中國兒童護理有限公司
China Child Care Corporation Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1259






ANNUAL REPORT 2018


Contents

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

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

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

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tsai Wallen *(Chairman)*
Mr. Huang Xinwen *(resigned on 15 October 2018)*
Mr. Chau Ling *(Chief Executive Officer)*
(appointed on 12 December 2018)
Mr. Ma Chi Ming *(resigned on 12 December 2018)*

Non-executive Directors

Mr. Li Zhouxin
Mr. Ren Yunan *(resigned on 17 April 2018)*

Independent Non-executive Directors

Ms. Chan Sze Man
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

BOARD COMMITTEES

Audit Committee

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

Nomination Committee

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

Remuneration Committee

Mr. Ma Kwun Yung Stephen *(Chairman)*
Ms. Chan Sze Man
Mr. Chau Ling *(appointed on 12 December 2018)*
Mr. Ma Chi Ming *(resigned on 12 December 2018)*

COMPANY SECRETARY

Mr. Leung Louis Ho Ming

AUDITOR

CCTH CPA Limited

PRINCIPAL BANKERS

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

STOCK CODE

1259

COMPANY WEBSITE

www.princefrog.com.cn

REGISTERED OFFICE

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

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of China Child Care Corporation Limited (the "Company", together with its subsidiaries, the "Group", stock code: 1259.HK), I would like to extend my sincere gratitude to all shareholders and all sectors of the community for your constant support, and present the financial results and operating performance of the Group for the year ended 31 December 2018 (the "Reporting Period") to the shareholders.

For the year ended 31 December 2018, we had experienced a decrease in the revenue of personal care products segment mainly due to slowdown of economy in the People's Republic of China, the deconsolidation of Fujian Herun Supply Chain Management Co., Ltd. and in addition to the complex and unpredictable international situation as well as uncertainties in global politics and economy.

For the year ended 31 December 2018, the Group's operating revenue amounted to approximately RMB631.2 million, representing a decrease of approximately 20.7% from RMB795.6 million for the year ended 31 December 2017. Loss attributable to equity holders of the Company amounted to approximately RMB431.4 million as compared to loss of RMB170.7 million for the corresponding period in 2017; basic loss per share attributable to equity holders of the Company was RMB33.8 cents as compared to basic loss per share of RMB15.5 cents for the corresponding period in 2017.

Looking forward into 2019, we expect a number of uncertainties persist in world economy, downward pressure continues to confront China's economy and the industry of consumer goods still be subject to the transformation of consumers' consumption behavior. In this context, the Group will make better use of the resources available to the Group and continue to develop diversified business striving to improve its profitability and interests of shareholders.

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

China Child Care Corporation Limited
Mr. Tsai Wallen
Chairman

28 March 2019

Management Discussion and Analysis

BUSINESS REVIEW

Personal Care Products

During the Reporting Period, the revenue from personal care products business was approximately RMB396.1 million, representing a decrease of about 30.6% over the same period of last year (31 December 2017: RMB570.8 million). The personal care products business recorded a loss of approximately RMB338.1 million during the Reporting Period, representing an increase of about 48.4% over the same period of last year (31 December 2017: RMB227.7 million).

The deconsolidation (the "**Deconsolidation**") of Fujian Herun Supply Chain Management Co., Ltd. (福建和潤供應鏈管理有限公司) ("**Fujian Herun**") from the Company's consolidated financial statements and the equity method of accounting for the Group's remaining 30% equity interest in Fujian Herun in the first half of 2017 resulted in a decrease in revenue of personal care products business.

The additional loss was primarily due to the decrease in the revenue of personal care products business due to slowdown of economy in the People's Republic of China (the "**PRC**") and the Group's personal care products business changes from manufacturing to OEM which resulted in decrease of the gross profit of personal care products.

Impairment losses on property, plant and equipment of approximately RMB170.7 million was provided during the Reporting Period (31 December 2017: RMB38.5 million). Moreover, the recalling fee caused by labelling issue of the products was approximately RMB60.6 million (31 December 2017: Nil).

Money Lending Business

During the Reporting Period, this business segment generated interest income of approximately RMB35.9 million, representing an increase of about 12.9% over the same period of last year (31 December 2017: RMB31.8 million) and recorded a segment profit of approximately RMB4.7 million during the Reporting Period, representing an increase of about 50.6% over the same period of last year (31 December 2017: RMB3.1 million).

An impairment loss on loan and interest receivables of approximately RMB4.7 million was provided during the Reporting Period (31 December 2017: Nil)

As at 31 December 2018, the Group had outstanding (i) unsecured loan of approximately RMB62.5 million with average effective interest rate of approximately 35.5% per annum with terms ranging from 6 months to 120 months; and (ii) mortgage loan of approximately RMB108.4 million with average effective interest rate of approximately 17.5% per annum with terms ranging from 1 month to 240 months. The mortgage loans granted by the Group were typically secured by mortgages, charge on shares or charge on assets. In the event of default or failure to repay any outstanding amounts by the debtors, the Group has the right to proceed with sale of collaterals.

The Group is of the view that an expansion of its money lending business through participation of the provision of personal loans and mortgage loans could allow the Group to take the opportunity to enjoy the potential benefits brought by such financing contraction.

On 4 July 2017, the Group entered into the loan agreement with customer A and customer B. Pursuant to which the Group agreed to grant to the customer A and customer B, a loan with principal amount of HK$75.0 million, bearing interest at a rate of 12.0% per annum for a period of 12 months from the date of the loan agreement. The loan is secured by second legal mortgage in respect of a residential property located in Ho Man Tin, Kowloon. The loan was fully settled in 2017.

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

On 19 July 2017, the Group entered into the loan agreement with customer C and customer D. Pursuant to which the Group agreed to grant to the customer C and customer D, a loan with principal amount of HK$95.0 million, bearing interest at a rate of 16.0% per annum for a period of 36 months from the date of the loan agreement. The loan is secured by third legal mortgage in respect of a residential property located in South Island, Hong Kong.

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

On 14 November 2017, the Group entered into the loan agreement with customer E and customer F. Pursuant to which the Group agreed to grant to the customer E and customer F, a loan with principal amount of HK$23.5 million, bearing interest at a rate of 12.0% per annum for a period of 12 months from the date of the loan agreement. The loan is secured by first legal mortgage in respect of residential properties located in Tseung Kwan O, New Territories, Hong Kong. The loan was fully settled in 2018.

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

Operation of Online Platform

During the Reporting Period, the operation of online platform focusing on the children, babies and parents contributed a total revenue of approximately RMB11.5 million to the Group, representing a decrease of about 45.3% over the same period of last year (31 December 2017: RMB21.1 million) and recorded a profit of approximately RMB8.1 million, representing a decrease of about 50.7% over the same period of last year (31 December 2017: RMB16.5 million).

Trading of Commodities

During the Reporting Period, the Group's segment of trading of commodities contributed a total revenue of approximately RMB182.9 million to the Group, representing an increase of about 6.7% over the same period of last year (31 December 2017: RMB171.4 million). The increase was mainly due to the increase in the transaction amount of the sale of electronic products and other electronic components to the electronic product distributors and retailers across the country which contributed approximately RMB160.9 million to the Group (31 December 2017: RMB57.0 million). The trading of beverages and trading of other commodities contributed approximately RMB2.6 million and RMB19.4 million to the Group respectively (31 December 2017: RMB17.7 million and RMB0.5 million respectively).

The business of trading of commodities recorded a loss of approximately RMB16.6 million (profit for the year ended 31 December 2017: RMB4.9 million).

Securities Investment

The Group's securities investment business includes investment in listed securities and private unlisted fund for long-term purposes which classified as financial assets at fair value through other comprehensive income.

As at 31 December 2018, the Group had a portfolio of securities investment of approximately RMB50.9 million and all of which were equity securities listed in Hong Kong and unlisted investment fund of approximately RMB62.4 million. For the Reporting Period, the Group recorded a net unrealised loss of approximately RMB74.9 million and a net realised loss of approximately RMB3.5 million.

Details of the investments performance of equity securities listed in Hong Kong and the unlisted fund are as follows:

				Movement for the year						
Name of the investments	% to the total assets of the Group as at 1 January 2018 *RMB'000*	% to the interest in the respective investments as at 1 January 2018 *RMB'000*	Fair value as at 1 January 2018 *RMB'000*	Addition/ (disposal) *RMB'000*	Change on fair value *RMB'000*	Exchange realignment *RMB'000*	Fair value as at 31 December 2018 *RMB'000*	% to the total assets of the Group as at 31 December 2018 *RMB'000*	% to the interest in the respective investments as at 31 December 2018 *RMB'000*	Realised gain/(loss) on investments *RMB'000*
Listed securities										
International Entertainment Corporation (1009)	1.23	0.97	21,266	–	(10,335)	752	11,683	0.92	0.97	–
LEAP Holdings Group Limited (1499)	1.78	1.48	30,820	–	(11,515)	1,226	20,531	1.61	1.48	–
China Baoli Technologies Holdings Limited (164)	0.52	0.26	9,013	(9,013)	–	–	–	–	–	(3,911)
Singasia Holdings Limited (8293)	0.43	0.20	7,437	(1,725)	4,424	489	10,625	0.83	0.15	2,072
Champion Technology Holdings Limited (92)	–	–	–	5,682	(2,198)	139	3,623	0.28	2.41	–
Dingyi Group Investment Limited (508)	–	–	–	3,866	(437)	137	3,566	0.28	0.10	–
Wai Chun Group Holdings Limited (1013)	–	–	–	–	–	–	–	–	–	(380)
Mindtell Technology Limited (8611)	–	–	–	–	–	–	–	–	–	(1,240)
Gain Plus Holdings Limited (8522)	–	–	–	1,021	(159)	35	897	0.07	0.34	–
			68,536	(169)	(20,220)	2,778	50,925			(3,459)
Unlisted fund										
Head and shoulders Global investment Fund SFC	6.76	N/A	117,135	–	(54,693)	–	62,442	4.90	N/A	N/A
Total			185,671	(169)	(74,913)	2,778	113,367			(3,459)

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

Properties Holding

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

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

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

The Provisional Agreement was completed on 11 December 2017.

Workshop C7 on 1/F of Block C, Hong Kong Industrial Centre, Nos. 489-491 Castle Peak Road, Kowloon, was disposed in February 2018.

During the Reporting Period, the Group's properties holding segment contributed a total revenue of approximately RMB4.8 million to the Group, representing an increase of about 1,472.7% over the same period of last year (31 December 2017: RMB304,000) and recorded a segment loss of approximately RMB34.3 million during the Reporting Period (profit for the year ended 31 December 2017: RMB13.0 million).

An impairment loss on properties for development of approximately RMB20.2 million was provided during the Reporting Period (31 December 2017: Nil).

The loss in change in fair value of investment properties of approximately RMB16.4 million was recorded during the Reporting Period (Gain in fair value of investment properties for the year ended 31 December 2017: RMB13.2 million).

FINANCIAL REVIEW

During the Reporting Period, the turnover of the Group was approximately RMB631.2 million, representing a decrease of about 20.7% over the same period of last year (for the year ended 31 December 2017: RMB795.6 million).

The revenue from personal care products business of the Group was approximately RMB396.1 million, representing a decrease of about 30.6% over the same period of last year (for the year ended 31 December 2017: RMB570.8 million).

The money lending business contributed a total revenue of approximately RMB35.9 million, representing an increase of about 12.9% over the same period of last year (for the year ended 31 December 2017: RMB31.8 million).

The Group's business segment of the operation of online platform contributed a total revenue of approximately RMB11.5 million, representing a decrease of about 45.3% over the same period of last year (for the year ended 31 December 2017: RMB21.1 million).

The Group's business segment of trading of commodities contributed a total revenue of approximately RMB182.9 million, representing an increase of about 6.7% over the same period of last year (for the year ended 31 December 2017: RMB171.4 million).

The Group business segment of properties holding contributed a total revenue of approximately RMB4.8 million representing an increase of about 1,472.7% over the same period of last year (for the year ended 31 December 2017: RMB304,000).

The Group did not have other unallocated revenue for the Reporting Period (for the year ended 31 December 2017: RMB208,000).

Gross Profit/Loss and Gross Profit/Loss Margin

Gross profit of the Group for the reporting year was approximately RMB95.1 million, representing a decrease of about 47.7% as compared with RMB181.8 million for the year ended 31 December 2017.

During the reporting year, the gross profit margin decreased by around 7.7 percentage points over the same period of last year to about 15.1% (for the year ended 31 December 2017: 22.8%). The decrease in overall gross profit margin was primarily due to the lower gross profit margin for the business of personal care products and trading of commodities.

The total gross profit for personal care products was about RMB55.7 million for the reporting year, representing a decrease of about 55.7% as compared with RMB125.7 million of the year ended 31 December 2017. Gross profit margin decreased to about 14.1%, representing a decrease of about 7.9 percentage points compared with the same period of last year. The decrease was mainly due to the Group's personal care segment changes from manufacturing to OEM which resulted in a decrease of the gross profit of personal care products segment.

The gross profit for money lending business for the reporting year was about RMB35.9 million (for the year ended 31 December 2017: RMB31.8 million).

The gross profit for operation of online platform for the reporting year was about RMB10.4 million (for the year ended 31 December 2017: RMB18.7 million).

Gross loss of approximately RMB11.7 million was recorded at the trading of commodities segment for the reporting year (gross profit for the year ended 31 December 2017: RMB5.0 million) and the gross loss margin was about 6.4% (gross profit margin for the year ended 31 December 2017: 2.9%).The gross loss was mainly due to the sale of electronic products and other electronic components.

The gross profit for properties holding for the reporting year was about RMB4.8 million (for the year ended 31 December 2017: RMB304,000).

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing and promotion expenses, transportation costs and other expenses. Selling and distribution expenses amounted to approximately RMB66.7 million for the reporting year, representing a decrease of about 70.6% as compared with approximately RMB227.1 million for the year ended 31 December 2017. The selling and distribution expenses accounted for about 10.6% of the revenue during the reporting year (for the year ended 31 December 2017: 28.6%), among which, advertising and promotion expenses, as a percentage of revenue, decreased from 20.3% for the year ended 31 December 2017 to about 4.7% for the year ended 31 December 2018, representing a decrease of about 15.6 percentage points. The transportation expenses and other expenses, as a percentage of revenue, decreased about 4.1 percentage points to about 4.2% for the reporting year as compared with the same period of 2017 (for the year ended 31 December 2017: 8.3%).

The decrease was mainly due to the Group's personal care business changes from manufacturing to OEM which resulted in a decrease in advertising, marketing and promotion expenses and transportation costs.

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation, share option expenses and other expenses. Administrative expenses of the Group amounted to approximately RMB134.6 million for the reporting year (for the year ended 31 December 2017: RMB148.5 million), representing a decrease of about 9.4% over the same period of last year. Administrative expenses accounted for about 21.3% of the Group's revenue for the reporting year (for the year ended 31 December 2017: 18.7%). The administrative expenses decreased mainly due to the exchange difference arising from depreciation of Renminbi during the Reporting Period.

Finance Costs

The Group had finance costs of approximately RMB11.2 million for the reporting year (for the year ended 31 December 2017: RMB3.2 million).

Management Discussion and Analysis (continued)

Acquisition of subsidiaries

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

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

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

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

Disposal of subsidiaries

On 2 November 2018, the Company entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest in a subsidiary, Amazing Gear Limited, for an aggregate cash consideration of HK$9,000,000. Amazing Gear Limited is an investment holding company of which the principal asset is 10% equity interest in an entity which was classified as financial asset at fair value through other comprehensive income.

Following the completion of the abovementioned shares transfer, Amazing Gear Limited ceased to be a subsidiary of the Group and no gain or loss on disposal was recognised by the Group of the abovementioned shares transfer.

On 30 June 2018, Frog Prince (China) Daily Chemicals Co., Limited (青蛙王子(中國)日化有限公司) ("Frog Prince (China)"), a wholly-foreign-owned enterprise established in the PRC with limited liability as vendor, and 絲耐潔(福建)口腔健康科技有限公司 (Snagatr (Fujian) Oral Health Technology Co., Limited) ("**Snagatr**"), as purchaser, entered into a share transfer agreement. Pursuant to the agreement, Snagatr had agreed to acquire 80% equity interest in 福建愛潔麗日化有限公司 (Fujian Azalli Daily Chemicals Limited) ("**Fujian Azalli**") at the consideration of RMB12.0 million. Following the completion of the abovementioned share transfer, the Fujian Azalli ceased to be a subsidiary of the Group and a loss on disposal of RMB9.0 million was recognised by the Group.

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

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

Net Loss and Net Loss Margin

For the year ended 31 December 2018, loss attributable to equity holders of the Company amounted to approximately RMB431.4 million as compared with loss attributable to equity holders of the Company of RMB170.7 million for the year ended 31 December 2017. The net loss margin was about 68.3% as compared with 21.5% of net loss margin for the year ended 31 December 2017, with basic loss per share of approximately RMB33.8 cents (basic loss per share for the year ended 31 December 2017: RMB15.5 cents).

This is mainly attributable to the facts that revenue of the Group decreased as mentioned above and the recalling fee caused by labelling issue of the personal care products. In additional for the year ended 31 December 2018, the Group made provisions for impairment losses of property, plant and equipment, goodwill and properties for development of RMB170.7 million, RMB31.2 million and RMB20.2 million respectively (for the year ended 31 December 2017: RMB38.5 million, RMB36.3 million and nil respectively). Furthermore, loss on change in fair value of investment properties approximately RMB16.4 million was recorded by the Group during the Reporting Period (gain on change in fair value of RMB13.2 million for the year ended 31 December 2017).

Capital Expenditure

For the year ended 31 December 2018, the Group's material capital expenditure amounted to approximately RMB11.0 million (for the year ended 31 December 2017: RMB257.3 million), mainly used for renovation of plants, offices, and consolidation work of plants and acquisition of new equipments (for the year ended 31 December 2017: renovation of plants, offices and consolidation work of plant, acquisition of new equipments, investment properties and properties for development).

Financial Resources and Liquidity

As at 31 December 2018, cash and cash equivalents of the Group amounted to approximately RMB218.9 million (31 December 2017: RMB222.7 million). The current ratio was 1.4 (31 December 2017: 1.8). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: firstly, developing money lending business; and secondly, pursuing of the potential opportunity for acquisition and other investment in a timely manner.

Management Discussion and Analysis (continued)

Fund raising activity of the Group during the past twelve months

The following is the fund raising activity of the Group during the past twelve months immediate preceding 31 December 2018:

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds up to the date of this report
12 June 2018 (completed on 27 June 2018)	Placing of new shares	HK$29.6 million	For the development of the Group's money lending business	Provisions of loans to 65 individuals which, in aggregate, amount to over HK$29.6 million under various terms of 3 to 120 months with interest rate from 12.4% to 58.0% per annum.

Trade and Bills Receivables

As at 31 December 2018, the Group's trade and bills receivables were approximately RMB82.2 million (31 December 2017: approximately RMB113.2 million). The Group usually grants a credit period of 30 to 180 days to our customers. An impairment loss of approximately RMB1.7 million was provided during the Reporting Period (31 December 2017: Nil).

Loan and Interest Receivables

As at 31 December 2018, the Group's loan and interest receivables were approximately RMB176.1 million (31 December 2017: RMB205.4 million). During the year, the Group had provided loans of approximately RMB95.6 million (2017: RMB348.0 million), with an average annual interest rate of approximately 30.2% (31 December 2017: 15.8%).

An impairment loss on loan and interest receivables of approximately RMB4.7 million was provided during the reporting year (31 December 2017: Nil).

Trade and Bills Payables

As at 31 December 2018, trade and bills payables were approximately RMB70.8 million (31 December 2017: approximately RMB71.5 million). The Group settled its payables within one to six months in general and kept good payment records.

Inventories

As at 31 December 2018, inventories of the Group were approximately RMB102.2 million (31 December 2017: approximately RMB32.0 million). As at 31 December 2018, the inventory balance increased by about 219.8% over the same period of 2017.

A substantial increase in inventories level was mainly due to the sale of electronic products and other electronic components business of the Group.

Gearing Ratio

As at 31 December 2018, current assets of the Group were approximately RMB576.3 million, total assets were approximately RMB1,275.3 million, current liabilities were approximately RMB412.7 million and total liabilities were approximately RMB428.1 million. The gearing ratio (total liabilities/total assets) of the Group was approximately 33.6% (31 December 2017: 24.0%).

Bank and Other Borrowings

As at 31 December 2018,

(i) the Group had bank borrowing of approximately RMB55.0 million (31 December 2017: RMB115.0 million). Facilities were provided to the Group with from banks in PRC with a guarantee from suppliers in the PRC (31 December 2017: pledged bank deposit in the PRC).

(ii) the Group had other secured borrowings of approximately RMB98.8 million (31 December 2017: Nil).

(iii) the Group had other unsecured borrowings of approximately RMB20.0 million (31 December 2017: RMB50.0 million).

Pledge of Assets

As at 31 December 2018,

(i) the Group had pledged deposits of RMB7.4 million (31 December 2017: RMB127.1 million) for short-term bank borrowings and bills payable.

(ii) investment property of RMB83.4 million (31 December 2017: Nil) was pledged for other borrowings.

