group had been completed on 1 July 2015, the Group's total revenue for the year ended 30 June 2016 would have been approximately HK$105,901,000 and loss for the year ended 30 June 2016 would have been approximately HK$113,918,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2015, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and loss for the Group had Me In Group been acquired at the beginning of the current year, the directors have calculated depreciation and amortisation of property, plant and equipment and tradename acquired on the basis of the fair value arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

## 29. ACQUISITION OF SUBSIDIARIES *(Continued)*

### (b) ACQUISITION OF FINE TREASURE ASIA LIMITED

On 1 March 2016, the Group completed the acquisition of 100% equity interest in Fine Treasure Asia Limited and its subsidiaries (the "Fine Treasure Group") from an independent third party at a consideration of HK$24 million in cash.

The fair value of the identifiable assets and liabilities of Fine Treasure Group as at date of acquisition were as follows:

| | 2016<br>HK$'000 |
|---|---|
| Property, plant and equipment | 43 |
| Tradename | 20,947 |
| Inventories | 585 |
| Cash and bank balances | 325 |
| Trade receivables | 648 |
| Other receivables | 279 |
| Trade payables | (418) |
| Accrual liabilities | (608) |
| Deferred tax liabilities | (3,456) |
| Total identifiable net assets at fair value | 18,345 |
| Goodwill | 5,655 |
| Total consideration satisfied by cash | 24,000 |
| Net cash outflow arising on acquisition | |
| Cash and cash equivalent acquired | 325 |
| Cash consideration | (24,000) |
| Net cash outflow arising from acquisition of Fine Treasure Group | (23,675) |

*Acquisition of Fine Treasure Group*

During the year ended 30 June 2016, Fine Treasure Group contributed approximately HK$1,546,000 to the Group's revenue and loss of approximately HK$1,394,000 to the Group's results in aggregate for the period from the date of acquisition to 30 June 2016.

If the acquisition of the Fine Treasure Group had been completed on 1 July 2015, the Group's total revenue for the year ended 30 June 2016 would have been approximately HK$110,531,000 and loss for the year ended 30 June 2016 would have been HK$116,988,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2015, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and loss for the Group had Fine Treasure Group been acquired at the beginning of the current year, the directors have calculated depreciation and amortisation of property, plant and equipment and tradename acquired on the basis of the fair value arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

## 30. COMMITMENTS

### (a) Operating lease commitment

*(i) The Group as lessee*

The Group leases certain of its offices and warehouses under non-cancellable operating lease arrangements with lease terms ranging from one to five years. As at 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **5,343** | 2,660 |
| In the second to fifth years, inclusive | **3,529** | 1,443 |
| | **8,872** | 4,103 |

*(ii) The Group as lessor*

Property rental income earned during the year was approximately HK$137,000 (2016: approximately HK$579,000) and with committed tenants with the longest tenure for 13 years.

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payment:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **617** | 558 |
| In the second to fifth years, inclusive | **2,695** | 2,635 |
| After fifth years | **7,083** | 7,953 |
| | **10,395** | 11,146 |

### (b) Capital commitment

The Group did not have any significant capital commitment as at the end of the reporting period (2016: Nil).

## 31. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

**Gearing ratio**

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. During the year ended 30 June 2017, the Group's strategy, which was unchanged from previous years, was to reduce the gearing ratio. The ratio is calculated based on total debt and shareholders equity.

The gearing ratio at the year end was as follows:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Total debt | **48,045** | 35,600 |
| Shareholders' equity | **297,185** | 269,508 |
| Gearing ratio | **16.17%** | 13.21% |

## 32. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions and balances with certain related parties:

**(a) Related party balances**

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Amounts due to directors (Note) | **4,728** | – |

Note:

The amount is unsecured, interest free and repayable on demand.

**(b) Compensation of key management personnel of the Group**

The Directors are of the opinion that the key management personnel of the Group comprised of the directors of the Company, details of whose emoluments are set out in Note 12(a) and certain highest paid employees whose remunerations are set out in Note 12(b).

## 33. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Financial assets** | | |
| Trade receivables | **37,446** | 42,508 |
| Deposits and other receivables (Including non-current other receivables) | **103,490** | 62,419 |
| Cash and bank balances | **18,069** | 39,680 |
| | **159,005** | 144,607 |
| **Financial liabilities** | | |
| Trade payables | **13,181** | 12,840 |
| Accrued liabilities and other payables | **5,700** | 4,246 |
| Amount due to directors | **4,728** | – |
| Borrowings | **16,000** | 5,814 |
| Trade deposits received | **8,366** | 8,451 |
| | **47,975** | 31,351 |

### (b) Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

*Market risk*

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

Market risk exposures are measured by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Interest rate risk management*

Except as disclosed below, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's cash flow interest-rate risk mainly arises from bank balances. The Group regularly seeks out the most favourable interest rates available for its bank balances. Bank balances issued at variable rates expose the Group to cash flow interest rate risk. Information relating to the interest rates and terms of the Group's bank balances are disclosed in Note 22. As at 30 June 2017, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$90,000 (2016: approximately HK$198,000) lower/higher, mainly as a result of higher/lower interest income on bank balances and cash net off with interest expense on fixed rate bank and other borrowings.