(iii) certain shares of subsidiaries have been pledged for other borrowing (31 December 2017: Nil).

Capital Structure

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

Risk of Foreign Exchange

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

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

OUTLOOK

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

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

Looking ahead, the Group will continue to expand its money lending business. The Group will also expand the mortgage business to corporate clients. The Group will invest more financial resources to expand these businesses in the coming year, including possible promotion and marketing through media platform. The Group may consider putting certain marketing efforts to promote our brand through various public media. In view of the uncertain economic outlook, the Group will operate and expand the business in a cautious and risk-balanced manner to maintain a balanced portfolio.

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

EMPLOYEES AND REMUNERATION

As at 31 December 2018, the Group employed 921 employees (as at 31 December 2017: 999 employees).

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

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

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend to the Shareholders for the year ended 31 December 2018.

Directors, Company Secretary and Senior Management Biographies

DIRECTORS

Executive Directors

Mr. Tsai Wallen (蔡華綸), aged 59, was appointed as an executive director, chairman and chief executive officer of the Company on 19 July 2016, 28 November 2016 and 11 August 2017, respectively and resigned of chief executive officer on 12 December 2018. Mr. Tsai served as an executive director of Dejin Resources Group Company Limited (a company listed on the Stock Exchange; stock code: 1163) from 3 June 2013 to 12 August 2015. Mr. Tsai had also worked as the general manager of Forestry Business at Dejin Resources Group Company Limited. Mr. Tsai started investing in Hong Kong stock market in 1993. Mr. Tsai has over 30 years of experience in realty, investment and timber business. Mr. Tsai graduated in San Francisco City College.

Mr. Chau Ling (周凌), aged 35, was appointed as an executive director, chief executive officer and member of the Remuneration Committee of the Company on 12 December 2018. Mr. Chau is currently the chief operating officer of Queen's Finance Limited, an indirectly wholly-owned subsidiary of the Company. Mr. Chau graduated with a bachelor's degree in Integrated Business Administration (Marketing and Managing International Business) from The Chinese University of Hong Kong in 2006. After graduation, Mr. Chau has worked with Nomura International Hong Kong as the head of Investment Products and the vice president of the business management team, he has also served as a director of Bank of China International Limited, BSI Limited and HuaTai Financial Holding (Hong Kong) Limited.

Non-executive Directors

Mr. Li Zhouxin (李周欣), aged 35, was appointed as an executive director on 27 January 2016 and re-designated to a non-executive Director with effect from 30 June 2017. He was the chief financial officer of the Company and resigned on 27 April 2017. Mr. Li joined the Group in November 2011 and currently a director of Prince Frog (HK) Daily Chemicals Company Limited and Golden Virtue Investment Holdings Limited (formerly known as Prince Frog Investment Limited), which are wholly-owned subsidiaries of the Company. Mr. Li graduated from Fuzhou University with a bachelor degree in finance in 2007. Mr. Li is a PRC certified public accountant (non-practising) and a certified management accountant recognised by Institute of Management Accountants of the United States of America. Mr. Li also holds a Certification in Risk Management Assurance accredited by The Institute of Internal Auditors. He is also the vice chairman of the 8th Executive Committee of the Youth Business Association of Fujian Province (福建省青年商會).

Mr. Li is now the chief financial officer of a company listed on the Main Board of the Stock Exchange and an independent non-executive director of LEAP Holdings Group Limited (a company listed on the main board of the Stock Exchange; stock code: 1499).

Independent Non-executive Directors

Ms. Chan Sze Man (陳詩敏), aged 37, was appointed as an independent non-executive director of the Company on 20 September 2016. She is also the Chairman of each of the Audit Committee and the Nomination Committee and member of Remuneration Committee of the Company. Ms. Chan received a Bachelor's Degree in Business Administration (majoring in Accountancy) from The Hong Kong University of Science and Technology. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and has over 16 years of experience in accounting and auditing for Hong Kong listed companies and private companies. Ms. Chan is now the chief financial officer of a company listed on the Main Board of the Stock Exchange. Ms. Chan is currently a non-executive director of Tongda Group Holdings Limited (a company listed on the main board of the Stock Exchange; stock code: 698) Ms. Chan has also been serving as an independent non-executive director of Millennium Pacific Group Holdings Limited (a company listed on the GEM; stock code: 8147) for the period from April 2014 to July 2017.

Mr. Ma Kwun Yung Stephen (馬冠勇), aged 38, was appointed as an independent non-executive director on 15 March 2017. He is also the Chairman of the Remuneration Committee and member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Ma has over 8 years of experience in renewable energy management. He obtained a Bachelor degree of Business Systems from Monash University in Australia in 2003 and a Master degree of Applied Finance from The University of Melbourne, Australia in 2005. He is a director and a shareholder of EcoSmart Energy Management Limited, a private company principally engaged in the provision of design, consultation and building of energy projects to private and listed companies.

Ms. Bu Yanan (卜亞楠), aged 33, was appointed as an independent non-executive Director on 15 September 2017. She is also the member of each of the Audit Committee and the Nomination Committee of the Company. She was graduated from City University of Hong Kong with a bachelor of laws and has completed the Practising Certificate in law programme to qualify for admission as a barrister of High Court of Hong Kong in 2011. She is also an Accredited General and Family Mediator of the Hong Kong International Arbitration Centre and of the Hong Kong Mediation Accreditation Association, a fellow of Hong Kong Institute of Arbitrators. Ms. Bu has been in active practice at the Bar in various criminal and commercial matters and has extensive legal experience. She is also been servicing as an independent non-executive director of Teamway International Group Holdings Limited (formerly known as Jin Bao Bao Holdings Limited) (a company listed on the main board of the Stock Exchange; stock code: 1239) from 5 May 2017 to 28 September 2018.

COMPANY SECRETARY

Mr. Leung Louis Ho Ming (梁浩鳴), aged 36, was appointed as a chief financial officer and company secretary of the Company on 30 June 2017 and 31 January 2018 respectively. Mr. Leung holds a bachelor degree of Science in Quantitative Finance from The Chinese University of Hong Kong in 2004. He has been a member of Hong Kong Institute of Certified Public Accountant since 2008 and has over 10 years of experience in accounting and auditing for Hong Kong listed and private companies.

SENIOR MANAGEMENT

Ms. Han Xinbin (韓新彬), aged 41, is the production manager of Frog Prince (Fujian) Baby & Child Care Products Co., Limited (a wholly-owned subsidiary of the Company). Ms. Han has over 16 years of experience in the children's daily chemicals industry of China. She joined the Group in October 2001 and is primarily responsible for management of the production and supply chain of the Group. Prior to joining the Group, she worked for Fujian Longxi Instrument Meter Factory (福建龍溪儀錶廠) from 1996 to 1998. Ms. Han received a diploma in accounting from Xiamen University in 2000.

Mr. Wen Wenzhong (溫文忠), aged 52, is the manager of the research and development and quality guarantee department of Frog Prince (Fujian) Baby & Child Care Products Co., Limited (a wholly-owned subsidiary of the Company). Mr. Wen has over 27 years of experience in the research and development of children's personal care products. He joined the Group in May 2005 and is responsible for research and development of our children's personal care products and the management of quality control. Prior to joining the Group, he served as a project engineer in the Research Laboratory of Zhangzhou Chemicals Factory (漳州市化學品廠研究所) for 15 years. Mr. Wen currently serves as a member of National Technical Committee on Fragrance and Flavor Cosmetic of Standardisation Administration (全國香料香精化妝品標準化技術委員會). He received a master degree in organic chemical science from Dalian University of Technology in 1990.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

The Board considers that during the year ended 31 December 2018, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

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

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

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

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

A2. Board Composition

The composition of the Board as at 31 December 2018 is as follows:

Executive directors:

Mr. Tsai Wallen	*(Chairman of the Board)*
Mr. Chau Ling	*(Chief Executive Officer and Member of the Remuneration Committee)*

Non-executive directors:

Mr. Li Zhouxin

Independent non-executive directors:

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

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

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

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

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

A3. Chairman and Chief Executive

The Board is of the view that the Company has complied with the code provisions set out in the CG Code as contained in Appendix 14 of the Listing Rules during the year ended 31 December 2018, except for code provision A.2.1. Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The role of the chief executive officer was performed by Mr. Tsai Wallen ("Mr. Tsai"), who was also the chairman of the Company. Mr. Tsai has over 30 years of experience in realty and investment business. He is responsible for managing the overall operations of the Group and planning the business development and strategies.

The Directors consider that vesting the role of the chairman of the Board and the chief executive officer in the same individual is beneficial to the management and business development of the Group. The balance of power and authority is ensured by the operations of the Board and the senior management, which comprise experienced and high calibre individuals.

Subsequently on 12 December 2018, the Company appointed Mr. Chau Ling, as an executive director and the chief executive officer of the Company and Mr. Tsai resigned as the chief executive officer on the same day.

The Company has duly complied with the code provision A.2.1 since 12 December 2018.

A4. Appointment and Re-election of Directors

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

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

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

A5. Training and Continuing Development for Directors

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

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

During the year ended 31 December 2018, all Directors complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

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

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

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

A6. Directors' Attendance Records

The attendance records of each director at the Board and Board committees meetings and annual general meeting of the Company held during the year ended 31 December 2018 are set out below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive directors:					
Mr. Tsai Wallen *(Note 1)*	17/17	N/A	N/A	N/A	1/1
Mr. Huang Xinwen *(Note 2)*	9/9	N/A	N/A	N/A	0/1
Mr. Ma Chi Ming *(Note 3)*	11/14	N/A	2/3	N/A	0/1
Mr. Chau Ling *(Note 4)*	3/3	N/A	N/A	N/A	N/A
Non-executive directors:					
Mr. Li Zhouxin	17/17	N/A	N/A	N/A	0/1
Mr. Ren Yunan *(Note 5)*	2/2	N/A	N/A	N/A	N/A
Independent non-executive directors:					
Ms. Chan Sze Man	17/17	3/3	3/3	3/3	1/1
Mr. Ma Kwun Yung Stephen	17/17	3/3	3/3	3/3	1/1
Ms. Bu Yanan	15/17	3/3	N/A	2/3	1/1

Notes:

1. Mr. Tsai Wallen resigned as a chief executive officer with effect from 12 December 2018.

2. Mr. Huang Xinwen resigned as an executive director with from 15 October 2018. Before his resignation, 9 Board meetings, 1 annual general meeting and no extraordinary general meeting were held during the year ended 31 December 2018.

3. Mr. Ma Chi Ming resigned as a non-executive director with effect from 12 December 2018. Before his resignation, 14 Board meetings, 3 Remuneration Committee meetings, 1 annual general meeting and no extraordinary general meeting, were held during the year ended 31 December 2018.

4. Mr. Chau Ling appointed as an executive director, chief executive officer and a member of Remuneration Committee with effect from 12 December 2018. After his appointment, 3 Board meetings, no Remuneration Committee meeting, no annual general meeting and no extraordinary general meeting were held during the year ended 31 December 2018.

5. Mr. Ren Yunan resigned as a non-executive director with effect from 17 April 2018. Before his resignation, 2 Board meeting, no annual general meeting and no extraordinary general meeting were held during the year ended 31 December 2018.

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

A7. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Each director has been given a copy of the Model Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Model Code throughout the year ended 31 December 2018.

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

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

A8. Corporate Governance Functions

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

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

B. BOARD COMMITTEE

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

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

B1. Remuneration Committee

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

Executive director

Mr. Ma Chi Ming	*(Resigned as a member on 12 December 2018)*
Mr. Chau Ling	*(Appointed as a member on 12 December 2018)*

Independent non-executive directors

Mr. Ma Kwun Yung Stephen
Ms. Chan Sze Man

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

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

During the year ended 31 December 2018, the Remuneration Committee has held 3 meeting (the attendance records of each Committee member are set out in section A6 above). The Remuneration Committee performed the following major works during the year:

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

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

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2018 is set out below:

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

Details of the remuneration of each director of the Company for the year ended 31 December 2018 are set out in note 12 to the financial statements contained in this annual report.

B2. Nomination Committee

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

Independent non-executive directors
Ms. Chan Sze Man *(Chairman)*
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

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

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

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

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

During the year ended 31 December 2018, the Nomination Committee has held 3 meeting (the attendance records of each Committee member are set out in section A6 above). The Nomination Committee performed the following major works during the year:

– Review of the Board composition and structure;

– Consideration of and recommendation to the Board on the re-election of the retiring directors at the 2018 annual general meeting;

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

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

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors.

Selection Criteria

When evaluating and selecting candidates for directorships, the members of the Nomination Committee or the Board shall consider the following criteria:

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategies;

(c) The Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;

(d) Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

(e) In case of independent non-executive Directors, whether the candidates would be considered independent in accordance with the Listing Rules;

(f) In case of re-election, the overall contribution and service to the Company of the Director to be reelected and the level of participation and performance on the Board and the other criteria set out in this section; and

(g) Such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

(a) The Nomination Committee and/or the Board identifies potential candidates including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agencies and/or advisors. The Nomination Committee then develops a short list of candidates and agrees on proposed candidate(s);

(b) Proposed candidate(s) will be asked to submit the necessary personal information, biographical details, together with their written consent to be appointed as a director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary;

(c) The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the personal information (or relevant details) of the proposed candidate(s), evaluate such candidate(s) based on the criteria as set out above to determine whether such candidate(s) is qualified for directorship;

(d) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;

(e) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

(f) The secretary of the Nomination Committee shall convene a meeting of the Nomination Committee. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for re-election or election at a general meeting, the Nomination Committee shall make nominations or recommendations for the Board's consideration and the Board shall make recommendations to shareholders in respect of the proposed re-election or election of Director(s) at the general meeting;

(g) In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations including the Listing Rules, of the proposed candidates; and

(h) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

Monitor and Review

The Nomination Committee will monitor the implementation of the Nomination Policy and report to the Board when necessary. Also, the Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

B3. Audit Committee

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

Independent non-executive directors
Ms. Chan Sze Man *(Chairman)*
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

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

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

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

– Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2017, the related accounting principles and practices adopted by the Group and internal controls related matters, and recommendation of the re-appointment of the external auditors;

– Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2018, and the related accounting principles and practices adopted by the Group;

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

– Review of the continuing connected transaction of the Group;

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

During the year ended 31 December 2018, the Audit Committee has held 3 meetings (the attendance records of each Committee member are set out in section A6 above).

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

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

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2018.

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

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

D. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

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

E. COMPANY SECRETARY

Mr. Leung Louis Ho Ming was appointed as the company secretary with effect from 31 January 2018.

During the year ended 31 December 2018, Mr. Leung Louis Ho Ming has taken not less than 15 hours of relevant professional training.

F. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2018 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to CCTH CPA Limited ("CCTH"), the Company's existing auditor, in respect of audit services and non-audit services for the year ended 31 December 2018 are analyzed below:

Type of services provided by the external auditors	**Fee paid/ payable**
Audit services:	
– Audit fee for the year ended 31 December 2018	RMB1,751,000
Non-audit services:	
– Agreed upon procedures on interim results for the six months ended 30 June 2018	RMB319,000
– Other services	RMB23,000
TOTAL:	RMB2,093,000

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

Inquiries are dealt with in an informative and timely manner.

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

H. SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

Report of the Directors

The directors of Company (the "Directors") present their report and the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review required under Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's performance during the year using financial key performance indicators and an indication of likely future development in the Group's business, is set out in the "Management Discussion and Analysis" on pages 4 to 15 of this annual report. This discussion forms part of this "Report of the Directors".

FINANCIAL STATEMENTS

The Group's loss for the year ended 31 December 2018 and the Group's financial position at that date are set out in the financial statements on pages 68 to 201 of this annual report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 42 to the financial statements.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to shareholders of the Company for the year ended 31 December 2018.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information of the Group for the last five financial years is set out on page 202 of this annual report. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 June 2019 to Friday, 28 June 2019 (both days inclusive) for the purpose of determining the right to attend and vote at the 2019 annual general meeting ("2019 AGM") to be held on Friday, 28 June 2019. In order to be entitled to attend and vote at the 2019 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied with the corresponding share certificates are lodged with the Company's branch share registrar and transfer office (i.e. Union Registrars Limited) at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 24 June 2019.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company is incorporated in the Cayman Islands while most of the Group's operations are performed in PRC and the Company is listed on the Stock Exchange. During the year ended 31 December 2018, as far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations that have a significant impact on the Group's business and operation by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

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

ENVIRONMENTAL PROTECTION POLICY

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

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

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB287,870,000. In addition, the Company's share premium account, in the amount of RMB519,572,000, may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIVIDEND POLICY

Under the dividend policy, provided the Group is profitable and without affecting the normal operations of the Group, the Company may consider to declare and pay dividends to the shareholders of the Company.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

(i) the general financial condition of the Group;

(ii) capital and debt level of the Group;

(iii) future cash requirements and availability for business operations, business strategies and future development needs;

(iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(v) the general market conditions; and

(vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the articles of association of the Company. The Dividend Policy will continue to be reviewed from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 63.3% of the total sales for the year, and the sales to the Group's largest customer accounted for 26.2% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 33.3% of the total purchases for the year, and the purchases from the largest supplier accounted for 11.9% of the total purchases for the year.

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

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

Customers

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

Suppliers

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

DONATIONS

Donations made by the Group during the year ended 31 December 2018 amounted to approximately RMB632,000.

DIRECTORS

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

Executive Directors

Mr. Tsai Wallen
Mr. Huang Xinwen *(Resigned on 15 October 2018)*
Mr. Ma Chi Ming *(Resigned on 12 December 2018)*
Mr. Chau Ling *(Appointed on 12 December 2018)*

Non-executive Directors

Mr. Li Zhouxin
Mr. Ren Yunan *(Resigned on 17 April 2018)*

Independent Non-executive Directors

Ms. Chan Sze Man
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

Pursuant to Article 83(3) of the Company's Articles of Association, Mr. Chau Ling, the newly appointed director, shall retire at the 2019 AGM. In addition, pursuant to Article 84 of the Company's Articles of Association, Mr. Ma Kwun Yung Stephen and Ms. Chan Sze Man will retire from office as Directors by rotation at the 2018 AGM. All of the above three retiring directors are eligible for re-election at the 2019 AGM.

It is noted that Mr. Chau Ling, Mr. Ma Kwun Yung Stephen and Ms. Chan Sze Man will offer themselves for re-election at the 2019 AGM.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 16 to 18 of this annual report.

SERVICE CONTRACTS OF DIRECTORS

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

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

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than those transactions disclosed in note 52 to the financial statements and in the section headed "Continuing Connected Transaction" below, none of Directors or their connected entities had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party or subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. Details of the Scheme are disclosed in note 42 to the financial statements.

As at the date of this annual report, the total number of shares of the Company available for issue under the Scheme was 209,498,100 shares, representing approximately 15.07% of the number of issued shares of the Company.

The following table discloses movements of the Company's share options, granted under the Scheme, during the year ended 31 December 2018:

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2018	Exercise period *(Note 2)*
Non-executive Directors									
Mr. Li Zhouxin	21 June 2012	2.94	90,000	–	–	–	–	90,000	E
(re-designated from			90,000	–	–	–	–	90,000	F
executive director on									
30 June 2017)			180,000	–	–	–	–	180,000	
	26 September 2014	1.83	120,000	–	–	–	–	120,000	G
			90,000	–	–	–	–	90,000	H
			90,000	–	–	–	–	90,000	I
			300,000	–	–	–	–	300,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*1,480,000*	–	–	–	–	*1,480,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2018	Exercise period *(Note 2)*
Former Directors									
Mr. Huang Xinwen	14 October 2011	1.92	300,000	–	–	–	–	300,000	B
(resigned on 15 October 2018)			300,000	–	–	–	–	300,000	C
			600,000	–	–	–	–	600,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	400,000	–	–	–	–	400,000	G
			300,000	–	–	–	–	300,000	H
			300,000	–	–	–	–	300,000	I
			1,000,000	–	–	–	–	1,000,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*3,400,000*	–	–	–	–	*3,400,000*	

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2018	Exercise period (Note 2)
Former Directors									
Mr. Ren Yunan	14 October 2011	1.92	40,000	–	–	–	–	40,000	A
(resigned on 17 April 2018)			30,000	–	–	–	–	30,000	B
			30,000	–	–	–	–	30,000	C
			100,000	–	–	–	–	100,000	
	21 June 2012	2.94	40,000	–	–	–	–	40,000	D
			30,000	–	–	–	–	30,000	E
			30,000	–	–	–	–	30,000	F
			100,000	–	–	–	–	100,000	
	26 September 2014	1.83	80,000	–	–	–	–	80,000	G
			60,000	–	–	–	–	60,000	H
			60,000	–	–	–	–	60,000	I
			200,000	–	–	–	–	200,000	
	18 January 2016	0.81	1,400,000	–	–	–	–	1,400,000	J
			1,050,000	–	–	–	–	1,050,000	K
			1,050,000	–	–	–	–	1,050,000	L
			3,500,000	–	–	–	–	3,500,000	
Sub-total			*3,900,000*	–	–	–	–	*3,900,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2018	Exercise period *(Note 2)*
Former Directors (continued)									
Mr. Li Zhenhui (resigned on 27 January 2017)	14 October 2011	1.92	800,000	–	–	–	–	800,000	A
			600,000	–	–	–	–	600,000	B
			600,000	–	–	–	–	600,000	C
			2,000,000	–	–	–	–	2,000,000	
	21 June 2012	2.94	144,000	–	–	–	–	144,000	D
			108,000	–	–	–	–	108,000	E
			108,000	–	–	–	–	108,000	F
			360,000	–	–	–	–	360,000	
	26 September 2014	1.83	400,000	–	–	–	–	400,000	G
			300,000	–	–	–	–	300,000	H
			300,000	–	–	–	–	300,000	I
			1,000,000	–	–	–	–	1,000,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*4,360,000*	–	–	–	–	*4,360,000*	

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2018	Exercise period (Note 2)
Former Directors (continued)									
Mr. Ge Xiaohua (retired on 15 June 2017)	14 October 2011	1.92	300,000	–	–	–	–	300,000	B
			300,000	–	–	–	–	300,000	C
			600,000	–	–	–	–	600,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	400,000	–	–	–	–	400,000	G
			300,000	–	–	–	–	300,000	H
			300,000	–	–	–	–	300,000	I
			1,000,000	–	–	–	–	1,000,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*3,400,000*	–	–	–	–	*3,400,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2018	Exercise period *(Note 2)*
Former Directors (continued)									
Mr. Xie Jinling	14 October 2011	1.92	400,000	–	–	–	–	400,000	A
(resigned on 19 July 2016)			300,000	–	–	–	–	300,000	B
			300,000	–	–	–	–	300,000	C
			1,000,000	–	–	–	–	1,000,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	400,000	–	–	–	–	400,000	G
			300,000	–	–	–	–	300,000	H
			300,000	–	–	–	–	300,000	I
			1,000,000	–	–	–	–	1,000,000	
	18 January 2016	0.81	400,000	–	–	–	–	400,000	J
			300,000	–	–	–	–	300,000	K
			300,000	–	–	–	–	300,000	L
			1,000,000	–	–	–	–	1,000,000	
Sub-total			*3,800,000*	–	–	–	–	*3,800,000*	

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2018	Exercise period (Note 2)
Former Directors (continued)									
Ms. Hong Fang (resigned on 27 January 2016)	14 October 2011	1.92	400,000	–	–	–	–	400,000	A
			300,000	–	–	–	–	300,000	B
			300,000	–	–	–	–	300,000	C
			1,000,000	–	–	–	–	1,000,000	
	21 June 2012	2.94	320,000	–	–	–	–	320,000	D
			240,000	–	–	–	–	240,000	E
			240,000	–	–	–	–	240,000	F
			800,000	–	–	–	–	800,000	
	26 September 2014	1.83	1,200,000	–	–	–	–	1,200,000	G
			900,000	–	–	–	–	900,000	H
			900,000	–	–	–	–	900,000	I
			3,000,000	–	–	–	–	3,000,000	
	18 January 2016	0.81	1,200,000	–	–	–	–	1,200,000	J
			900,000	–	–	–	–	900,000	K
			900,000	–	–	–	–	900,000	L
			3,000,000	–	–	–	–	3,000,000	
Sub-total			*7,800,000*	–	–	–	–	*7,800,000*	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2018	Exercise period *(Note 2)*
Former Directors (continued)									
Mr. Chen Shaojun	14 October 2011	1.92	40,000	–	–	–	–	40,000	A
(resigned on 4 May 2016)			30,000	–	–	–	–	30,000	B
			30,000	–	–	–	–	30,000	C
			100,000	–	–	–	–	100,000	
	21 June 2012	2.94	40,000	–	–	–	–	40,000	D
			30,000	–	–	–	–	30,000	E
			30,000	–	–	–	–	30,000	F
			100,000	–	–	–	–	100,000	
	26 September 2014	1.83	80,000	–	–	–	–	80,000	G
			60,000	–	–	–	–	60,000	H
			60,000	–	–	–	–	60,000	I
			200,000	–	–	–	–	200,000	
	18 January 2016	0.81	80,000	–	–	–	–	80,000	J
			60,000	–	–	–	–	60,000	K
			60,000	–	–	–	–	60,000	L
			200,000	–	–	–	–	200,000	
Sub-total			*600,000*	–	–	–	–	*600,000*	

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2018	Exercise period *(Note 2)*
Former Directors (continued)									
Mr. Wong Wai Ming (resigned on 11 November 2016)	14 October 2011	1.92	40,000	–	–	–	–	40,000	A
			30,000	–	–	–	–	30,000	B
			30,000	–	–	–	–	30,000	C
			100,000	–	–	–	–	100,000	
	21 June 2012	2.94	40,000	–	–	–	–	40,000	D
			30,000	–	–	–	–	30,000	E
			30,000	–	–	–	–	30,000	F
			100,000	–	–	–	–	100,000	
	26 September 2014	1.83	80,000	–	–	–	–	80,000	G
			60,000	–	–	–	–	60,000	H
			60,000	–	–	–	–	60,000	I
			200,000	–	–	–	–	200,000	
	18 January 2016	0.81	80,000	–	–	–	–	80,000	J
			60,000	–	–	–	–	60,000	K
			60,000	–	–	–	–	60,000	L
			200,000	–	–	–	–	200,000	
Sub-total			*600,000*	–	–	–	–	*600,000*	
Mr. Lee Man Chiu (resigned on 20 May 2016)	18 January 2016	0.81	80,000	–	–	–	–	80,000	J
			60,000	–	–	–	–	60,000	K
			60,000	–	–	–	–	60,000	L
Sub-total			*200,000*	–	–	–	–	*200,000*	
Total for directors			**29,540,000**	**–**	**–**	**–**	**–**	**29,540,000**	

Report of the Directors (continued)

Name or category of participants	Date of grant *(Note 1)*	Exercise price per share *(HK$)*	Number of options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2018	Exercise period *(Note 2)*
Employees of the Group in aggregate	14 October 2011	1.92	352,400	–	–	–	–	352,400	A
			1,525,800	–	–	–	(18,000)	1,507,800	B
			1,561,800	–	–	–	(18,000)	1,543,800	C
			3,440,000	–	–	–	(36,000)	3,404,000	
	21 June 2012	2.94	761,600	–	–	–	–	761,600	D
			1,204,200	–	–	–	(18,000)	1,186,200	E
			1,204,200	–	–	–	(18,000)	1,186,200	F
			3,170,000	–	–	–	(36,000)	3,134,000	
	26 September 2014	1.83	6,196,000	–	–	–	(180,000)	6,016,000	G
			4,647,000	–	–	–	(135,000)	4,512,000	H
			4,647,000	–	–	–	(135,000)	4,512,000	I
			15,490,000	–	–	–	(450,000)	15,040,000	
	18 January 2016	0.81	7,274,600	–	–	–	(260,000)	7,014,600	J
			5,455,950	–	–	–	(195,000)	5,260,950	K
			5,455,950	–	–	–	(195,000)	5,260,950	L
			18,186,500	–	–	–	(650,000)	17,536,500	
	24 May 2017	0.38	15,300,000	–	–	–	–	15,300,000	P
Total for employees			**55,586,500**	**–**	**–**	**–**	**(1,172,000)**	**54,414,500**	
Distributors of the Group in aggregate	20 January 2016	0.81	3,880,000	–	–	–	–	3,880,000	M
			2,910,000	–	–	–	–	2,910,000	N
			2,910,000	–	–	–	–	2,910,000	O
Total for distributors			**9,700,000**	**–**	**–**	**–**	**–**	**9,700,000**	
TOTAL			**94,826,500**	**–**	**–**	**–**	**(1,172,000)**	**93,654,500**	

As at 31 December 2018, the Company had 93,654,500 share options outstanding under the Scheme. Should they be fully exercised, the Company will receive approximately HK$117,844,000 (equivalent to approximately RMB103,514,000) (before issue expenses). The fair value of these unexercised options measured in accordance with the Group's accounting policy (note 3 to the financial statements) amounted to approximately HK$46,595,000 (equivalent to approximately RMB38,070,000).

Notes:

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

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

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

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

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

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

As at 31 December 2018, the interests of the directors of the Company in the shares and underlying shares of the Company, which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code", Appendix 10 to the Listing Rules), to be notified to the Company and the Stock Exchange, were as follows:

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

Name of director	Nature of interests	Number of underlying shares interested	Percentage+ of underlying shares over the Company's issued share capital
Mr. Li Zhouxin	Beneficial owner	1,480,000	0.11%

\+ The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2018.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 31 December 2018, none of the directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

A. Long positions in the ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of ordinary shares interested	Percentage+ of the Company's issued share capital
Golden Sparkle Limited	Beneficial owner *(Note 1)*	263,308,500	18.94%
Mr. Lai Wai Lam Ricky	Interest of controlled corporation *(Note 1)*	263,308,500	18.94%
Mr. Dai Zhibiao	Beneficial owner	140,382,500	10.10%
Elite Beauty International Trading (Hong Kong) Co., Limited	Beneficial owner *(Note 2)*	80,000,000	5.75%
Mr. Li Liang	Interest of controlled corporation *(Note 2)*	80,000,000	5.75%

Notes:

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

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

+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2018.

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

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

Name of substantial shareholder	Nature of interests	Number of underlying shares interested	Percentage+ of underlying shares over the Company's issued share capital
Mr. Li Liang	Beneficial owner	30,000	0.002%

\+ The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2018.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 31 December 2018, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTION

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

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

(ii) on normal commercial terms; and

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

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

Details of the Non-exempt Continuing Connected Transaction

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

During the year under review, the total amount of goods sold to Shuangfei (USA) under the New Sale of Goods Agreement was approximately RMB4,877,000 and the annual cap for the year ended 31 December 2018 is RMB7,000,000.

Exempted Continuing Connected Transaction

During the year under review, the Group purchased goods from Fujian Shuangfei Daily Chemicals Co., Ltd amounted to RMB898,000 which do not constitute non-exempt continuing connected transactions under the Listing Rules.

CONNECTED TRANSACTIONS

The remaining related party transactions for the year ended 31 December 2018 set out in note 52 to financial statements contained in this annual report also constituted connected transactions of the Group. As confirmed by the directors of the Company, as relevant applicable ratios were below 0.1%, such connected transactions were exempt from the reporting, announcement, annual review and independent shareholders' approval requirements as contained in Chapter 14A of the Listing Rules.

DIRECTORS' REMUNERATION

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

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

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

CONTRACT OF SIGNIFICANCE

Except for set out in the notes 58(i) to financial statements, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the year.

PERMITTED INDEMNITY PROVISION

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

DEED OF NON-COMPETITION

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

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company's three independent non-executive directors, has reviewed the consolidated financial statements of the Group for the year ended 31 December 2018, and discussed with the management and the auditor of the Company, CCTH CPA Limited, on the accounting principles and practices, financial reporting process, internal control adopted by the Group, with no disagreement by the Audit Committee of the Company.

AUDITORS

CCTH will retire at the 2019 AGM and, being eligible, offered themselves for re-appointment. A resolution for the re-appointment of CCTH as auditor of the Company will be proposed at the 2019 AGM.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Details of events subsequent to the reporting period are set out in note 58 to the financial statements.

ON BEHALF OF THE BOARD
Tsai Wallen
Chairman and Executive Director

28 March 2019

Independent Auditor's Report

CCTH CPA LIMITED
中正天恆會計師有限公司

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

OPINION

We have audited the consolidated financial statements of China Child Care Corporation Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 68 to 201, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

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

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

Key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the Group had property, plant and equipment and prepaid land lease payments with the carrying amounts of approximately RMB171,823,000 and RMB10,779,000 respectively. Following a review of the Group's businesses in future, the outlook for the industry and the Group's financial performance, management conducted impairment assessment of the Group's property, plant and equipment and prepaid land lease payments and concluded that impairment loss for the year amounted to RMB170,747,000 is required to be made for property, plant and equipment based on their fair value less costs of disposal, by reference to their estimated sale prices valued by external valuer. We focused on the impairment assessment of the Group's property, plant and equipment and prepaid land lease payments as the estimation of the fair value less costs of disposal of such assets involved judgments and assumptions used in the determination of sale prices of these assets.	Our procedures in relation to management's impairment assessment on property, plant and equipment and prepaid land lease payments included: – We obtained an understanding of the basis of management's impairment assessment of the property, plant and equipment and prepaid land lease payments; – We assessed the valuation methodologies used by the external valuer to estimate the sale prices; – We evaluated the independence, competence, capabilities and objectivity of the external valuer; – We checked, on a sample basis, the accuracy and relevance of the data and information provided by management to the external valuer; and – We considered the potential impact of reasonably possible downside changes in these key assumptions.

KEY AUDIT MATTERS (continued)

Valuation of investment properties

Refer to note 17 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the Group had investment properties with the carrying amount of approximately RMB115,768,000. All of the Group's investment properties are stated at fair value. The fair value valuations, which were carried out by external property valuers, are based on income capitalisation method that involve management's significant judgment of unobservable inputs. Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in note 17 to the consolidated financial statements. We focused on the valuation of investment properties as a key audit matter due to the significance of the carrying amount to the consolidated financial statements as a whole, combined with the significant judgments associated in the determination of the fair value.	Our procedures in relation to the valuation of the investment properties included: – We evaluated the independence, competence, capabilities and objectivity of the external property valuer; – We obtained an understanding of the valuation process and techniques adopted by the external property valuer to assess if they are consistent with industry norms; and – We made enquiry of the external property valuers to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted by the management and the external property valuer by comparing them, on a sample basis, to where relevant, existing tenancy profiles, publicly available information of similar comparable properties and our knowledge of the real estate industry.

KEY AUDIT MATTERS (continued)

Impairment assessment for properties for development

Refer to note 18 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The Group's properties for development are stated at cost less impairment losses. As at 31 December 2018, the carrying amount of the Group's properties for development is approximately RMB123,854,000. Impairment loss on properties for development amounted to approximately RMB20,154,000 was recognised in profit or loss in respect of the current year, which is calculated based on their fair value less costs of disposal by reference to their estimated sale prices valued by external property valuer. We identified the impairment assessment of the Group's properties for development as a key audit matter due to the significant judgments involved in the determination of the recoverable amount of the properties and the significance of their carrying amount to the consolidated financial statements.	Our procedures in relation to the impairment assessment of the properties for development included: – We evaluated the independence, competence, capabilities and objectivity of the external property valuer; – We obtained an understanding of the valuation process and techniques adopted by the external property valuer to assess if they are consistent with industry norms; and – We made enquiry of the external property valuers to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted by the management and the external property valuer by comparing them, on a sample basis, to publicly available information of similar comparable properties and our knowledge of the real estate industry.

KEY AUDIT MATTERS (continued)

Impairment assessment of goodwill

Refer to note 19 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the carrying amount of the Group's goodwill is approximately RMB22,800,000. Following a review of the Group's competitive businesses, the outlook for the industry and the Group's financial performance, management conducted impairment assessment of the Group's goodwill and concluded that impairment loss amounted to RMB31,157,000 is required to be made for the year based on the value in use of the respective cash-generating units, by reference to the value valued by external valuer. We focused on the impairment assessment of the goodwill as the magnitude of this goodwill is significant and management assessment of the value in use of the cash-generating units (CGUs) involves judgments and estimates about the future results of the business, key assumptions including revenue growth rate and gross profit margin, long-term growth rate and the discount rates applied to future cash flow forecast.	Our procedures in relation to management's impairment assessment on the goodwill included: – We evaluated and challenged the composition of the Group's future cash flow forecast in each CGU, and the process by which they were drawn up, including testing the underlying value in use calculation. – We challenged the key assumptions including revenue growth rate and gross profit margin by comparing the current year's actual results with future plans. We considered the appropriateness of the discount rates adopted by management. – We have also considered the adequacy of the disclosure of impairment assessments of the goodwill set out in note 19 to the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Recoverability of loan and interest receivables and trade and bills receivables

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

Key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the Group had loan and interest receivables with the carrying amount of approximately RMB176,091,000, of which accumulated impairment losses amounting to approximately RMB4,860,000, has been made. As at that date, the Group had trade and bills receivables (after impairment loss recognised) amounting to approximately RMB82,164,000, of which accumulated impairment losses amounting to approximately RMB1,911,000 has been made. Recoverability of loan and interest receivables and trade and bill receivables involved management judgment in assessing the allowance for doubtful debts for individual loan and interest receivables and trade receivables. The ability of the debtors to repay the Group depends on customer-specific and market conditions which involve inherent uncertainty. We have identified impairment assessment of loan and interest receivables and trade and bill receivables as a key audit matter due to the magnitude of the receivables and the estimation and judgments involved in the determination of the recoverable amounts of these receivables.	Our procedures in relation to management's impairment assessment on loan and interest receivables and trade and bill receivables included: – We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts. – We reviewed the agreements and other relevant documents relating to the loans made by the Group. – We assessed the classification and accuracy of individual balances in trade and bill receivables ageing report by testing the underlying invoices on a sample basis. – We assessed subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluate the allowance for doubtful debts made by management for these individual balances. – We assessed the appropriateness of the expected credit loss positioning methodology, by examining the key data inputs on a sample bases, to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit loss.

KEY AUDIT MATTERS (continued)

Revenue recognition

Refer to note 5 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
Revenue principally comprises of sales of personal care products and commodities. Revenue from sales of personal care products and commodities is recognised when control of the goods underlying the particular performance obligations is transferred to the customer. The accounting policy for revenue recognition in this respect is disclosed in note 3 to the consolidated financial statements. For the year ended 31 December 2018, the Group recognised revenue from sales of personal care products and commodities amounted to approximately RMB396,093,000 and RMB182,890,000 respectively. We identified recognition of revenue as a key audit matter because revenue is quantitatively significant and is one of the key performance indicators of the Group.	Our procedures to assess the recognition of revenue included: – We assessed the design, implementation and operating effectiveness of management's key internal controls over revenue recognition. – We reviewed sales agreements, on a sample basis, to understand the terms of the sales transactions including the terms of delivery and acceptance, applicable rebates arrangements and any sales returns arrangements to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards. – We assessed, on a sample basis, whether revenue transactions recorded during the financial year had been recognised in the appropriate financial period by comparing the transactions selected with relevant underlying documentation, including goods delivery notes and the terms set out in the sale agreements. – We assessed, on a sample basis, whether sales rebates during the financial year had been recognised in the appropriate financial period by recalculating the sales rebates recognised during the financial year on basis of the terms as set out in the sale agreements and comparing sales rebates payments during the financial year to the relevant underlying documentation. – We scrutinised the sales ledger after the financial year end to identify significant credit notes issued and sales returns and inspected relevant underlying documentation to assess if the related revenue had been accounted for in the appropriate financial period in accordance with the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2019

Kwong Tin Lap
Practising certificate number: P01953

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
Revenue	5	631,215	795,580
Cost of sales		(536,157)	(613,829)
Gross profit		95,058	181,751
Other income and gains	7	6,830	130,423
(Loss)/gain on change in fair value of investment properties	17	(16,386)	13,222
Selling and distribution expenses		(66,718)	(227,146)
Administrative expenses		(134,594)	(148,506)
Impairment loss of goodwill	19	(31,157)	(36,300)
Other expenses	8	(274,426)	(65,840)
Finance costs	9	(11,248)	(3,215)
Share of loss of associates	21	(3,867)	(628)
Share of loss of joint ventures	22	(899)	(299)
Loss before tax	10	(437,407)	(156,538)
Income tax expense	11	(1,553)	(6,745)
Loss for the year		(438,960)	(163,283)
(Loss)/profit for the year attributable to:			
Equity holders of the Company		(431,435)	(170,744)
Non-controlling interests		(7,525)	7,461
Loss for the year		(438,960)	(163,283)

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

For the year ended 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
Other comprehensive income/(expense):			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operations outside Mainland China		30,881	(28,311)
Increase/(decrease) in investment revaluation reserve from:			
– Gain on change in fair value of available-for-sale investments, net of tax		–	55,970
– Reserve released to profit or loss on disposal of available-for-sale investments		–	(10,292)
		30,881	17,367
Items that may not be reclassified to profit or loss in subsequent periods:			
Loss on change in fair value of financial assets at fair value through other comprehensive income		(82,360)	–
Deferred tax liabilities taken to retained profits on disposal of properties		–	2,386
		(82,360)	2,386
Other comprehensive (expense)/income for the year		(51,479)	19,753
Total comprehensive expense for the year		(490,439)	(143,530)
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		(482,092)	(150,563)
Non-controlling interests		(8,347)	7,033
		(490,439)	(143,530)
		2018 *RMB cents*	2017 *RMB cents*
Loss per share attributable to equity holders of the Company	14		
Basic		(33.8)	(15.5)
Diluted		N/A	N/A