The Group's financial liabilities bore at fixed interest rate which merely comprise secured bank and other borrowings. Accordingly, management considers the Group has no significant fair value interest rate risk from financial liabilities and no sensitivity analysis has been presented.

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

*Foreign exchange risk management*

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group's sales and purchases are denominated primarily in Renminbi, which expose the Group to foreign currency risk. The Group does not have any formal hedging policy.

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

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Assets | | |
| RMB | **100,909** | 54,648 |
| NZD | **2,017** | 2,295 |
| | **102,926** | 56,943 |
| Liabilities | | |
| RMB | **29,507** | 34,748 |
| NZD | **4,744** | 1,053 |
| | **34,251** | 35,801 |

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Sensitivity analysis on foreign currency risk management*

The following table details the Group's sensitivity to a 5% increase and decrease in the Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A negative number below indicates a decrease in profit where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be positive.

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Impact of RMB | | |
| Profit and loss# | **3,570** | 995 |
| Impact of NZD | | |
| Profit and loss# | **(136)** | 62 |
| | **3,434** | 1,057 |

\# This is mainly attributable to the exposure outstanding on receivables and payables denominated in RMB and NZD.

*Credit risk*

As at 30 June 2017, 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.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs period credit evaluations of its customers. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments 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 credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Liquidity risk*

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding its liquidity structure of the overall assets, liabilities, loans and commitments. The Group also monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

| | **Weighted average effective interest rate** | **Within 1 year or repayable on demand** | **2 to 5 year** | **Total undiscounted cash flows** | **Carrying value** |
|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 30 June 2017 | | | | | |
| Non-interest bearing | **–** | **31,975** | **–** | **31,975** | **31,975** |
| Interest bearing* | **10.8** | **17,239** | **–** | **17,239** | **16,000** |
| | | **49,214** | **–** | **49,214** | **47,975** |
| At 30 June 2016 | | | | | |
| Non-interest bearing | – | 25,537 | – | 25,537 | 25,537 |
| Interest bearing* | 13 | 5,814 | – | 5,814 | 5,814 |
| | | 31,351 | – | 31,351 | 31,351 |

* These repayment include principle and loan interest.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Fair value of financial instruments*

The fair value of financial assets and financial liabilities are determined as follows:

(i) Financial instruments carried at fair value

The Group does not have financial instruments recorded at fair value as at 30 June 2017 and 2016.

(ii) Financial instruments carried at other than fair value

All significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2017 and 2016, except for the balances due to a director, an associate and accrued liabilities and other payables, which are interest-free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose their fair values.

## 34. STATEMENT OF FINANCIAL POSITION FOR THE COMPANY

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Non-current assets** | | |
| Property, plant and equipment | **9** | 14 |
| Interests in subsidiaries | **13,000** | 13,000 |
| Other assets | **100,039** | – |
| | **113,048** | 13,014 |
| **Current assets** | | |
| Amounts due from subsidiaries | **67,285** | 229,010 |
| Dividend receivable from subsidiary | **4,199** | 4,199 |
| Deposits, prepayments and other receivables | **1,791** | 3,425 |
| Cash and bank balances | **533** | 18,976 |
| | **73,808** | 255,610 |
| **Current liabilities** | | |
| Amounts due to subsidiaries | **1,000** | 1,000 |
| Accrued liabilities and other payables | **2,885** | 931 |
| Amount due to directors | **4,728** | – |
| | **8,613** | 1,931 |
| **Net current assets** | **65,195** | 253,679 |
| **Total assets less current liabilities** | **178,243** | 266,693 |
| **Net assets** | **178,243** | 266,693 |
| **Capital and reserves** | | |
| Share capital | **124,107** | 111,407 |
| Reserves (Note) | **54,136** | 155,286 |
| **Total equity** | **178,243** | 266,693 |

Approved and authorised for issue by the Board on 27 September 2017

| | |
|---|---|
| **Zhou Guohua** | **Wong Kui Shing, Danny** |
| *Director* | *Director* |

## 34. STATEMENT OF FINANCIAL POSITION FOR THE COMPANY *(Continued)*

Note:

A summary of the Company's reserve is as follows:

| | Share premium | Capital redemption reserves | Share option reserves | Accumulated losses | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 July 2015 | 259,142 | 29 | – | (104,349) | 154,822 |
| Subscription of new shares | 41,410 | – | – | – | 41,410 |
| Placing of shares | 114,804 | – | – | – | 114,804 |
| Grant of share option | – | – | 14,664 | – | 14,664 |
| Exercise of share option | 3,440 | – | (1,040) | – | 2,400 |
| Loss for the year | – | – | – | (172,814) | (172,814) |
| At 30 June 2016 and at 1 July 2016 | 418,796 | 29 | 13,624 | (277,163) | 155,286 |
| Placing of shares | 87,838 | – | – | – | 87,838 |
| Exercise of share option | 3,440 | – | (1,040) | – | 2,400 |
| Loss for the year | – | – | – | (191,388) | (191,388) |
| At 30 June 2017 | 510,074 | 29 | 12,584 | (468,551) | 54,136 |