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	15	171,823	402,050
Prepaid land lease payments	16	10,511	13,630
Investment properties	17	115,768	95,272
Properties for development	18	123,854	137,297
Goodwill	19	22,800	63,314
Intangible assets	20	–	530
Interests in associates	21	616	7,700
Interests in joint ventures	22	–	–
Financial assets at fair value through other comprehensive income	23	128,361	–
Available-for-sale investments	23	–	202,119
Deferred tax assets	41	804	–
Loan and interest receivables	25	107,753	99,495
Prepayments and deposits	27	16,700	7,245
		698,990	1,028,652
CURRENT ASSETS			
Inventories	24	102,239	31,967
Loan and interest receivables	25	68,338	105,887
Trade and bills receivables	26	82,164	113,164
Prepayments, deposits and other receivables	27	40,861	37,834
Other financial assets	28	14,010	–
Amounts due from related companies	52(ii)	9,782	9,748
Amount due from an associate	29	23,589	40,067
Amount due from a joint venture	30	5,896	6,462
Amount due from non-controlling interest	31	2,961	1,663
Tax recoverable		136	129
Pledged bank deposits	32	7,442	127,118
Cash and cash equivalents	32	218,888	222,691
		576,306	696,730
Asset classified as held for sale	33	–	6,246
		576,306	702,976
CURRENT LIABILITIES			
Trade and bills payables	34	70,770	71,451
Other payables and accruals	35	43,123	43,606
Bank and other borrowings	36	173,768	164,966
Promissory notes payable	37	13,615	22,872
Amounts due to a related company	52(ii)	1,500	–
Amounts due to associates	38	92,065	79,982
Amount due to a joint venture	39	4	4
Amount due to non-controlling interest	40	830	762
Tax payable		16,977	13,644
		412,652	397,287
NET CURRENT ASSETS		163,654	305,689

Consolidated Statement of Financial Position (continued)

As at 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		862,644	1,334,341
NON-CURRENT LIABILITIES			
Deferred tax liabilities	41	(15,418)	(18,760)
NET ASSETS		847,226	1,315,581
EQUITY			
Share capital	42	11,649	9,694
Reserves	44	762,325	1,220,176
Equity attributable to equity holders of the Company		773,974	1,229,870
Non-controlling interests		73,252	85,711
TOTAL EQUITY		847,226	1,315,581

The consolidated financial statements on pages 76 to 201 were approved and authorised for issue by the board of directors on 28 March 2019 and are signed on its behalf by:

Tsai Wallen
Director

Chau Ling
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

		Attributable to equity holders of the Company													
	Notes	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Asset revaluation reserve RMB'000	Investment revaluation reserve RMB'000	FVTOCI revaluation reserve RMB'000	Statutory reserve fund RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018, as originally presented		9,694	496,544	37,335	11	-	45,678	-	110,615	16	(20,615)	550,592	1,229,870	85,711	1,315,581
Change in accounting policy		-	-	-	-	-	(45,678)	45,678	-	-	-	-	-	-	-
At 1 January 2018, as restated		9,694	496,544	37,335	11	-	-	45,678	110,615	16	(20,615)	550,592	1,229,870	85,711	1,315,581
Loss for the year		-	-	-	-	-	-	-	-	-	-	(431,435)	(431,435)	(7,525)	(438,960)
Other comprehensive (expense)/income															
Exchange differences on translation of operations outside Mainland China		-	-	-	-	-	-	-	-	-	31,703	-	31,703	(822)	30,881
Loss on change in fair value of financial assets at fair value through other comprehensive income ("FVTOCI"), net of tax		-	-	-	-	-	-	(82,360)	-	-	-	-	(82,360)	-	(82,360)
Total comprehensive income/(expenses) for the year		-	-	-	-	-	-	(82,360)	-	-	31,703	(431,435)	(482,092)	(8,347)	(490,439)
Disposal of subsidiaries	46(a)(i)	-	-	-	-	-	-	-	-	-	-	-	-	(2,912)	(2,912)
Dividend paid to non-controlling interest (note 1)		-	-	-	-	-	-	-	-	-	-	-	-	(1,200)	(1,200)
Issue of new shares	42	1,955	23,451	-	-	-	-	-	-	-	-	-	25,406	-	25,406
Share issue expenses		-	(423)	-	-	-	-	-	-	-	-	-	(423)	-	(423)
Recognition of equity-settled share-based payments	10	-	-	1,213	-	-	-	-	-	-	-	-	1,213	-	1,213
Transferred to retained profits on disposal of financial assets at FVTOCI		-	-	-	-	-	-	3,459	-	-	-	(3,459)	-	-	-
Transferred from statutory reserve fund to retained profits	44	-	-	-	-	-	-	-	(110,615)	-	-	110,615	-	-	-
Transferred to retained profits upon forfeiture of share options		-	-	(478)	-	-	-	-	-	-	-	478	-	-	-
At 31 December 2018		11,649	519,572	38,070	11	-	-	(33,223)	-	16	11,088	226,791	773,974	73,252	847,226

Note 1: During the year, interim dividend amounting to RMB1,200,000 was declared and paid by 福建愛潔麗日化有限公司 (**"Fujian Azalli"**), a non-wholly owned subsidiary of the Company, to its non-controlling interest prior to the completion of disposal of Fujian Azalli, as detailed in note 46(a)(i).

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2018

		Attributable to equity holders of the Company												
	Notes	Share capital *RMB'000*	Share premium *RMB'000*	Share option reserve *RMB'000*	Capital reserve *RMB'000*	Asset revaluation reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Statutory reserve fund *RMB'000*	Capital redemption reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017		8,386	448,802	31,550	11	7,157	–	110,615	16	7,268	711,183	1,324,988	25,190	1,350,178
(Loss)/profit for the year		–	–	–	–	–	–	–	–	–	(170,744)	(170,744)	7,461	(163,283)
Other comprehensive income/(expense)														
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	–	(27,883)	–	(27,883)	(428)	(28,311)
Gain on change in fair value of available-for-sale investments, net of tax		–	–	–	–	–	55,970	–	–	–	–	55,970	–	55,970
Reserve released to profit or loss on disposal of available-for-sale investments		–	–	–	–	–	(10,292)	–	–	–	–	(10,292)	–	(10,292)
Deferred tax liabilities taken to retained profits on disposal of properties *(note 2)*	41	–	–	–	–	–	–	–	–	–	2,386	2,386	–	2,386
Total comprehensive income/(expenses) for the year		–	–	–	–	–	45,678	–	–	(27,883)	(168,358)	(150,563)	7,033	(143,530)
Acquisition of subsidiaries	45(b)(i)	–	–	–	–	–	–	–	–	–	–	–	71,200	71,200
Disposal of subsidiaries	46(b)	–	–	–	–	–	–	–	–	–	–	–	(17,712)	(17,712)
Issue of new shares	45(b)(i)	1,308	47,769	–	–	–	–	–	–	–	–	49,077	–	49,077
Share issue expenses		–	(27)	–	–	–	–	–	–	–	–	(27)	–	(27)
Recognition of equity-settled share-based payments	10	–	–	6,395	–	–	–	–	–	–	–	6,395	–	6,395
Reserve taken to retained profits on disposal of properties *(note 2)*		–	–	–	–	(7,157)	–	–	–	–	7,157	–	–	–
Transferred to retained profits upon forfeiture of share options		–	–	(610)	–	–	–	–	–	–	610	–	–	–
At 31 December 2017		9,694	496,544	37,335	11	–	45,678	110,615	16	(20,615)	550,592	1,229,870	85,711	1,315,581

Note 2: In 2015, properties of the Group was reclassified from property, plant and equipment to investment properties. The excess of the fair value of the properties at the time of reclassification over its carrying amount before reclassification, net of tax effect, amounted to approximately RMB7,157,000, was credited to asset revaluation reserve. During the current year, following the disposal of such properties, the asset revaluation reserve together with the deferred tax liabilities were taken to retained profits.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(437,407)	(156,538)
Adjustments for:			
Finance costs		11,248	3,215
Interest income		(3,234)	(9,527)
Income derived from other financial assets		(504)	–
Income derived from available-for-sale investments		–	(1,053)
Gain on disposal of available-for-sale investments		–	(11,477)
Gain on disposal of intangible assets		–	(4,505)
Loss/(gain) on disposal of subsidiaries	46	9,004	(95,885)
(Gain)/loss on disposal of property, plant and equipment		(31)	1,308
Loss on early redemption of promissory notes		104	–
Depreciation of property, plant and equipment		28,293	32,584
Amortisation of prepaid land lease payments		270	339
Amortisation of intangible assets		36	63
Equity-settled share-based payments		1,213	6,395
Loss/(gain) on changes in fair value of investment properties		16,386	(13,222)
Impairment loss on goodwill		31,157	36,300
Impairment loss on interests in associates		3,217	8,372
Impairment loss on loan and interest receivables		4,673	–
Impairment loss on trade receivables		1,660	–
Impairment loss on other receivables		–	429
Impairment loss on property, plant and equipment		170,747	38,533
Impairment loss on properties for development		20,154	–
Impairment loss on available-for-sale investments		–	7,789
Reversal of impairment loss of trade receivables		–	(4,525)
Trade receivables written off		4,060	8,278
Inventories written off		–	1,061
Share of loss of associates		3,867	628
Share of loss of joint ventures		899	299
Operating cash flows before movements in working capital		(134,188)	(151,139)
Increase in inventories		(71,893)	(15,993)
Decrease/(increase) in loan and interest receivables		34,304	(92,352)
Decrease/(increase) in trade and bill receivables		19,693	(3,274)
Increase in prepayments, deposits and other receivables		(13,615)	(29,377)
Increase in amounts due from related companies		(34)	(2,686)
Decrease/(increase) in amount due from an associate		16,478	(40,067)
Decrease/(increase) in amount due from a joint venture		36	(7,036)
Increase in amount due from non-controlling interest		(1,160)	(1,732)
Increase/(decrease) in trade and bills payables		15,594	(21,221)
Increase/(decrease) in other payables and accruals		5,332	(5,401)
Increase in amount due to a related company		1,500	–
Increase in amounts due to associates		12,083	43,017
Increase/(decrease) in amount due to non-controlling interest		25	(2,584)
Decrease in derivative financial liabilities		–	(1,826)
Decrease in amount due to a director		–	(387)
Exchange realignment		(2,156)	(2,868)
Cash used in operations		(118,001)	(334,926)
Interest received		6,977	5,784
Interest paid	47	(11,501)	(2,370)
Income tax paid		(1,453)	(81)
Net cash used in operating activities		(123,978)	(331,593)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,705)	(27,226)
Deposits for purchase of items of property, plant and equipment		–	(4,451)
Proceeds from disposal of property, plant and equipment		6,612	3,791
Proceeds from disposal of investment properties		–	18,066
Proceeds from disposal of investment properties classified as held for sale		6,246	–
Proceeds from disposal of intangible assets		–	4,505
Deposits for acquisition of land use rights		(16,700)	–
Purchase of financial assets at fair value through other comprehensive income		(17,659)	–
Proceeds from disposal of financial assets at fair value through other comprehensive income		5,691	–
Purchase of available-for-sale investments		–	(1,038,890)
Proceeds from disposal of available-for-sale investments		–	909,792
Purchase of other financial assets		(17,810)	–
Acquisition of subsidiaries	45	–	(94,627)
Acquisition of an associate		–	(700)
Proceeds from disposal of subsidiaries	46	19,496	97,677
Proceeds from partial disposal of subsidiaries		–	15,000
Decrease/(increase) in pledged bank deposits		113,028	(2,252)
Income from other financial assets received		504	–
Income from available-for-sale investments received		–	1,053
Net cash generated from/(used in) investing activities		95,703	(118,262)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	42	25,406	–
Share issue expenses		(423)	–
Drawdown of bank loans	47	132,426	114,998
Drawdown of other loans	47	90,000	52,032
Repayment of bank loans	47	(192,424)	(107,682)
Repayment of other loans	47	(23,015)	–
Repayment of promissory notes	47	(9,798)	–
Dividend paid to non-controlling interest		(1,200)	–
Net cash generated from financing activities		20,972	59,348
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,303)	(390,507)
Cash and cash equivalents at beginning of the year		222,691	614,462
Effects of foreign exchange rate changes, net		3,500	(1,264)
Cash and cash equivalents at the end of the year	32	218,888	222,691

Notes to Financial Statements

For the year ended 31 December 2018

1. GENERAL INFORMATION

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

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

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

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

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

New and revised IFRSs applied in the current year

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

IFRS 9 (2014)	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IAS 40	Transfers of Investment Property
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers
Amendments to IFRS 1	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

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

IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 "Revenue", and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 "Revenue" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

– Manufacture and sale of personal care products

– Trading of commodities

– Money lending

Revenue from leasing of investment properties will continue to be accounted for in accordance with IAS 17 "Lease".

Information about the Group's accounting policies and the performance obligations resulting from application of IFRS 15 are disclosed in notes 3 and 5 respectively.

Taking into account the changes in accounting policy arising from initial application of IFRS 15, the directors of the Company consider that the initial application of IFRS 15 has no material impact to the consolidated financial statements of the Group.

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

IFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied IFRS 9 "Financial Instruments" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts) and (iii) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	Available-for-sale investments *RMB'000*	Financial assets at fair value through other comprehensive income ("FVTOCI") *RMB'000*	Investment revaluation reserve *RMB'000*	FVTOCI revaluation reserve *RMB'000*
Closing balance at 31 December 2017 under IAS 39		202,119	–	45,678	–
Effect arising from initial application of IFRS 9 for available-for-sale investments	(a)	(202,119)	202,119	(45,678)	45,678
Opening balance at 1 January 2018		–	202,119	–	45,678

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

IFRS 9 "Financial Instruments" and the related amendments (continued)

Summary of effects arising from initial application of IFRS 9 (continued)

(a) Available-for-sale investments

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB202,119,000 were reclassified from available-for-sale investments to financial assets at FVTOCI. Any fair value gains/losses relating to those unquoted equity investments previously carried at cost less impairment were adjusted to financial assets at FVTOCI and the FVTOCI revaluation reserve as at 1 January 2018. The fair value gains of RMB45,678,000 relating to those investments previously carried at fair value continued to accumulate in the FVTOCI revaluation reserve.

(b) Impairment under ECL model

The application of the ECL model of IFRS 9 has no material impact on the accumulated amount of impairment loss on financial assets at amortised costs recognised by the Group as at 1 January 2018 as compared to the accumulated amount recognised under IAS 39.

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL trade receivables. Except for those which had been determined as credit impaired under IAS 39, trade receivables have been assessed individually with outstanding significant balances, the remaining balances are grouped based on past due analysis.

ECL for other financial assets at amortised cost, including loan and interest receivables, other receivables, amounts due from related companies, amount due from an associate, amount due from a joint venture, amount due from non-controlling interest, and bank balances, are assessed on twelve-month ECL basis as these had been no significant increase in credit risk since initial recognition.

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

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

Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

Other new and amendments to IFRSs effective for the current year

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

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after a date to be determined

3 Effective for annual periods beginning on or after 1 January 2021

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2020

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

New and amendments to IFRSs in issue but not yet effective (continued)

Except for IFRS 16 "Leases" mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs in issue but not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for leasee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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 remeasurement 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, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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

IFRS 16 "Leases" (continued)

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group as lessee has non-cancellable operating lease commitments of RMB10,481,000 as disclosed in note 49. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB1,725,000 and refundable rental deposits received of RMB582,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination (continued)

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

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

Acquisition of a subsidiary not constituting a business

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

Goodwill

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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

Investments in associates and joint ventures

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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

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

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Properties for development

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

Intangible assets

Intangible assets acquired separately

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired separately (continued)

Trademarks

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

Copyrights

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

Derecognition of intangible assets

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

Impairment of non-financial assets other than goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

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

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

Inventories

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payment (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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"). except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 " Business Combination" applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) - continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial asset that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income ("OCI") and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with note 2)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with note 2) (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e; the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive; discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the dividual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans receivable are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Notes to Financial Statements (continued)

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL (continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (prior to application of IFRS 9 on 1 January 2018)

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (prior to application of IFRS 9 on 1 January 2018) (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (prior to application of IFRS 9 on 1 January 2018) (continued)

Loan and receivables

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (prior to application of IFRS 9 on 1 January 2018) (continued)

Impairment loss on financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (prior to application of IFRS 9 on 1 January 2018) (continued)

Impairment loss on financial assets (continued)

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

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

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2) (continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Revenue recognition (prior to 1 January 2018)

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 January 2018) (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Research and development costs

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land for own use

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

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

Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

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

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

Share-based payment transactions

Share-based payment transactions of the Company

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

Current tax

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

Deferred tax

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

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

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

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

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

Cash and cash equivalents

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

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

Withholding taxes arising from the distributions of dividends

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios in Hong Kong and the PRC and concluded that (a) the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties in Hong Kong, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties. The presumption that the carrying amounts of the Group's investment properties situated in the PRC are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of those investment properties is recognised according to the relevant tax rules.

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

Critical judgments in applying accounting policies (continued)

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

Note 57(a)(iii) describes that Jumbo Excel Investment Corporation ("Jumbo Excel") is a subsidiary of the Group even though the Group has only a 50% ownership interest in Jumbo Excel, with the remaining ownership interest held by a third party that is unrelated to the Group.

The directors of the Company assessed whether or not the Group has control over Jumbo Excel based on whether the Group has the practical ability to direct the relevant activities of Jumbo Excel unilaterally. In making their judgement, the directors consider the Group's control in the board of and the relative agreement between the Group and the non-controlling interest. As detailed in note 57(a)(iii), the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Jumbo Excel and therefore the Group has control over Jumbo Excel. If the directors had concluded that the 50% ownership interest was insufficient to give the Group control, Jumbo Excel would instead have been classified as a joint venture and the Group would have accounted for it using the equity method of accounting.

Key sources of estimation uncertainty

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

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

Management of the Group determines on a regular basis whether there are any indications that the property, plant and equipment and prepaid land lease payments are impaired. Impairment loss for property, plant and equipment and prepaid land lease payments are impaired when the carrying amounts of each of the assets exceed their respective recoverable amounts, which are determined based on the higher of fair value less costs to sell and value in use. The fair values of property, plant and equipment and prepaid land lease payments are estimated by reference to their expected selling prices which are affected by various factors, including market conditions and the technological occurrence. The value in use calculation requires the use of estimates such as the future revenue and discount rates. If the recoverable amount of an item of property, plant and equipment and prepaid land lease payments is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss in respect of the period. As at 31 December 2018, the carrying amounts of property, plant and equipment and prepaid land lease payments are approximately RMB171,823,000 (2017: RMB402,050,000) and RMB10,779,000 (2017: RMB13,969,000) respectively. Impairment loss of property, plant and equipment amounted to RMB170,747,000 (2017: RMB38,533,000) has been recognised in respect of the current year.

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

Key sources of estimation uncertainty (continued)

Depreciation of property, plant and equipment

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

Estimation of fair value of investment properties

Investment properties are carried in the consolidated financial statements at their fair value. The best evidence of fair value of the Group's investment properties are current prices in an active market for similar properties in the same location and condition and subject to similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from: (i) independent valuations; and (ii) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect the uncertainty of the amount and timing of cash flows. Details regarding the fair value of the Group's investment properties as at 31 December 2018 are set out in note 17 to the financial statements.

Impairment of properties for development

Management of the Company determines on a regular basis whether the properties for development are impaired. Impairment losses on properties for development are recognised when the carrying amount of the asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair values of the properties are estimated by reference to their expected selling prices which are affected by market conditions. The value in use calculation requires the use of estimates such as the future cash flows and discount rates.

As at 31 December 2018, the carrying amount of properties for development is approximately RMB123,854,000 (2017: RMB137,297,000). Impairment loss of properties for development amounted to RMB20,154,000 (2017: RMB Nil) has been recognised in respect of the current year.

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

Key sources of estimation uncertainty (continued)

Impairment of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will have impacts on the carrying value of inventories and write-down of inventories in the period in which such estimate is changed. As at 31 December 2018, the carrying amount of inventories is approximately RMB102,239,000 (2017: RMB31,967,000). No impairment loss of inventories was recognised in respect of both of the years presented and inventories written off for the current year amounted to RMB Nil (2017: RMB1,061,000).

Impairment of receivables

Upon application of IFRS 9 with transitions in accordance with transition in note 2

The Group applies the simplified approach to provide for expected credit loss in respect of trade receivables. The provision rates are based on groupings of various debtors that have similar loss patterns and the Group's historical default rates (taking into consideration forward-looking information that is receivable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, the Group's receivables with significant balances and credit impaired are assessed for expected credit loss individually. The provision for expected credit loss is sensitive to changes in estimates.

The Group uses four categories for financial assets including loan and interest receivables, other receivables, amounts due from related companies, an associate, a joint venture and non-controlling interest, which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings, where possible.

The information about the expected credit loss and the Group's receivables are disclosed in note 54.

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

Key sources of estimation uncertainty (continued)

Impairment of receivables (continued)

Prior to application of IFRS 9 on 1 January 2018

The Group performs ongoing credit evaluations of its customers and other debtors and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and other debtors and make allowance for doubtful debts on outstanding receivables by reference to historical experience and debtors' financial position.

As at 31 December 2018, the carrying amount of loan and interest receivables, trade and bills receivables, and other receivables are approximately RMB176,091,000 (2017: RMB205,382,000), RMB82,164,000 (2017: RMB113,164,000) and RMB11,940,000 (2017: RMB10,911,000) respectively. Allowance for loan and interest receivables was recognised for the current year amounted to approximately RMB4,673,000 (2017: RMB Nil). Impairment loss on trade and bills receivables and trade and bills receivables written off recognised for the current year amounted to approximately RMB1,660,000 (2017: RMB Nil) and RMB4,060,000 (2017: RMB8,278,000) respectively. Impairment loss on other receivables recognised for the current year amounted to RMB Nil (2017: RMB429,000).

Impairment of goodwill

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

The carrying amount of goodwill at 31 December 2018 was RMB22,800,000 (2017: RMB63,314,000) after accumulated impairment loss of RMB80,457,000 (2017: RMB75,800,000) was recognised. Details of the impairment loss calculation are set out in note 19.

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

Key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes

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

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

Information about the valuation techniques and inputs used in determining the fair value of various financial assets are disclosed in note 55.

5. REVENUE

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

	2018 ***RMB'000***	2017 *RMB'000*
Revenue from sales of goods	**578,983**	742,178
Interest income from money lending business *(note 25)*	**35,936**	31,820
Income from operation of online platform	**11,515**	21,070
Rental income from lease of investment properties	**4,781**	304
Consultancy income	**–**	208
	631,215	795,580

Revenue from trading of personal care products and trading of commodities is recognised at a point of time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Based on the historical pattern, the directors of the Company are of the opinion that the income from operation of online platform is derived from services rendered for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

6. OPERATING SEGMENT INFORMATION

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

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

(b) Money lending

(c) Operation of online platform

(d) Trading of commodities

(e) Securities investment

(f) Properties holding

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

Segment assets exclude unallocated property, plant and equipment, deferred tax assets, prepayments, deposits and other receivables, available-for-sale investments, unallocated financial assets at fair value through other comprehensive income, other financial assets, amount due from a joint venture, tax recoverable, pledged bank deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude unallocated other payables and accruals, bank and other borrowings, promissory notes payables, tax payable, amount due to a joint venture and deferred tax liabilities as these liabilities are managed on a group basis.

6. OPERATING SEGMENT INFORMATION (continued)

	Personal care products RMB'000	Money lending RMB'000	Operation of online platform RMB'000	Trading of commodities RMB'000	Securities investment RMB'000	Properties holding RMB'000	Total RMB'000
Segment revenue and segment results							
Year ended 31 December 2018							
Segment revenue	396,093	35,936	11,515	182,890	–	4,781	631,215
Unallocated revenue							–
Total revenue							631,215
Segment (loss)/profit	(338,070)	4,736	8,116	(16,642)	(96)	(34,312)	(376,268)
Interest income							3,234
Loss on disposal of a subsidiary							(9,004)
Other unallocated income and gains							3,738
Impairment loss on goodwill			(31,157)				(31,157)
Corporate and other unallocated expenses							(16,702)
Finance costs							(11,248)
Loss before tax							(437,407)
Segment assets and segment liabilities							
As at 31 December 2018							
Segment assets	336,704	180,556	13,563	98,949	113,370	240,414	983,556
Goodwill			22,800				22,800
Corporate and other unallocated assets							268,940
Total assets							1,275,296
Segment liabilities	181,517	3,043	50	15,829	196	1,624	202,259
Corporate and other unallocated liabilities							225,811
Total liabilities							428,070
Other segment information:							
Depreciation and amortisation*	25,688	719	495	–	–	37	26,939
Unallocated							1,660
							28,599
Capital expenditure**	10,617	48	–	–	–	285	10,950
Unallocated							–
							10,950

6. OPERATING SEGMENT INFORMATION (continued)

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

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment sale in the current year (2017: Nil).

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

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

6. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

	2018 *RMB'000*	2017 *RMB'000*
PRC (excluding Hong Kong)	361,112	456,117
Hong Kong	65,675	54,989
USA	159,998	139,701
Indonesia	–	96,212
Overseas (excluding USA and Indonesia)	44,430	48,561
	631,215	795,580

Information about major customers

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

	Revenue generated from	2018 *RMB'000*	2017 *RMB'000*
Customer A	Personal care products	165,184	98,070
Customer B	Personal care products	135,960	115,634
Customer C	Trading of commodities	N/A*	96,212

* The revenue from Customer C for the year ended 31 December 2018 did not exceed 10% of the total revenue of the Group for the year.

7. OTHER INCOME AND GAINS

	2018 *RMB'000*	2017 *RMB'000*
Interest income	3,234	9,527
Income derived from other financial assets	504	–
Income derived from available-for-sale investments	–	1,053
Government subsidies *(note a)*	1,399	2,340
Gain on disposal of available-for-sale investments	–	11,477
Gain on disposal of subsidiaries *(note 46(b))*	–	95,885
Gain on disposal of intangible assets *(note b)*	–	4,505
Gain on disposal of property, plant and equipment	31	–
Reversal of impairment loss of trade receivables *(note 26)*	–	4,525
Sundry income	1,662	1,111
	6,830	130,423

Notes:

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

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

8. OTHER EXPENSES

	2018 *RMB'000*	2017 *RMB'000*
Loss on disposal of a subsidiary *(note 46(a)(i))*	9,004	–
Loss on disposal of property, plant and equipment	–	1,308
Loss on early redemption of promissory notes *(note 37)*	104	–
Impairment loss on property, plant and equipment *(note 15(b))*	170,747	38,533
Impairment loss on properties for development *(note 18)*	20,154	–
Impairment loss on interests in associates *(note 21)*	3,217	8,372
Impairment loss on available-for-sale investments *(note 23)*	–	7,789
Impairment loss on loan and interests receivable *(note 25)*	4,673	–
Impairment loss on trade receivables *(note 26)*	1,660	–
Impairment loss on other receivables	–	429
Trade receivables written off	4,060	8,278
Inventories written off	–	1,061
Labelling issue recalling expenses *(note below)*	60,614	–
Others	193	70
	274,426	65,840

Note: During the year, the Group was forced by the PRC local authority to recall certain products manufactured by the Group, which were mainly sold to an associate, Fujian Herun (note 21), which in turn sold to the market in prior years. As a result of the inappropriate labelling of the expiry date on such products. In this connection, a total sum of approximately RMB60,614,000 were paid by the Group to Fujian Herun for the recall of the goods demanded by the PRC local authority, comprising (i) the recall price of the goods together with relevant expenses incurred to totalled RMB12,864,000; (ii) selling expenses incurred by Fujian Herun and borne by the Group amounted to RMB17,750,000; (iii) compensation for damages incurred by Fujian Herun amounted to RMB30,000,000.

These labelling issue recalling expenses totalled RMB60,614,000 was recognised in profit or loss in respect of the current year (2017: Nil).

9. FINANCE COSTS

	2018 *RMB'000*	2017 *RMB'000*
Interest on bank borrowings	5,589	2,368
Interest on bank overdrafts	–	2
Interest on bill payables	1,950	–
Interest on other borrowings	3,573	389
Imputed interest on promissory notes payable *(note 37)*	136	456
	11,248	3,215

Notes to Financial Statements (continued)

For the year ended 31 December 2018

10. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2018 *RMB'000*	2017 *RMB'000*
Cost of inventories sold *(note a below)*	536,157	613,829
Depreciation of property, plant and equipment *(note a below and note 15)*	28,293	32,584
Amortisation of prepaid land lease payments *(note 16)*	270	339
Amortisation of intangible assets *(note 20)*	36	63
Minimum lease payments under operating leases on land and buildings	4,590	3,454
Employee benefit expenses (including directors' remuneration *(note 12)) (notes a & b below):*		
Wages and salaries	94,115	102,907
Equity-settled share-based payments	1,213	6,395
Retirement benefit scheme contributions	3,557	8,155
Total staff costs	98,885	117,457
Auditors' remuneration		
– audit services	1,751	1,724
– non-audit services	342	668
Research and development costs included in administrative expenses *(note b below)*	20,621	8,721
Loss on change in fair value of derivative financial liabilities included in administrative expenses	–	1,822
Net foreign exchange losses	6,746	13,077

Notes:

(a) The depreciation and employee benefit expenses include amounts of RMB8,747,000 (2017: RMB19,723,000) and RMB50,617,000 (2017: RMB44,781,000) respectively which are also included in the cost of inventories sold.

(b) The research and development costs for the year include an amount of RMB4,564,000 (2017: RMB2,560,000) relating to staff costs for research and development activities, which is also included in the total amounts of employee benefit expenses.

11. INCOME TAX EXPENSE

	2018 *RMB'000*	2017 *RMB'000*
Hong Kong Profits Tax	2,389	5,470
PRC Enterprise Income Tax	206	1,654
Current tax charge	2,595	7,124
Deferred tax credit *(note 41)*	(1,042)	(379)
Income tax expense recognised in profit or loss	1,553	6,745

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

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

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

The income tax expense can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 *RMB'000*	2017 *RMB'000*
Loss before tax	(437,407)	(156,538)
Tax at the applicable tax rates	(100,117)	(35,397)
Effect of tax concession for a PRC subsidiary of the Group	35,555	12,470
Income not subject to tax	(303)	(5,081)
Expenses not deductible for tax	7,443	20,888
Tax losses not recognised	59,197	13,865
Others	(222)	–
Income tax expense	1,553	6,745

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

(a) Directors and chief executive

	2018 *RMB'000*	2017 *RMB'000*
Fees:		
Executive directors	**887**	1,380
Non-executive directors	**835**	985
Independent non-executive directors	**585**	677
	2,307	3,042
Other emoluments:		
Salaries and discretionary bonuses	**240**	452
Equity-settled share-based payments	**84**	525
Retirement benefit scheme contributions	**38**	52
	2,669	4,071

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

(a) Directors and chief executive (continued)

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

	Fees *RMB'000*	Salaries and discretionary bonuses *RMB'000*	Equity-settled share-based payments *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
2018					
Executive directors:					
Mr. Huang Xinwen [10]	150	240	24	8	422
Mr. Tsai Wallen [*]	356	–	–	15	371
Mr. Ma Chi Ming [6]	276	–	–	14	290
Mr. Chau Ling [9*]	105	–	–	1	106
	887	240	24	38	1,189
Non-executive director:					
Mr. Li Zhouxin [2]	682	–	29	–	711
Mr. Ren Yunan [11]	153	–	31	–	184
	835	–	60	–	895
Independent non-executive directors:					
Ms. Chan Sze Man	195	–	–	–	195
Mr. Ma Kwun Yung Stephen [7]	195	–	–	–	195
Ms. Bu Yanan [8]	195	–	–	–	195
	585	–	–	–	585
	2,307	240	84	38	2,669

Notes to Financial Statements (continued)

For the year ended 31 December 2018

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

(a) Directors and chief executive (continued)

	Fees	Salaries and discretionary bonuses	Equity-settled share-based payments	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2017					
Executive directors:					
Mr. Ge Xiaohua [5]	124	96	60	4	284
Mr. Huang Xinwen [10]	226	207	115	9	557
Mr. Li Zhouxin [2]	299	98	43	4	444
Mr. Tsai Wallen [*]	429	–	–	20	449
Mr. Ma Chi Ming [6]	302	–	–	13	315
	1,380	401	218	50	2,049
Non-executive director:					
Mr. Li Zhenhui [1]	–	18	10	1	29
Mr. Li Zhouxin [2]	335	33	39	1	408
Mr. Ren Yunan [11]	650	–	258	–	908
	985	51	307	2	1,345
Independent non-executive directors:					
Mr. Tang Shuo [3]	53	–	–	–	53
Mr. Tsao Benedict [4]	157	–	–	–	157
Ms. Chan Sze Man	226	–	–	–	226
Mr. Ma Kwun Yung Stephen [7]	172	–	–	–	172
Ms. Bu Yanan [8]	69	–	–	–	69
	677	–	–	–	677
	3,042	452	525	52	4,071

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

(a) Directors and chief executive (continued)

1 Mr. Li Zhenhui resigned as a non-executive director with effect from 27 January 2017.

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

3 Mr. Tang Shuo resigned as an independent non-executive director with effect from 15 March 2017.

4 Mr. Tsao Benedict resigned as an independent non-executive director with effect from 15 September 2017.

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

6 Mr. Ma Chi Ming was appointed as an executive director with effect from 27 January 2017, and resigned as an executive director with effect from 12 December 2018.

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

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

9 Mr. Chau Ling was appointed as an executive director with effect from 12 December 2018.

10 Mr. Huang Xinwen resigned as an executive director with effect from 15 October 2018.

11 Mr. Ren Yunan resigned as non-executive director with effect from 17 April 2018.

* Mr. Tsai Wallen was also the chief executive officer of the Company from 11 August 2017 to 12 December 2018. Mr. Chau Ling was also the chief executive officer of the Company from 12 December 2018.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2018 and 2017.

During the years ended 31 December 2018 and 2017, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Employees

The five highest emoluments employees in the Group during the year included one director (2017: Nil).

The emoluments of the remaining four individuals (2017: five individuals) were as follows:

	2018 *No. of employees*	2017 *No. of employees*
HK$1,000,001 – HK$1,500,000	2	1
HK$1,500,001 – HK$2,000,000	1	–
HK$2,000,001 – HK$2,500,000	–	1
HK$2,500,001 – HK$3,000,000	1	–
HK$4,000,001 – HK$4,500,000	–	1
HK$4,500,001 – HK$5,000,000	–	1
HK$7,500,001 – HK$8,000,000	–	1

13. DIVIDENDS

The directors of the Company do not recommend any payment of a dividend in respect of the year ended 31 December 2018 (2017: Nil).

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

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

	2018 ***RMB'000***	2017 *RMB'000*
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to equity holders of the Company	**(431,435)**	(170,744)
Loss for the purpose of diluted loss per share	**N/A**	N/A

	2018 ***'000***	2017 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,277,771**	1,100,474
Weighted average number of ordinary shares for the purpose of diluted loss per share	**N/A**	N/A

The computation of diluted loss per share does not assume the exercise of the Company's share options granted because the exercise prices of those share options were higher than the average market prices for shares of the Company for both of years ended 31 December 2018 and 31 December 2017.

Diluted loss per share for the year ended 31 December 2018 and 31 December 2017 are not presented as there were no other potential shares in issue for both of the years.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Leasehold improvement *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:							
At 1 January 2017	473,513	–	54,658	19,033	4,663	496	552,363
Additions	1,997	8,303	7,151	3,048	6,633	94	27,226
Disposals	(7,408)	–	(209)	(5)	(1,854)	–	(9,476)
Disposal of subsidiaries *(note 46(b))*	–	–	(351)	(365)	–	–	(716)
Exchange realignment	–	(261)	–	(87)	(141)	–	(489)
At 31 December 2017 and 1 January 2018	468,102	8,042	61,249	21,624	9,301	590	568,908
Additions	5,224	27	3,656	2,043	–	–	10,950
Transferred from construction in progress	–	–	590	–	–	(590)	–
Reclassified to investment properties *(note (b) below)*	(67,819)	–	–	–	–	–	(67,819)
Disposals	–	(5,536)	–	(1,714)	(519)	–	(7,769)
Disposal of a subsidiary *(note 46(a)(i))*	–	–	(7,403)	(225)	(299)	–	(7,927)
Exchange realignment	–	125	–	58	187	–	370
At 31 December 2018	405,507	2,658	58,092	21,786	8,670	–	496,713
Accumulated depreciation and impairment:							
At 1 January 2017	66,599	–	20,972	9,500	3,183	–	100,254
Depreciation provided for the year *(note 10)*	22,580	377	5,608	2,811	1,208	–	32,584
Impairment loss recognised for the year *(note (a) below)*	38,533	–	–	–	–	–	38,533
Eliminated on disposals	(2,610)	–	(161)	(5)	(1,601)	–	(4,377)
Eliminated on disposals of subsidiaries *(note 46(b))*	–	–	(16)	(88)	–	–	(104)
Exchange realignment	–	(12)	–	(2)	(18)	–	(32)
At 31 December 2017 and 1 January 2018	125,102	365	26,403	12,216	2,772	–	166,858
Depreciation provided for the year *(note 10)*	14,962	1,977	6,224	3,428	1,702	–	28,293
Impairment loss recognised for the year *(note (a) below)*	160,371	–	10,376	–	–	–	170,747
Reclassified to investment properties *(note (b) below)*	(38,419)	–	–	–	–	–	(38,419)
Eliminated on disposals	–	(573)	–	(123)	(492)	–	(1,188)
Eliminated on disposal of a subsidiary *(note 46(a)(i))*	–	–	(1,265)	(58)	(170)	–	(1,493)
Exchange realignment	–	33	–	7	52	–	92
At 31 December 2018	262,016	1,802	41,738	15,470	3,864	–	324,890
Net book value:							
At 31 December 2018	143,491	856	16,354	6,316	4,806	–	171,823
At 31 December 2017	343,000	7,677	34,846	9,408	6,529	590	402,050

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

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

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

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

(b) In view of the significant operating losses for the current year sustained by the Group's personal care products segment (note 6), management of the Company conducted assessments of the recoverable amounts of the assets used in this business operation and considered it appropriate to recognise impairment loss amounted to RMB170,747,000 (2017: RMB38,533,000) on the Group's property, plant and equipment, which is calculated on the basis of their fair value less costs of disposal, by reference to the estimated sale prices of the relevant assets, as valued by an external valuer. Such impairment loss was recognised in profit or loss in respect of the year and was included in other expenses (note 8).

(c) Following the disposal of a subsidiary, Fujian Azalli, by the Group during the current year as detailed in note 46(a)(i), certain of the Group's land and buildings leased to Fujian Azalli were reclassified to investment properties. Accordingly, the carrying amount of such land and buildings at time of reclassification (comprising prepaid land lease payments and buildings included in property, plant and equipment of RMB2,920,000 (note 16) and RMB29,400,000 respectively), which are estimated to be approximately the fair value of the land and buildings at that time, were transferred to and included in investment properties (note 17).

16. PREPAID LAND LEASE PAYMENTS

	2018 *RMB'000*	2017 *RMB'000*
At 1 January	13,969	14,308
Amortised for the year *(note 10)*	(270)	(339)
Reclassified to investment properties *(note 17)*	(2,920)	–
At 31 December	10,779	13,969
Analysed for reporting purposes as:		
Non-current asset	10,511	13,630
Current asset *(note 27(ii))*	268	339
	10,779	13,969

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

17. INVESTMENT PROPERTIES

	2018 *RMB'000*	2017 *RMB'000*
Investment properties, at fair value		
– in Hong Kong	85,448	95,272
– in the PRC	30,320	–
	115,768	95,272
Movements during the year are as follows:		
Fair value, at 1 January	95,272	23,000
Acquisition of subsidiaries *(note 45(b)(ii))*	–	84,082
Reclassified from		
– Prepaid land lease payments *(note 16)*	2,920	–
– Property, plant and equipment *(note 15(c))*	29,400	–
(Loss)/gain on change in fair value recognised in profit or loss	(16,386)	13,222
Disposals	–	(18,066)
Reclassified to asset classified as held for sale *(note below)*	–	(6,246)
Exchange realignment	4,562	(720)
Fair value, at 31 December	115,768	95,272

Note: During the year ended 31 December 2017, the Group entered into a sale and purchase agreement for the disposal of an investment property for a consideration of HK$7,500,000, accordingly, the investment property was reclassified to asset classified as held for sale (note 33).

17. INVESTMENT PROPERTIES (continued)

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

The Group's investment properties (including that reclassified as asset classified as held for sale) at 31 December 2018 and 31 December 2017 represents industrial properties on land under medium-term leases.

The investment properties (including that reclassified as asset classified as held for sale) are leased out under operating leases, details of which are included in note 49 to the financial statements.

The Group's investment properties (including that reclassified as asset classified as held for sale) are carried at fair value at 31 December 2018 and 31 December 2017, which are valued by B.I. Appraisal Limited and Royson Valuation Advisory Limited respectively, being independent qualified professional valuers not connected with the Group.

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

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

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Recurring fair value measurement for investment properties	–	–	115,768	115,768

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

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

17. INVESTMENT PROPERTIES (continued)

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

At 31 December 2018

Type of properties	**Valuation technique**	**Significant unobservable inputs**	**Estimated unobservable inputs**	**Relationship of unobservable inputs to fair value**
Industrial properties in Hong Kong*	Income capitalisation method	Average monthly market rent per square foot	HK$96	The higher the market rent, the higher the fair value
		Reversionary yield	5.5%	The higher the reversionary yield, the lower the fair value
Industrial properties in the PRC	Income capitalisation method	Average monthly market rent per square metre	RMB8 – RMB15.5	The higher the market rent, the higher the fair value
		Reversionary yield	4.25%	The higher the reversionary yield, the lower the fair value

At 31 December 2017

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

* The Group's properties in Hong Kong represent shop unit in the industrial properties.

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

17. INVESTMENT PROPERTIES (continued)

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

18. PROPERTIES FOR DEVELOPMENT

	2018 ***RMB'000***	2017 *RMB'000*
At cost		
At 1 January	**137,297**	–
Acquisition of subsidiaries *(note 45(b)(i))*	**–**	145,837
Impairment loss recognised for the year *(note 8)*	**(20,154)**	–
Exchange realignment	**6,711**	(8,540)
At 31 December	**123,854**	137,297

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

In view of the uncertainty of the development plans, the directors of the Company consider it appropriate to recognise impairment loss amounted to RMB20,154,000 (2017: Nil) on the properties for development which is calculated based on their recoverable amount by reference to the fair value of the properties on the existing state basis.