## 35. EVENTS AFTER THE REPORTING PERIOD

### Placing of new shares under general mandate

On 12 July 2017, the Company entered into a placing agreement (the "Placing Agreement") with Kingston Securities Limited as the placing agent (the "Placing Agent"), pursuant to which the Company had conditionally agreed to place through the Placing Agent, on a best effort basis, up to 988,850,000 placing shares to expected to be not less than six placees who and whose beneficial owners are independent third parties (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) at a placing price of HK$0.07 per placing share. All the conditions set out in the Placing Agreement have been fulfilled and completion of the Placing took place on 3 August 2017. The Placing Agent has successfully placed 988,850,000 placing shares at the placing price of HK$0.07 per placing share to not less than six placees. The net proceeds from the placing amounted to approximately HK$67 million which is intended to be used as general working capital for the Group's expansion of the existing business and/or other potential business development opportunities.

## 35. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

**Incident relating to the Group's acquisition of YSK 1860 Investment Company Limited and ECrent (Hong Kong) Limited**

As set out in the Company's announcements dated 3 May 2016, 31 May 2016, 20 July 2016, 30 July 2016 and 12 August 2016, the Group acquired (the "Acquisition") 0.45% of the equity interest in YSK 1860 Investment Company Limited and 100% of the equity interest in ECrent (Hong Kong) Limited from ECrent Holdings Limited, an independent third party (as defined in the Listing Rules), at a total consideration of approximately HK$110,039,000, which was completed on 12 August 2016. Upon completion of the Acquisition, YSK 1860 Investment Company Limited was treated as an investment while ECrent (Hong Kong) Limited would become a wholly-owned subsidiary of the Company and its financial results should be fully reflected on the consolidated financial statements of the Group for the year ended 30 June 2017.

During the course of the preparation of the Group's consolidated financial statements for the year ended 30 June 2017, the Directors became aware that the Group was unable to obtain the books and records from ECrent Group. Despite repeated negotiation and demand for cooperation from the management of ECrent Group for provision of the accounting records and make available of other documents which the Directors considered necessary (the "Books and Records") for their inspection, no such Books and Records were provided. Due to the non-cooperation of the management of ECrent Group, the Directors considered that the Group might have lost control (the "Incident") in ECrent Group which would lead to the inability of the auditor to perform their audit and issue of the opinion on the consolidated financial statements of the Company for the year ended 30 June 2017.

During the course of the preparation of the Group's consolidated financial statements for the year ended 30 June 2017, the Directors also became aware that the Group was unable to obtain appropriate evidence for the ownership of 0.45% equity interests in YSK 1860 Investment Company Limited including but not limited to the relevant share certificate(s) of YSK 1860 Investment Company Limited, which would lead to the auditor not being able to perform their audit on YSK Group properly.

**Formation of the special investigation committee of the Company**

On 21 September 2017, the Board resolved, among others, to form a special investigation committee of the Company for conducting a review (the "Investigation") on whether the investment process made by the Board in relation to the Acquisition was sufficient, proper and reasonable. In order to assist the Board on this matter, the Board has engaged Ascenda Cachet CPA Limited, an independent certified public accountant firm, to carry out a review on (i) the chronology of events leading to the Acquisition; (ii) the documentation and rationale of the Group's decision on the Acquisition; (iii) the basis of the valuation of the Acquisition; (iv) the due care of the Directors in approving the Acquisition; (v) the compliance of the Acquisition in accordance with the Listing Rules and other relevant rules and regulations; (vi) the chronology of events leading to the Incident and its consequent effect; and (vii) the internal control of the Group and its subsidiaries.

The Company will make further announcement on the results of the Investigation as and when appropriate.

## 36. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issued by the Board on 27 September 2017.

# SUMMARY OF FINANCIAL INFORMATION

| | Year ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **53,524** | 105,893 | 27,739 | 14,420 | 19,823 |
| Loss before income tax | **(72,888)** | (113,264) | (30,431) | (25,468) | (14,588) |
| Income tax | **1,925** | 458 | (14) | – | – |
| Loss for the year | **(70,963)** | (112,806) | (30,445) | (25,468) | (14,588) |
| Attributable to: | | | | | |
| Owners of the Company | **(70,505)** | (112,641) | (30,386) | (25,262) | (14,404) |
| Non-controlling interests | **(458)** | (165) | (59) | (206) | (184) |
| | **(70,963)** | (112,806) | (30,445) | (25,468) | (14,588) |

| | At 30 June | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Assets and liabilities | | | | | |
| Total assets | **348,312** | 306,359 | 235,712 | 153,108 | 131,511 |
| Total liabilities | **(50,347)** | (35,600) | (70,070) | (40,115) | (24,616) |
| Non-controlling interests | **(780)** | (1,251) | (1,460) | (1,519) | (1,725) |
| Equity attributable to owners of the Company | **297,185** | 269,508 | 164,182 | 111,474 | 105,170 |

SHARE ECONOMY
GROUP LIMITED

**SHARE ECONOMY GROUP LIMITED**
**共享經濟集團有限公司**

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)