19. GOODWILL

	2018 *RMB'000*	2017 *RMB'000*
Cost		
At 1 January	139,114	139,114
Disposal of a subsidiary *(note 46(a)(i))*	(35,857)	–
At 31 December	103,257	139,114
Accumulated impairment losses		
At 1 January	75,800	39,500
Impairment loss recognised	31,157	36,300
Derecognised on disposal of a subsidiary *(note 46(a)(i))*	(26,500)	–
At 31 December	80,457	75,800
Carrying amount		
At 31 December	22,800	63,314

Impairment testing of goodwill

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

	2018 *RMB'000*	2017 *RMB'000*
Children's personal care products	–	35,857
Operation of online platform	103,257	103,257
At 31 December	103,257	139,114

Notes to Financial Statements (continued)

For the year ended 31 December 2018

19. GOODWILL (continued)

Children's personal care products

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

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

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

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

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

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

In respect of the goodwill allocated to the CGUs of children's personal care products, impairment loss of goodwill amounted to RMB7,000,000 was recognised to profit or loss for the prior year ended 31 December 2017 based on the recoverable amount of the CGUs. The recoverable amount has been determined by value in use calculation of the present value of expected future cash flows.

During the current year, the subsidiary to which the goodwill was attributable was disposed of and the carrying amount of the goodwill amounted to RMB9,357,000 was derecognised and included in the calculation of the loss on disposal.

19. GOODWILL (continued)

Operation of online platform

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

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

	2018	2017
Compound annual growth rate of revenue in five-year period	0%	11%
Annual growth rate beyond the five-year period	0%	3%
Discount rate	22%	24%

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

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

In respect of the goodwill allocated to the CGUs of operation of an online platform, the directors consider it appropriate, due to downward adjustment of future annual growth rate of revenue after management assessment of the degree of the Group's market participation, to recognise impairment loss of goodwill amounted to RMB31,157,000 for the current year (2017: RMB29,300,000) based on the recoverable amount of the CGUs. The recoverable amount has been determined by value in use calculation of the present value of expected future cash flows.

Notes to Financial Statements (continued)

For the year ended 31 December 2018

20. INTANGIBLE ASSETS

	Trademarks *RMB'000*	Copyrights *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2017 and 31 December 2017	593	7,120	7,713
Write off during the year	–	(7,120)	(7,120)
Disposal of a subsidiary *(note 46(a)(i))*	(593)	–	(593)
At 31 December 2018	–	–	–
Accumulated amortisation:			
At 1 January 2017	–	7,120	7,120
Provided for the year *(note 10)*	63	–	63
At 31 December 2017	63	7,120	7,183
Provided for the year *(note 10)*	36	–	36
Eliminated on write off	–	(7,120)	(7,120)
Eliminated on disposals of a subsidiary *(note 46(a)(i))*	(99)	–	(99)
At 31 December 2018	–	–	–
Net carrying amount:			
At 31 December 2018	–	–	–
At 31 December 2017	530	–	530

21. INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Unlisted associates		
Cost of investments	**16,700**	16,700
Share of post-acquisition loss and other comprehensive income	**(4,495)**	(628)
Impairment loss recognised	**(11,589)**	(8,372)
	616	7,700

Movements during the year are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**7,700**	–
Acquisition of associates	**–**	700
Fair value of associates retained *(note 46(b))*	**–**	16,000
Share of post-acquisition loss for the year	**(3,867)**	(628)
Impairment loss recognised *(note 8)*	**(3,217)**	(8,372)
At 31 December	**616**	7,700

Particulars of the associates of the Group are as follows:

Name	Place of establishment/ registration and operations	Proportion equity interest held by the Group 2018	Proportion equity interest held by the Group 2017	Proportion of voting rights held by the Group 2018	Proportion of voting rights held by the Group 2017	Principal activities
福建和潤供應鏈管理有限公司 ("Fujian Herun")	Fujian Province, the PRC	**30%**	30%	**30%**	30%	Distribution of personal care products
福建省青蛙王子品牌管理有限公司 ("Frog Prince Brand")	Fujian Province, the PRC	**30%**	30%	**30%**	30%	Holding of intellectual properties
廈門倍詩淘電子商務有限公司 ("Xiamen Beishitao")	Fujian Province, the PRC	**35%**	35%	**35%**	35%	Inactive

21. INTERESTS IN ASSOCIATES (continued)

Note:

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

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

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

In view of the management expectation of decline in the profitability of the associate, Fujian Herun, in future years, the directors consider it appropriate to make impairment loss amounted to RMB3,217,000 (2017: RMB8,372,000) on investment in this associate, which was included in other expenses (note 8). The recoverable amount has been determined by value in use calculation of the present value of expected future cash flow.

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

	2018 *RMB'000*	2017 *RMB'000*
Non-current assets	30,455	32,538
Current assets	202,238	133,500
Current liabilities	(180,164)	(94,188)
Non-current liabilities	–	–
Net assets	52,529	71,850

21. INTERESTS IN ASSOCIATES (continued)

	1 January 2018 to 31 December 2018 *RMB'000*	1 July 2017 to 31 December 2017 *RMB'000*
Revenue	**416,394**	192,008
(Loss)/profit before tax	**(18,500)**	1,069
Income tax expense	**(821)**	(68)
(Loss)/profit and total comprehensive (expense)/income for the period	**(19,321)**	1,001
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net assets of the associates	**15,759**	21,555
Accumulated unrealised gains on transactions with associates	**(8,822)**	(10,835)
Impairment loss recognised	**(11,589)**	(8,372)
Other adjustment *(note below)*	**4,652**	4,652
Carrying amount of the investment	**–**	7,000

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

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

	2018 *RMB'000*	2017 *RMB'000*
Share of the associate's loss for the year	**(84)**	–
Share of the associate's other comprehensive income for the year	**–**	–
Aggregate carrying amount of the Group's interests in associate	**616**	700

Notes to Financial Statements (continued)

For the year ended 31 December 2018

22. INTERESTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Unlisted joint ventures		
Cost of investments	**4**	4
Share of post-acquisition losses and other comprehensive income	**(1,198)**	(299)
Adjustments to write down of amount due from a joint venture *(note 30)*	**1,194**	295
	–	–

Movements during the year are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January		
Acquisition of joint ventures	**–**	4
Share of post-acquisition loss for the year	**(899)**	(299)
Loss of a joint venture applied to write down of amount due from the joint venture	**899**	295
At 31 December	**–**	–

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

Name	Place of establishment/ registration and operations	Proportion equity interest held by the Group 2018	2017	Principal activities
Nice Team Holdings Limited	Hong Kong	**50%**	50%	Distribution of food and beverage
Ocean Trader Limited	Hong Kong	**25%**	25%	Holding of yacht

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

22. INTERESTS IN JOINT VENTURES (continued)

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

	2018	2017
	RMB'000	*RMB'000*
Non-current assets	**13,536**	17,856
Current assets	**1,610**	738
Current liabilities	**(21,569)**	(19,774)
Non-current liabilities	**–**	–
Net liabilities	**(6,423)**	(1,180)

	2018	2017
	RMB'000	*RMB'000*
Revenue	**3,028**	571
Loss before tax	**(3,598)**	(1,180)
Income tax expense	**–**	–
Loss and total comprehensive expense for the year	**(3,598)**	(1,180)
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**25%**	25%
Group's share of net liabilities of the joint venture	**(899)**	(295)
Write-down of amount due from a joint venture	**899**	295
Carrying amount	**–**	–

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

	2018	2017
	RMB'000	*RMB'000*
Share of joint venture's loss for the year	**–**	(4)
Share of joint venture's other comprehensive income for the year	**–**	–
Aggregate carrying amount of the Group's interests in joint venture	**–**	–

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")/AVAILABLE-FOR-SALE INVESTMENTS

	Financial assets at FVTOCI		Available-for-sale investments	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At fair value			**–**	
Equity securities listed in Hong Kong	**50,925**	–	**–**	68,536
Unlisted investment fund	**62,442**	–	**–**	117,135
Unlisted equity investments	**14,994**	–	**–**	–
At cost less impairment				
Unlisted equity investments	**–**	–	**–**	16,448
	128,361	–	**–**	202,119
Analysed for reporting as:				
Non-current asset	**128,361**	–	**–**	202,119

Movements during the year:

	Financial assets at FVTOCI		Available-for-sale investments	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Balance at 1 January	**–**	–	**202,119**	15,300
Reclassified to financial assets at FVTOCI	**202,119**	–	**(202,119)**	–
Acquisitions during the year				
– settled by cash	**17,659**	–	**–**	1,038,890
– settled by promissory notes *(note 48)*	**–**	–	**–**	11,592
(Loss)/gain on change in fair value	**(85,522)**	–	**–**	60,928
Impairment loss recognised during the year *(note 8)*	**–**	–	**–**	(7,789)
Eliminated on disposal of subsidiaries *(note 46(a)(ii))*	**(10,000)**	–	**–**	–
Disposals during the year	**(5,691)**	–	**–**	(909,792)
Gain/(loss) on exchange translation	**6,866**	–	**–**	(9,825)
Exchange realignment	**2,930**	–	**–**	2,815
Balance at 31 December	**128,361**	–	**–**	202,119

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")/AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

(a) Details regarding the fair value of equity securities listed in Hong Kong and unlisted investment fund are set out in note 55.

(b) The unlisted investment fund represents fund established by external fund managers which are principally engaged in securities investments. Under the terms of the fund held by the Group as at 31 December 2018 and 31 December 2017, the Group is eligible to redeem the fund at any time after two years from the date on which the Group made payments to the fund.

(c) Particulars regarding the significant equity investment is as follows:

Name of Investee	Place of incorporation/ operation	Percentage of equity interests held by the Group		Principal activities
		2018	2017	
Real Power International Group Limited ("Real Power")	Hong Kong	20%	–	Trading of agricultural products

During the year, the Group subscribed convertible bonds which was issued by Real Power for a consideration of HK$8,000,000 (equivalent to RMB7,090,000). Under the terms of the relevant instruments, the convertible bonds which carry no interest and entitle the Group to convert the bonds into 25 new shares of Real Power, which represents 20% of the enlarged share capital of Real Power, for two months from the date of subscription of 15 November 2018. Conversion of the convertible bonds into 25 new shares of Real Power took place on 4 December 2018 and 20% equity interest in Real Power is held by the Group upon the conversion of convertible bonds.

The gain on change in fair value of 20% equity interest in Real Power held by the Group, which represents the excess of the fair value of the equity interest at 31 December 2018 over the Group's cost of investment therein, amounted to approximately RMB3,962,000 which was recognised in FVTOCI revaluation reserve.

Due to the existence of a controlling shareholder of Real Power, the directors of the Company are of the opinion that the Group is not in a position to exercise significant influence over Real Power, accordingly, Real Power is not regarded as an associate of the Group and the results of Real Power have not been accounted for on an equity basis.

(d) In the prior year ended 31 December 2017, in view of operating losses sustained by certain equity investees, impairment losses amounted to RMB7,789,000 were recognised for that year to write down the cost of investments in these investees to their estimated recoverable amounts.

Notes to Financial Statements (continued)

For the year ended 31 December 2018

24. INVENTORIES

	2018 *RMB'000*	2017 *RMB'000*
Raw materials	7,344	8,474
Work in progress	1,824	4,178
Finished goods	93,071	19,315
	102,239	31,967

25. LOAN AND INTEREST RECEIVABLES

	2018 *RMB'000*	2017 *RMB'000*
Loan and interest receivables thereon		
– within one year	73,198	105,887
– in the second to fifth years	102,878	83,253
– over the fifth years	4,875	16,242
	180,951	205,382
Less: Impairment loss recognised	(4,860)	–
	176,091	205,382
Analysed for reporting as:		
Non-current asset	107,753	99,495
Current asset	68,338	105,887
	176,091	205,382

25. LOAN AND INTEREST RECEIVABLES (continued)

Movement during the year are as follows:

	2018 *RMB'000*	2017 *RMB'000*
At 1 January	205,382	125,341
Loans made by the Group	95,590	347,964
Interest on loans receivable *(note 5)*	35,936	31,820
Loans and interest repaid by borrowers	(165,830)	(287,432)
Exchange realignment	9,686	(12,311)
Impairment loss recognised	(4,673)	–
At 31 December	176,091	205,382

Movements of impairment loss on loan and interest receivables are as follows:

	2018 *RMB'000*	2017 *RMB'000*
At 1 January	–	–
Impairment loss recognised *(note 8)*	4,673	–
Exchange realignment	187	–
At 31 December	4,860	–

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

31 December 2018

Loan principal amount *HK$'000*	Number of borrowers	Interest rate per annum	Maturity date	Security pledged
123,385	10	16.0% – 31.5%	Within 1 year to 20 years	Leasehold properties owned by the borrowers
71,025	366	12.0% – 58.0%	Within 1 year to 10 years	Nil
194,410				

25. LOAN AND INTEREST RECEIVABLES (continued)

31 December 2017

Loan principal amount HK$'000	Number of borrowers	Interest rate per annum	Maturity date	Security pledged
216,427	36	10.0%-31.5%	Within 1 year to 20 years	Leasehold properties owned by the borrowers
21,789	122	12.0%-58.0%	Within 1 year to 4 years	Nil
238,216				

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

26. TRADE AND BILLS RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade and bills receivables	84,075	113,415
Less: allowance for trade and bills receivables	(1,911)	(251)
	82,164	113,164

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days to 180 days (2017: 30 days to 180 days).

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

26. TRADE AND BILLS RECEIVABLES (continued)

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

	2018 *RMB'000*	2017 *RMB'000*
Within 30 days	25,859	24,228
31 to 60 days	23,502	18,207
61 to 90 days	4,025	24,940
Over 90 days	28,778	45,789
	82,164	113,164

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

	2018 *RMB'000*	2017 *RMB'000*
Neither past due nor impaired	50,364	63,044
Past due but not impaired		
– 1 to 30 days	15,515	14,467
– Over 30 days	16,285	35,653
Total	82,164	113,164

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

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

Notes to Financial Statements (continued)

For the year ended 31 December 2018

26. TRADE AND BILLS RECEIVABLES (continued)

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

	2018 RMB'000	2017 RMB'000
At 1 January	251	4,776
Impairment loss recognised *(note 8)*	1,660	–
Reversal of impairment *(note 7)*	–	(4,525)
At 31 December	1,911	251

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Prepayments *(note (ii))*	26,245	23,510
Deposits for acquisition of land use rights *(note (iii))*	16,700	–
Deposits for purchase of property, plant and equipment	–	7,245
Deposits and other receivables	14,616	14,324
	57,561	45,079
Analysis for reporting purposes as:		
Non-current assets	16,700	7,245
Current assets	40,861	37,834
	57,561	45,079

Notes:

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

(ii) Included in prepayments as at 31 December 2018 are prepaid land lease payments amounted to RMB268,000 (2017: RMB339,000) (note 16).

(iii) During the year, the Group made payment amounted to RMB16,700,000 to a PRC local authority for the proposed acquisition of certain land use rights in the PRC. Under the relevant arrangements, the PRC local authority will launch a land auction where the land use rights will be acquired by one of the auction participants at the discretion of the PRC local authority. In the event that the land use rights are not sold to the auction participants, the Group will either acquire the land use rights for a consideration to be determined by the PRC local authority and the payment made by the Group of RMB16,700,000 will form part of the purchase consideration; or the Group's proposed acquisition of the land use rights will be cancelled with the payment of RMB16,700,000 forfeited by the PRC local authority. Up to the date of approval of the consolidated financial statements, the land auction has not taken place and the purchase consideration for the land use rights cannot be ascertained by the Group with reasonable certainty.

28. OTHER FINANCIAL ASSETS

	2018 *RMB'000*	2017 *RMB'000*
Wealth management products *(note (i))*	7,010	–
Other bank deposits *(note (ii))*	7,000	–
	14,010	–

Note:

(i) The wealth management products represents short-term investment fund offered by bank for potential interest return.

(ii) The short-term bank deposits represents fixed deposit with due dates between July to August 2019 with potential interest bearing at 2.1% to 4.95%.

29. AMOUNT DUE FROM AN ASSOCIATE

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

30. AMOUNT DUE FROM A JOINT VENTURE

The amount due from a joint venture, which is interest free, unsecured and repayable on demand, is arrived at after deducting the share of loss of the joint venture amounted to RMB1,194,000 (2017: RMB295,000) (note 22).

31. AMOUNT DUE FROM NON-CONTROLLING INTEREST

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

32. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2018 *RMB'000*	2017 *RMB'000*
Pledged bank deposits	7,442	127,118
Cash and cash equivalents		
Cash and bank balances	218,888	222,691
	226,330	349,809
The pledged bank deposits were pledged for:		
– short-term bank borrowings *(note 36)*	–	120,000
– bills payables *(note 34)*	7,442	7,118
Pledged bank deposits	7,442	127,118

The bank balances and pledged bank deposits to the extent of RMB226,320,000 (2017: RMB229,795,000) earned interest at floating rates based on daily bank deposit rates, with the remaining balance of RMB Nil (2017: RMB120,000,000) at fixed rates.

As at 31 December 2018, the Group's cash and bank balances and bank deposits of RMB118,424,000 (2017: RMB129,504,000) and RMB7,442,000 (2017: RMB127,118,000), respectively are denominated in RMB and are placed with banks in the PRC. The exchange of these RMB bank balances and deposits into other currencies is subject to the approval of the PRC government under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

33. ASSET CLASSIFIED AS HELD FOR SALE

	2018 *RMB'000*	2017 *RMB'000*
Asset classified as held for sale		
Investment property, at fair value *(note 17)*	–	6,246

As referred to in note 17, during the year ended 31 December 2017, the Group entered into a sale and purchase agreement for the disposal of an investment property for a consideration of HK$7,500,000 (equivalent to RMB6,246,000). Accordingly, the investment property was reclassified and included in assets classified as held for sale at 31 December 2017. Completion of the disposal took place in February 2018.

34. TRADE AND BILLS PAYABLES

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

	2018 *RMB'000*	2017 *RMB'000*
Within 30 days	34,644	46,795
31 to 90 days	18,466	10,026
Over 90 days	17,660	14,630
	70,770	71,451

The trade payables are interest free and are normally settled on terms of 30 days to 180 days (2017: 30 days to 180 days).

As at 31 December 2018, bills payables amounted to RMB12,595,000 (2017: RMB7,118,000) were secured by the pledged bank deposits of RMB7,442,000 (2017: RMB7,118,000) (note 32).

35. OTHER PAYABLES AND ACCRUALS

	2018 *RMB'000*	2017 *RMB'000*
Other payables and accruals	41,940	41,248
Other tax payables	1,183	2,358
	43,123	43,606

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

Notes to Financial Statements (continued)

For the year ended 31 December 2018

36. BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate per annum	**Month of maturity**	***RMB'000***	Effective interest rate per annum	Month of maturity	*RMB'000*
Bank borrowings repayable within one year	**4.58%-5.44%**	**September-October 2019**	**55,000**	4.35%	November 2018	114,998
Other borrowings repayable within one year	**4.79%-8.13%**	**April-December 2019**	**118,768**	13%	January 2018	49,968
			173,768			164,966

The bank borrowings amounted to RMB55,000,000 outstanding at 31 December 2018 are secured by certain suppliers of the Group. The bank borrowings amounted to RMB114,998,000 outstanding at 31 December 2017 were secured by the pledge of bank deposits amounted to RMB120,000,000 (note 32).

Included in other borrowings at 31 December 2018 are borrowings amounted to RMB70,000,000 and RMB28,768,000 which are secured by certain shares of a subsidiary and the Group's investment properties with the carrying amount of RMB83,447,000 at that date respectively. The remaining other borrowings amounted to RMB20,000,000 at 31 December 2018 was unsecured.

The other borrowings amounted to RMB49,968,000 outstanding at 31 December 2017 was unsecured.

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

	Bank borrowings *RMB'000*	Other borrowings *RMB'000*	Total *RMB'000*
1 January 2017	110,919	–	110,919
New loan drawdown during the year	114,998	52,032	167,030
Repayment during the year	(107,682)	–	(107,682)
Gain on exchange translation	(3,237)	–	(3,237)
Exchange realignment	–	(2,064)	(2,064)
At 31 December 2017 and 1 January 2018	114,998	49,968	164,966
New loan drawdown during the year	132,426	90,000	222,426
Repayment during the year	(192,424)	(23,015)	(215,439)
Exchange realignment	–	1,815	1,815
At 31 December 2018	55,000	118,768	173,768

37. PROMISSORY NOTES PAYABLE

	2018 *RMB'000*	2017 *RMB'000*
Promissory notes payable:		
– issued on 18 August 2017 *(Note a)*	–	10,019
– issued on 21 September 2017 *(Note b)*	11,858	11,243
– issued on 29 December 2017 *(Note c)*	1,757	1,610
	13,615	22,872

	2018 *RMB'000*	2017 *RMB'000*
Analysis for reporting as current liabilities	13,615	22,872

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

On 18 August 2017, the Company issued the Note A with the principal amount of HK$12,000,000 as the consideration for the acquisition of 15% equity interests in an entity. The entity, through its investee, is engaged in the operation of restaurants in PRC. The investment in this entity is classified and included in available-for-sale investments and financial assets at FVTOCI as at 31 December 2017 and 31 December 2018 respectively.

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

The fair value of the promissory note at the date of issue was estimated to be HK$11,693,000 (equivalent to RMB9,983,000). The effective interest rate in respect of the Note A is 7.76% per annum. The Note A remained outstanding at 31 December 2017 and was fully repaid during the current year.

37. PROMISSORY NOTES PAYABLE (continued)

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

On 21 September 2017, the Company issued the Note B with the principal amount of HK$13,500,000 as the consideration for the acquisition of the entire interest of Earn Rich Properties Limited (note 45(b)(ii)).

The Note B, which is unsecured, carries no interest and is payable on the maturity date of 12 December 2017, being the first business date after the completion of acquisition by the Group of Nice Source Properties Limited (note 45(b)(ii)). The Company is also entitled to redeem the whole or part of the Note B at the principal amount at any time before the maturity date.

The fair value of the promissory note at the date of issue was estimated to be HK$13,313,000 (equivalent to RMB11,087,000). The effective interest rate in respect of Note B is 6.38% per annum. The Note B with the principal amount of HK$13,500,000 remained outstanding as at 31 December 2017 and 31 December 2018.

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

On 29 December 2017, the Company issued the Note C with the principal amount of HK$2,000,000 as the consideration for the acquisition of the entire equity interest of Ample Chance Limited (note 45(b)(iii)).

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

The fair value of the promissory note at the date of issue was estimated to be HK$1,932,000 (equivalent to RMB1,609,000). The effective interest rate in respect of Note C is 7.21% per annum. The Note C with the principal amount of HK$2,000,000 remained outstanding as at 31 December 2017 and 31 December 2018.

37. PROMISSORY NOTES PAYABLE (continued)

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

	Note A *RMB'000*	Note B *RMB'000*	Note C *RMB'000*	Total *RMB'000*
At 1 January 2017	–	–	–	–
Issue of promissory notes	9,983	11,087	1,609	22,679
Interest charges for the year *(note 9)*	293	162	1	456
Gain on exchange translation	(257)	(6)	–	(263)
At 31 December 2017 and 1 January 2018	10,019	11,243	1,610	22,872
Interest charges for the year *(note 9)*	82	–	54	136
Repayment during the year	(9,798)	–	–	(9,798)
Loss on early redemption *(note 8)*	104	–	–	104
(Gain)/loss on exchange translation	(407)	615	93	301
At 31 December 2018	–	11,858	1,757	13,615

38. AMOUNTS DUE TO ASSOCIATES

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

39. AMOUNT DUE TO A JOINT VENTURE

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

40. AMOUNT DUE TO NON-CONTROLLING INTEREST

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

Notes to Financial Statements (continued)

For the year ended 31 December 2018

41. DEFERRED TAX (ASSETS)/LIABILITIES

	Impairment on loan and interest receivables *RMB'000*	Withholding taxes *RMB'000*	Changes in fair value of investment properties *RMB'000*	Changes in fair value of financial assets at FVTOCI/ available-for-sale investments *RMB'000*	Accelerated depreciation allowance *RMB'000*	Total *RMB'000*
At 1 January 2017	–	14,600	3,323	–	–	17,923
Charged to the profit or loss *(note 11)*	–	–	(937)	–	558	(379)
Charged to other comprehensive income, net	–	–	–	3,773	–	3,773
Credited to retained profits on disposal of properties *(note)*	–	–	(2,386)	–	–	(2,386)
Exchange realignment	–	–	–	(149)	(22)	(171)
At 31 December 2017 and 1 January 2018	–	14,600	–	3,624	536	18,760
Credited to the profit or loss *(note 11)*	(773)	–	–	–	(269)	(1,042)
Credited to other comprehensive income, net	–	–	–	(3,162)	–	(3,162)
Exchange realignment	(31)	–	–	71	18	58
At 31 December 2018	(804)	14,600	–	533	285	14,614

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

	2018 *RMB'000*	2017 *RMB'000*
Analysis for reporting as:		
Deferred tax assets included in non-current assets	804	–
Deferred tax liabilities included in non-current liabilities	(15,418)	(18,760)
	(14,614)	(18,760)

Pursuant to the income tax law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future. The aggregate amount of temporary differences associated with the earnings of subsidiaries in Mainland China available for distribution for which deferred tax liabilities have not been recognised totalled approximately RMB274,612,000 at 31 December 2018 (2017: RMB673,922,000).

41. DEFERRED TAX (ASSETS)/LIABILITIES (continued)

At 31 December 2018, there were no significant unrecognised deferred tax liabilities (2017: Nil) for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiary expected to be distributed, after considering the abovementioned factors, in the foreseeable future.

The Group has tax losses arising in Hong Kong of RMB1,986,000 (2017: RMB9,351,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, of which the respective tax losses are subject to agreement by the Inland Revenue Department in Hong Kong. The Group also has tax losses arising in Mainland China of RMB569,078,000 (2017: RMB191,318,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of such tax losses due to the unpredictability of future profit streams.

42. SHARE CAPITAL

	2018		2017	
	Number of ordinary shares *'000*	Share capital *RMB'000*	Number of ordinary shares *'000*	Share capital *RMB'000*
Authorised:				
Ordinary shares of HK$0.01 each	5,000,000	41,524	5,000,000	41,524
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	1,158,436	9,694	1,010,491	8,386
Issue of shares on acquisition of subsidiaries *(note 45(b)(i))*	–	–	147,945	1,308
Placing of shares *(note below)*	231,687	1,955	–	–
At 31 December	1,390,123	11,649	1,158,436	9,694

Note:

On 27 June 2018, the Company issued 231,687,000 ordinary shares at HK$0.13 per share for a total cash consideration of HK$30,119,000 (equivalent to RMB25,406,000) to provide additional working capital to the Company.

43. SHARE OPTION SCHEME

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

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

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

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

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

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

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

43. SHARE OPTION SCHEME (continued)

The following options granted were forfeited during the years ended 31 December 2018 and 2017:

2018 Number of options '000	Exercise price per share HK$	Exercise period
36	1.92	14-10-2012 to 13-10-2021
36	2.94	21-06-2013 to 20-06-2022
450	1.83	26-09-2015 to 25-09-2024
650	0.81	18-01-2017 to 27-12-2025
1,172		

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

Movements of share options during the year are as follows:

	2018		2017	
	Weighted average exercise price per share HK$	Number of options '000	Weighted average exercise price per share HK$	Number of options '000
As at 1 January	1.26	94,827	1.43	81,093
Granted during the year	–	–	0.38	15,300
Forfeited during the year	1.30	(1,172)	1.29	(1,566)
At 31 December	1.26	93,655	1.26	94,827

43. SHARE OPTION SCHEME (continued)

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

2018 Number of options *'000*	Exercise price per share *HK$*	Exercise period
8,904	1.92	14-10-2012 to 13-10-2021
7,174	2.94	21-06-2013 to 20-06-2022
22,940	1.83	26-09-2015 to 25-09-2024
29,637	0.81	18-01-2017 to 27-12-2025
9,700	0.81	20-01-2017 to 27-12-2025
15,300	0.38	24-05-2017 to 23-05-2027
93,655		

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

43. SHARE OPTION SCHEME (continued)

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

	Share options granted on 24 May 2017
Dividend yield *(%)*	Nil
Expected volatility *(%)*	43.63
Risk-free interest rate *(%)*	1.318
Expected life of options *(year)*	10
Share price of the Company's shares *(HK$ per share)*	0.375

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

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

At the end of the reporting period, the Company had approximately 93,655,000 (2017: 94,827,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of approximately 93,655,000 (2017: 94,827,000) additional ordinary shares of the Company which would give rise to the total proceeds of HK$117,844,000 (2017: HK$119,369,000).

Up to the date of approval of these consolidated financial statements, the Company had 93,437,000 share options outstanding under the Scheme, which represented approximately 6.72% of the Company's shares in issue as at that date.

44. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity set out on page 72 and 73.

Statutory reserve fund

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

The balance of statutory reserve fund at 1 January 2017 was transferred from the Group's retained profits prior to that date. As the related subsidiaries sustained losses for the current and prior years, the statutory reserve fund was transferred to retained profits to offset the accumulated losses of the subsidiaries.

45. ACQUISITION OF SUBSIDIARIES

	2018 *RMB'000*	2017 *RMB'000*
Net outflow of cash and cash equivalents on the acquisition of		
– Apex Magic *(note (b)(i))*	–	22,115
– Earn Rich and Nice Source *(note (b)(ii))*	–	72,512
– Ample Chance *(note (b)(iii))*	–	–
Net outflow of cash and cash equivalents included in cash flows used in investing activities	–	94,627

(a) Acquisition of subsidiaries during the year ended 31 December 2018

The Group has not acquired any of its subsidiaries during the year ended 31 December 2018.

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

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

On 27 April 2017, the Company entered into an agreement with a third party for the acquisition of 100% equity interest in Apex Magic for a consideration of HK$79,000,000. Completion of the acquisition took place on 24 May 2017 and the consideration for the acquisition was satisfied by the payment in cash amounted to HK$25,000,000 (equivalent to RMB22,115,000) with the remaining balance of HK$54,000,000 (equivalent to RMB47,768,000) by the issue of 147,945,000 new shares of the Company (note 42). The fair value of the shares issued is estimated to be RMB49,077,000 at the date of issue, which is calculated based on the closing market price of the Company's share at the issue date.

Apex Magic, being an investment holding company, holds 50% equity interest in Jumbo Excel Investment Corporation ("Jumbo Excel"). As detailed in note 4, the Group is in a position to exercise control over Jumbo Excel, Jumbo Excel is regarded a subsidiary of Apex Magic upon the completion of the acquisition.

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

The Group has elected to measure the non-controlling interest in Apex Magic at the non-controlling interest's proportionate share of the identifiable net assets of Apex Magic.

The Group incurred insignificant transaction costs for the acquisition of Apex Magic. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

45. ACQUISITION OF SUBSIDIARIES (continued)

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

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

Assets and liabilities recognised at the acquisition date:

	RMB'000
Assets	
Properties for development *(note 18)*	145,837
Liabilities	
Other payables	(3,445)
Total identifiable net assets acquired	142,392

	RMB'000
Representing	
Consideration transferred	
– Cash paid by the Group	22,115
– Shares issued by the Company	49,077
	71,192
Non-controlling interests	71,200
	142,392

An analysis of cash flows in respect of the acquisition of Apex Magic is as follows:

	RMB'000
Consideration paid in cash	22,115
Cash and cash equivalents acquired	–
Net outflow of cash and cash equivalents	22,115

45. ACQUISITION OF SUBSIDIARIES (continued)

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

(ii) Acquisition of Earn Rich Properties Limited ("Earn Rich") and Nice Source Properties Limited ("Nice Source")

On 21 September 2017, the Group entered into an agreement with a third party for the acquisition of 100% equity interest in Earn Rich for a consideration of HK$13,500,000. Completion of the acquisition took place on the same date and the consideration for the acquisition was satisfied by the issue of the promissory note issued by the Company (note 37(b)).

Prior to the acquisition of Earn Rich, Earn Rich was inactive except that Earn Rich entered into an agreement with another third party, under which Earn Rich is granted a right for the acquisition of 100% equity interest in Nice Source for a consideration of HK$90,800,000. The principal assets of Nice Source are investment properties located in Hong Kong.

On 11 December 2017, the completion of the acquisition of Nice Source took place and the consideration for the acquisition of Nice Source amounted to RMB72,512,000 was paid in cash by the Group.

The acquisitions of Earn Rich and Nice Source are accounted for as acquisition of assets.

The Group incurred insignificant costs of the acquisition of Earn Rich and Nice Source. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of completion of Earn Rich and Nice Source:

	Earn Rich *RMB'000*	Nice Source *RMB'000*	Total *RMB'000*
Assets			
Investment properties *(note 17)*	–	84,082	84,082
Prepayments and deposits	–	433	433
Tax recoverable	–	141	141
	–	84,656	84,656
Liabilities			
Other payables and accruals	–	(1,057)	(1,057)
Total identifiable net assets acquired	–	83,599	83,599

45. ACQUISITION OF SUBSIDIARIES (continued)

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

(ii) Acquisition of Earn Rich Properties Limited ("Earn Rich") and Nice Source Properties Limited ("Nice Source") (continued)

	RMB'000
Representing	
Consideration transferred	
– Cash paid by the Group	72,512
– Promissory notes issued by the Company *(note 37(b))*	11,087
	83,599

An analysis of cash flows in respect of the acquisition of Earn Rich and Nice Source is as follows:

	RMB'000
Consideration paid in cash	72,512
Cash and cash equivalents acquired	–
Net outflow of cash and cash equivalents	72,512

(iii) Acquisition of Ample Chance Limited ("Ample Chance")

On 29 December 2017, the Company entered into an agreement with a director, Mr. Ma Chi Ming, for the acquisition of 100% equity interest in Ample Chance for a consideration of HK$2,000,000. Completion of the acquisition took place on the same date and the consideration for the acquisition was satisfied by the issue of the promissory note issued by the Company (note 37(c)).

Ample Chance is an investment holding company and the principal asset of Ample Chance is 2% equity interest in an investee which is engaged in the operations of restaurants in PRC. The acquisition of Ample Chance is accounted for as acquisition of asset.

The Group incurred insignificant costs of the acquisition of Ample Chance. The transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Notes to Financial Statements (continued)

For the year ended 31 December 2018

45. ACQUISITION OF SUBSIDIARIES (continued)

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

(iii) Acquisition of Ample Chance Limited ("Ample Chance") (continued)

Assets recognised at the acquisition date:

	RMB'000
Assets	
Available-for-sale investments	1,609

	RMB'000
Representing	
Consideration transferred	
– Promissory notes issued by the Company *(note 37(c))*	1,609

An analysis of cash flows in respect of the acquisition of Ample Chance is as follows:

	RMB'000
Consideration paid in cash	–
Cash and cash equivalents acquired	–
Net outflow of cash and cash equivalents	–

46. DISPOSAL OF SUBSIDIARIES

	2018 *RMB'000*	2017 *RMB'000*
Net cash inflow of cash and cash equivalents on disposal of		
– 福建愛潔麗日化有限公司 ("Fujian Azalli") *(note (a)(i))*	11,537	–
– Amazing Gear Limited *(note (a)(ii))*	7,959	–
– 福建和潤供應鏈管理有限公司 ("Fujian Herun") *(note (b))*	–	97,677
	19,496	97,677

46. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal took place during the year ended 31 December 2018

(i) Disposal of Fujian Azalli

On 30 June 2018, Frog Prince (China), an indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to dispose of 80% equity interest in a subsidiary, Fujian Azalli, for an aggregate cash consideration of RMB12,000,000. Fujian Azalli is principally engaged in the manufacture and sale of toothpaste. The disposal was completed on 30 June 2018.

An analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment *(note 15)*	6,434
Goodwill *(note 19)*	9,357
Intangible asset *(note 20)*	494
Inventories	1,621
Trade and bills receivables	5,062
Prepayments, deposits and other receivables	10,350
Amounts due from group companies	6,191
Other financial assets	3,800
Pledged bank deposits	6,648
Cash and cash equivalents	463
Trade and bills payables	(22,464)
Other payables and accruals	(4,040)
Net assets disposed of	23,916

Loss on disposal of a subsidiary

	RMB'000
Cash consideration	12,000
Net assets disposed of	(23,916)
Non-controlling interests	2,912
Loss on disposal of a subsidiary *(note 8)*	(9,004)

An analysis of cash flow from the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration received	12,000
Cash and cash equivalent disposed of	(463)
Net cash inflow from disposal of a subsidiary	11,537

46. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal took place during the year ended 31 December 2018 (continued)

(ii) Disposal of Amazing Gear Limited

On 2 November 2018, the Company entered into an agreement with an independent third party to dispose of 100% equity interest in a subsidiary, Amazing Gear Limited, for an aggregate cash consideration of HK$9,000,000 (equivalents to RMB7,977,000). Amazing Gear Limited is an investment holding company and the principal asset of its subsidiary is 10% equity interest in an entity (which was classified as financial asset at fair value through other comprehensive income). The disposal was completed on 2 November 2018.

An analysis of assets and liabilities over which control was lost:

	RMB'000
Financial assets at fair value through other comprehensive income *(note 23)*	10,000
Trade and bills receivables	1,129
Prepayments, deposits and other receivables	66
Cash and cash equivalents	18
Trade and bills payables	(2)
Other payables and accruals	(1)
Income tax payable	(14)
Amounts due to group companies	(3,219)
Net assets disposed of	7,977

Loss on disposal of a subsidiary

	RMB'000
Cash consideration	7,977
Net assets disposed of	(7,977)
Loss on disposal of a subsidiary *(note 8)*	–

An analysis of cash flow from the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration received	7,977
Cash and cash equivalent disposed of	(18)
Net cash inflow from disposal of subsidiaries	7,959

46. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal took place during the year ended 31 December 2017

Disposal of Fujian Herun

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

An analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment *(note 15)*	612
Inventories	13,813
Trade and bills receivables	19,657
Prepayments, deposits and other receivables	22,268
Amount due from a related company	356
Amounts due from group companies	42,204
Cash and cash equivalents	2,323
Trade and bills payables	(1,021)
Other payables and accruals	(57,146)
Amounts due to group companies	(5,239)
Net assets disposed of	37,827

Gain on disposal of subsidiaries

	RMB'000
Cash consideration	100,000
Fair value of equity interest retained *(note 21)*	16,000
	116,000
Net assets disposed of	(37,827)
Non-controlling interests	17,712
Gain on disposal of subsidiaries *(note 7)*	95,885

46. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal took place during the year ended 31 December 2017 (continued)

Disposal of Fujian Herun (continued)

An analysis of the cash flow from the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration received	100,000
Cash and cash equivalents disposed of	(2,323)
Net cash inflow from disposal of subsidiaries	97,677

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other payables and accruals *RMB'000*	**Promissory notes** *RMB'000*	**Bank borrowings** *RMB'000*	**Other borrowings** *RMB'000*	**Total** *RMB'000*
As 1 January 2017	–	–	110,919	–	110,919
Financing cash inflows	–	–	114,998	52,032	167,030
Financing cash outflows	–	–	(107,682)	–	(107,682)
Issue of promissory notes	–	22,679	–	–	22,679
Finance costs for the year	2,759	456	–	–	3,215
Interest paid included in operating cash flows	(2,370)	–	–	–	(2,370)
Gain on exchange translation	–	(263)	(3,237)	–	(3,500)
Exchange realignment	–	–	–	(2,064)	(2,064)
As 31 December 2017 and 1 January 2018	389	22,872	114,998	49,968	188,227
Financing cash inflows	–	–	132,426	90,000	222,426
Financing cash outflows	–	(9,798)	(192,424)	(23,015)	(225,237)
Finance costs for the year	11,112	136	–	–	11,248
Interest paid included in operating cash flows	(11,501)	–	–	–	(11,501)
Loss on early redemption	–	104	–	–	104
Gain on exchange translation	–	301	–	–	301
Exchange realignment	–	–	–	1,815	1,815
As 31 December 2018	–	13,615	55,000	118,768	187,383

48. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2018,

(a) deposits of RMB7,145,000 (2017: RMB Nil) were utilised for settlement of purchase consideration of items of property, plant and equipment.

(b) fair value loss on financial assets at fair value through other comprehensive income of RMB85,522,000 were recognised into FVTOCI valuation reserve.

(c) the statutory reserve fund of RMB110,615,000 was transferred to retained earnings.

During the year ended 31 December 2017,

(a) the Group acquired certain subsidiaries. Portions of the consideration for the acquisitions were settled by the Company of (i)147,945,000 new shares of the Company and (ii) by the issues of promissory notes with aggregate principal amounts of HK$15,500,000, details of which are set out in note 37(a).

(b) the Group issued promissory note with the principal amount of HK$12,000,000 as consideration for the acquisition of 15% of equity interest in an entity as detailed in note 37(b).

49. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (including that reclassified as asset classified as held for sale) (notes 17 and 33) under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years (2017: one to two years).

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 *RMB'000*	2017 *RMB'000*
Within one year	**1,343**	2,335
In the second to fifth years, inclusive	**1,764**	90
More than five years	**5,112**	–
	8,219	2,425

49. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its warehouses and office premises under operating lease arrangements. Leases for properties are negotiated for terms of one to two years (2017: two to five years) with an option for renewal after that date, at which times all terms will be renegotiated.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 *RMB'000*	2017 *RMB'000*
Within one year	6,511	3,902
In the second to fifth years, inclusive	3,970	7,332
	10,481	11,234

50. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 49 above, the Group had the following capital commitments at the end of the reporting period:

	2018 *RMB'000*	2017 *RMB'000*
Contracted, but not provided for:		
Purchase of items of property, plant and equipment	288	2,184

As detailed in note 27(iii), the Group is committed to acquire certain land use rights in the PRC, of which payment amounted to RMB16,700,000 had been made by the Group up to the end of the reporting period. The consideration for the acquisition, if materialised, is to be determined by the PRC local authority and management of the Group is of the view that the purchase consideration cannot be ascertained with reasonable certainty at this stage.

51. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2018 and 31 December 2017.

52. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions and balances with related parties detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2018 *RMB'000*	2017 *RMB'000*
Related companies:			
Sale of products	(a)	4,877	5,311
Purchase of products	(b)	898	8,387
Director:			
Promissory note issued	(c)	–	1,609
Associates:			
Sale of products	(d)	165,184	98,070
Purchase of products	(d)	33,976	7,497
Miscellaneous income	(d)	932	435
License fee	(e)	7,547	1,709
Labelling issue recalling expenses (note 8)		30,000	–

Notes:

(a) Sale to a related company, Shuangfei Daily Chemicals (USA) Inc. ("Shuangfei USA"), which is controlled by Mr. Li Zhenhui and Mr. Xie Jinling, former directors of Frog Prince (China), a subsidiary of the Company, were made on mutually agreed terms.

(b) Purchases from a related company, Fujian Shuangfei Daily Chemicals Co., Ltd. ("Fujian Shuangfei") which is controlled by Mr. Li Zhenhui, were made on mutually agreed terms.

(c) Promissory note with the principal amount of HK$2,000,000 was issued to Mr. Ma Chi Ming, executive director of the Company, for the acquisition of a subsidiary (notes 37(c) and 45(b)(iii)).

(d) Sale to, purchase from and miscellaneous income from an associate, Fujian Herun, were made on mutually agreed terms.

(e) License fee paid to an associate, Frog Prince Brand, was made on mutually agreed terms.

52. RELATED PARTY TRANSACTIONS (continued)

(ii) An analysis of the balances with related parties are as follows:

(a) *Amounts due from related companies*

Particulars of the amounts due from related parties, which were derived from sales and purchases by the Group to the related parties, are as follows:

Year ended 31 December 2018

Name	**1 January 2018** *RMB'000*	**31 December 2018** *RMB'000*	**Maximum amount outstanding during the year** *RMB'000*
Shuangfei USA	**8,748**	**2,625**	**8,748**
Fujian Shuangfei	**1,000**	**7,157**	**7,157**
	9,748	**9,782**	

Year ended 31 December 2017

Name	1 January 2017 *RMB'000*	31 December 2017 *RMB'000*	Maximum amount outstanding during the year *RMB'000*
Shuangfei USA	7,418	8,748	8,748
Fujian Shuangfei	–	1,000	1,000
	7,418	9,748	

The outstanding balances with related parties are interest-free, unsecured and have no fixed terms of repayment.

(b) *Amount due to a related company*

The amount due to Fujian Shuangfei is interest free, unsecured with no fixed terms of repayment. The outstanding balance of the amount due as at 31 December 2018 is RMB1,500,000 (2017: Nil).

(iii) Compensation of key management personnel of the Group

Further details of directors' and the chief executive's remuneration are included in note 12 to these financial statements.

53. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2018

	Financial assets at fair value through other comprehensive income *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Financial assets			
Financial assets at fair value through other comprehensive income	128,361	–	128,361
Loan and interest receivables	–	176,091	176,091
Trade and bills receivables	–	82,164	82,164
Other receivables	–	11,940	11,940
Other financial assets	–	14,010	14,010
Amounts due from related companies	–	9,782	9,782
Amount due from an associate	–	23,589	23,589
Amount due from a joint venture	–	5,896	5,896
Amount due from non-controlling interest	–	2,961	2,961
Pledged bank deposits	–	7,442	7,442
Cash and cash equivalents	–	218,888	218,888
	128,361	552,763	681,124

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities	
Trade and bills payables	70,770
Other payables	22,177
Bank and other borrowings	173,768
Promissory notes payables	13,615
Amount due to a related company	1,500
Amounts due to associates	92,065
Amount due to a joint venture	4
Amount due to non-controlling interest	830
	374,729

Notes to Financial Statements (continued)

For the year ended 31 December 2018

53. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2017

	Available-for-sale investments at fair value *RMB'000*	Available-for-sale investments at cost less impairment *RMB'000*	Loans and receivables at amortised cost *RMB'000*	Total *RMB'000*
Financial assets				
Available-for-sale investments	185,671	16,448	–	202,119
Loan and interest receivables	–	–	205,382	205,382
Trade and bills receivables	–	–	113,164	113,164
Other receivables	–	–	10,911	10,911
Amounts due from related companies	–	–	9,748	9,748
Amount due from an associate	–	–	40,067	40,067
Amount due from a joint venture	–	–	6,462	6,462
Amount due from non-controlling interest	–	–	1,663	1,663
Pledged bank deposits	–	–	127,118	127,118
Cash and cash equivalents	–	–	222,691	222,691
	185,671	16,448	737,206	939,325

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities	
Trade and bills payables	71,451
Other payables	5,735
Bank and other borrowings	164,966
Promissory notes payables	22,872
Amounts due to associates	79,982
Amount due to a joint venture	4
Amount due to non-controlling interest	762
	345,772

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise pledged bank deposits, cash and cash equivalents and financial assets at fair value through other comprehensive income/available-for-sale investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as loan and interest receivables, trade and bills receivables, other receivables, other financial assets, balances with related companies, an associate, a joint venture, non-controlling interest, other receivables, trade and bills payables, other payables, bank and other borrowings, promissory notes payable, and balances with associates, a joint venture, non-controlling interest, which arise directly from its operations.

The Group has not entered into derivative transactions, including principally foreign currency forward contracts throughout the current year under review.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces prudent strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposit with floating interest rates. The bank and other borrowings outstanding at 31 December 2018 carried interest at fixed interest rates and floating interest rates. The bank and other borrowings outstanding at 31 December 2017 carried interest at fixed interest rates. The Group regularly reviews and monitors the floating interest rate in order to manage its interest rate risks. The directors have reviewed the Group's interest-bearing financial instruments and determined that the Group has no significant interest rate risk.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- loss for the year ended 31 December 2018 would decrease/increase by RMB925,000 (2017: decrease/increase by RMB1,386,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank deposits and other borrowings (2017: bank deposits).

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sale and purchase transactions and cash and bank balances denominated in currencies other than functional currencies of the group entities, mainly in United States dollars ("US$") and Hong Kong dollars ("HK$").

The following table demonstrates the sensitivity at the end of the reporting period to the reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's loss before tax.

	Decrease/(increase) in loss before tax	
	2018	2017
	RMB'000	*RMB'000*
If RMB weakens against US$ by 5%	**3,208**	6,446
If RMB strengthens against US$ by 5%	**(3,208)**	(6,446)
If RMB weakens against HK$ by 5%	**3,270**	4,350
If RMB strengthens against HK$ by 5%	**(3,270)**	(4,350)

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(i) Amounts due from related companies, an associate, a joint venture and non-controlling interest

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are two year past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2018, the internal credit rating of amounts due from related companies, an associate, a joint venture and non-controlling interest performing. The Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method. Thus no loss allowance for amounts due from related companies, an associate, a joint venture and non-controlling interest was recognised.

At 31 December 2018, the Group has also significant concentration of credit risk arising from the amount due from an associate amounted to RMB23,589,000 (2017: RMB40,067,000).

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(ii) Loan and interest receivables

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are two year past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

In accordance with the Group's internal credit rating assessment, most of the loan and interest receivables are performing and 12 months expected losses method is applicable to these receivables. An allowance for loan and interests receivables was recognised for the year amounted to RMB4,673,000 (2017: RMB Nil).

The Group has significant concentration of credit risk in relation to loan and interest receivables as approximately 51% (2017: 41%) and 68% (2017: 63%) of such receivables are due from one borrower and the top five borrowers respectively.

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(iii) Trade and other receivables

The Group applies the simplified approach to provide for expected credit losses for trade and other receivables prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for these receivables.

The Group has assessed that the expected loss rate for other receivables as at 31 December 2018 was immaterial. Thus no loss allowance for other receivables was recognised.

The loss allowance for trade receivables as at 31 December 2018 was determined as follows:

	Not past due	0-31 days past due	More than 30 days past due	Total
31 December 2018				
Expected loss rate	0%–2%	0%–4%	0%–20%	
Gross carrying amount (RMB'000)	50,650	15,621	17,804	84,075
Loss allowance (RMB'000)	286	106	1,519	1,911

The above expected credit losses also incorporated forward looking information.

In the prior year, for trade receivables, the Group performed ongoing credit evaluations of its debtors' financial condition and did not require collateral from the debtors on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintained a provision for doubtful accounts and actual losses incurred had been within management's expectations. For other receivables, management made periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. As at 31 December 2018, the Group had a concentration of credit risk given that the top customer and top 5 customers account for 32% and 76% (2017: 23% and 57%) respectively of the Group's total year end trade receivables balance. However, the Group concludes that the credit risk in relation to these customers is not significant because there were no history of default of the customers in recent years. The Group's historical experience in collection of receivables falls within recorded allowance and the directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(iv) Cash at bank and bank deposits

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	2018 *RMB'000*	2017 *RMB'000*
Cash at banks and bank deposits	Baa2-A1	**218,878**	222,677

The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Given that significant portion of the bank deposits are placed with banks that are independently rated with high credit rating with no default history in past years, management of the Group considers that the credit risk on the bank balances and bank deposits is limited.

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents and available banking facilities. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The maturity profile of the Group's non-derivative financial assets and financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

The Group

At 31 December 2018	Within 1 year *RMB'000*	More than 1 Year but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
Non-derivative financial assets					
Loan and interest receivables	94,913	137,039	9,208	241,160	176,091
Trade and bills receivables	82,164	–	–	82,164	82,164
Other receivables	11,940	–	–	11,940	11,940
Other financial assets	14,010	–	–	14,010	14,010
Amounts due from related companies	9,782	–	–	9,782	9,782
Amount due from an associate	23,589	–	–	23,589	23,589
Amount due from a joint venture	5,896	–	–	5,896	5,896
Amount due from non-controlling interest	2,961	–	–	2,961	2,961
Pledged bank deposits	7,442	–	–	7,442	7,442
Cash and cash equivalents	218,888	–	–	218,888	218,888
	471,585	137,039	9,208	617,832	552,763
Non-derivative financial liabilities					
Trade and bill payables	70,770	–	–	70,770	70,770
Other payables	22,177	–	–	22,177	22,177
Promissory notes payable	13,615	–	–	13,615	13,615
Bank and other borrowings	177,174	–	–	177,174	173,768
Amount due to a related company	1,500	–	–	1,500	1,500
Amounts due to associates	92,065	–	–	92,065	92,065
Amount due to a joint venture	4	–	–	4	4
Amount due to a non-controlling interest	830	–	–	830	830
	378,135	–	–	378,135	374,729

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The Group (continued)

At 31 December 2017	Within 1 year RMB'000	More than 1 Year but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial assets					
Loan and interest receivables	128,962	119,616	30,676	279,254	205,382
Trade and bills receivables	113,164	–	–	113,164	113,164
Other receivables	10,911	–	–	10,911	10,911
Amounts due from related companies	9,748	–	–	9,748	9,748
Amount due from an associate	40,067	–	–	40,067	40,067
Amount due from a joint venture	6,462	–	–	6,462	6,462
Amount due from non-controlling interest	1,663	–	–	1,663	1,663
Pledged bank deposits	127,118	–	–	127,118	127,118
Cash and cash equivalents	222,691	–	–	222,691	222,691
	660,786	119,616	30,676	811,078	737,206
Non-derivative financial liabilities					
Trade and bill payables	71,451	–	–	71,451	71,451
Other payables	5,735	–	–	5,735	5,735
Bank and other borrowings	165,932	–	–	165,932	164,966
Promissory notes payable	22,872	–	–	22,872	22,872
Amounts due to associates	79,982	–	–	79,982	79,982
Amount due to a joint venture	4	–	–	4	4
Amount due to a non-controlling interest	762	–	–	762	762
	346,738	–	–	346,738	345,772

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1.

Notes to Financial Statements (continued)

For the year ended 31 December 2018

55. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

The Group's equity securities listed in Hong Kong, unlisted investment fund and unlisted equity investments (included in financial assets at FVTOCI/available-for-sale investments) are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2018 RMB'000	Fair value as at 31 December 2017 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at FVTOCI/ available-for-sale investments				
Equity securities listed in Hong Kong	50,925	68,536	Level 1	Quoted bid prices in an active market
Unlisted investment fund	62,442	117,135	Level 2	Quoted bid prices of listed securities held by the fund
Unlisted equity investments	14,994	–	Level 3	Income approach: The discounted cash flow method was used to capture future economic benefits to be delivered from the ownership of these investees, based on an appropriate discount rates. Key unobservable inputs: Long-term growth, long term pre-tax margin,discount rates and discount for lack of marketability

The fair value of all the equity securities listed in Hong Kong at 31 December 2018 is measured based on the quoted bid price as at 31 December 2018, being the last trading date of the securities for the year ended 31 December 2018.

The fair value of unlisted investment fund at 31 December 2018 is measured based on the valuation performed by fund managers by reference to quoted bid prices of the listed securities held by the fund.

The fair value of unlisted equity is determined using the discounted cash flow adjusted for lack of marketability discount. Key unobservable inputs include long-term revenue growth, long term pre-tax margin, discount rates and discount for lack of marketability, the higher the long-term revenue growth and pre-tax margin, the higher the fair value, and the higher the discount rates and the lack of marketability investments discount, the lower the fair value.

There were no transfers between Level 1 and 2 in the period.

(b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis but fair value disclosures are required.

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flows analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

(c) Reconciliation of Level 3 fair value measurements

The Group's financial assets and financial liabilities carried at fair value are measured at fair value on Level 1 and Level 2 fair value measurement. Reconciliation of Level 3 fair value measurement is not presented.

56. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	200,979	236,325
Property, plant and equipment	687	1,653
Financial assets at fair value through other comprehensive income	76,364	–
Available-for-sale investments	–	121,973
	278,030	359,951
CURRENT ASSETS		
Prepayments, deposits and other receivables	1,502	687
Amounts due from subsidiaries	580,242	515,627
Cash and cash equivalents	3,493	3,563
	585,237	519,877
CURRENT LIABILITIES		
Other payables and accruals	6,004	5,669
Amounts due to subsidiaries	506,043	463,515
Promissory notes payable	13,615	22,872
	525,662	492,056
NET CURRENT ASSETS	59,575	27,821
TOTAL ASSETS LESS CURRENT LIABILITIES	337,605	387,772
	337,605	387,772
EQUITY		
Share capital	11,649	9,694
Reserves *(note)*	325,956	378,078
	337,605	387,772

The Company's statement of financial position was approved and authorised for issue by the board of directors on 28 March 2019 and is signed on its behalf by:

Tsai Wallen *Director*	**Chau Ling** *Director*

Notes to Financial Statements (continued)

For the year ended 31 December 2018

56. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Share premium *RMB'000*	Share option reserve *RMB'000*	Capital reserve *RMB'000*	Investment valuation reserve *RMB'000*	FVTOCI revaluation reserve *RMB'000*	Capital redemption reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2017	448,802	31,550	(4,613)	–	–	16	(107,596)	368,159
Loss for the year	–	–	–	–	–	–	(70,799)	(70,799)
Other comprehensive income for the year								
Gain on change in fair value of available-for-sale investments, net of tax	–	–	–	26,581	–	–	–	26,581
Total comprehensive income/(expense) for the year	–	–	–	26,581	–	–	(70,799)	(44,218)
Issue of new shares	47,769	–	–	–	–	–	–	47,769
Share issue expenses	(27)	–	–	–	–	–	–	(27)
Recognition of equity-settled share-based payments	–	6,395	–	–	–	–	–	6,395
Transferred to accumulated losses upon forfeiture of share options	–	(610)	–	–	–	–	610	–
At 31 December 2017, as originally presented (audited)	496,544	37,335	(4,613)	26,581	–	16	(177,785)	378,078
Change in accounting policy	–	–	–	(26,581)	26,581	–	–	–
At 1 January 2018, as restated	496,544	37,335	(4,613)	–	26,581	16	(177,785)	378,078
Loss for the year	–	–	–	–	–	–	(21,216)	(21,216)
Other comprehensive income for the year								
Loss on change in fair value of financial assets at FVTOCI	–	–	–	–	(55,147)	–	–	(55,147)
Total comprehensive expense for the year	–	–	–	–	(55,147)	–	(21,216)	(76,363)
Issue of new shares	23,451	–	–	–	–	–	–	23,451
Share issue expenses	(423)	–	–	–	–	–	–	(423)
Recognition of equity-settled share-based payments	–	1,213	–	–	–	–	–	1,213
Transferred to accumulated losses upon forfeiture of share options	–	(478)	–	–	–	–	478	–
At 31 December 2018	519,572	38,070	(4,613)	–	(28,566)	16	(198,523)	325,956

The capital reserve represents the excess of the nominal value of the Company's shares issued in exchange therefor over the then net asset value of the subsidiaries acquired.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay off its debts as and when they fall due in the ordinary course of business.

57. SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the Group's principal subsidiaries are as follows:

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group			
				Directly		Indirectly	
				2018	2017	2018	2017
Golden Virtue Investment Holdings Limited (formerly known as Prince Frog Investment Limited)	Investment holdings	British Virgin Islands ("BVI")	US$30 (2017: US$30)	100%	100%	–	–
Prince Frog (HK) Daily Chemicals Company Limited	Investment holdings	Hong Kong	HK$10,100 (2017: HK$10,100)	–	–	100%	100%
青蛙王子(中國)日化有限公司[1]	Manufacture and sale of personal care products and properties holdings	PRC	US$60,000,000 (2017: US$60,000,000)	–	–	100%	100%
福建愛潔麗日化有限公司[2] ("Fujian Azalli")	Manufacture and sale of toothpaste products	PRC	RMB10,000,000 (2017: RMB10,000,000)	–	–	–	80%
青蛙王子(福建)電子商務有限公司[2]	Trading of personal care products and other commodities	PRC	RMB500,000 (2017: RMB500,000)	–	–	100%	100%
青蛙王子(福建)嬰童護理用品有限公司[2]	Manufacture and sale of personal care products	PRC	RMB50,000,000 (2017: RMB50,000,000)	–	–	100%	100%

Notes to Financial Statements (continued)

For the year ended 31 December 2018

57. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017
Overseas Travel Science and Technology Limited	Holding of motor vehicles	Hong Kong	HK$1,000,000 (2017: HK$1,000,000)	–	–	100%	100%
紐倫港投資諮詢(深圳)有限公司[1]	Inactive	PRC	RMB100,000 (2017: RMB100,000)	–	–	100%	100%
Future Elite Ventures Limited	Investment holdings	BVI	US$10 (2017: US$10)	100%	100%	–	–
Queen's Finance Limited	Money lending	Hong Kong	HK$2 (2017: HK$2)	–	–	100%	100%
Brisk Day Limited	Investment holdings	BVI	US$10 (2017: US$10)	100%	100%	–	–
Big Chain Limited	Trading of commodities	Hong Kong	HK$1 (2017: HK$1)	–	–	100%	100%
Link Culture Limited	Trading of commodities and securities investment	BVI	US$10 (2017: US$10)	100%	100%	–	–
Joy Link Limited	Securities investment	Hong Kong	HK$1 (2017: HK$1)	–	–	100%	100%
Focus Great Limited	Trading of commodities	Note 3 below	US$10 (2017: US$10)	100%	100%	–	–
Marvel Paramount Holdings Limited ("Marvel")	Operation of online platform	Note 4 below	US$50,000 (2017: US$50,000)	51%	51%	–	–
MyBB Media Limited	Operation of online platform	Hong Kong	HK$10 (2017: HK$10)	–	–	51%	51%

57. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name	Principal activities	Place of incorporation/ establishment and operations	Issued ordinary share capital/ paid-up registered capital	Proportion of ownership interest and voting power held by the Group Directly 2018	2017	Indirectly 2018	2017
東莞市策潤供應鏈管理有限公司[1]	Trading of commodities	PRC	RMB10,000,000 (2017: RMB10,000,000)	–	–	–	100%
Apex Magic International Limited	Investment holdings	BVI	US$1 (2017: US$1)	100%	100%	–	–
Jumbo Excel Investment Corporation ("Jumbo Excel")	Investment holdings	BVI	US$2 (2017: US$2)	–	–	50%	50%
Grand Ray Investment Limited ("Grand Ray")	Properties holdings	Hong Kong	HK$1 (2017: HK$1)	–	–	50%	50%
Regent Way Limited ("Regent Way")	Properties holdings	Hong Kong	HK$1 (2017: HK$1)	–	–	50%	50%
Speedy Maker Limited ("Speedy Maker")	Properties holdings	Hong Kong	HK$1 (2017: HK$1)	–	–	50%	50%
Cheer Winner Investment Limited	Investment holdings	BVI	US$10 (2017: HK$1)	100%	100%	–	–
Earn Rich Properties Limited	Investment holdings	Hong Kong	HK$1 (2017: HK$1)	–	–	100%	100%
Nice Source Properties Limited	Properties holdings	Hong Kong	HK$10,000 (2017: HK$10,000)	–	–	100%	100%

57. SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Notes:

1. Wholly-foreign-owned enterprises established under the law of the PRC

2. A limited liability company established under the law of the PRC

3. Focus Great Limited was incorporated in the British Virgin Islands and is operating in Hong Kong.

4. Marvel Paramount Holdings Limited was incorporated in the British Virgin Islands and is operating in Hong Kong.

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

6. None of the subsidiaries had issued any debt securities at the end of the year.

Major changes in the subsidiaries of the Group during the years ended 31 December 2018 and 31 December 2017 are summarised as follows:

(i) During the year ended 31 December 2018, the Group disposed of 80% equity interest in Fujian Azalli to a third party, details of which are set out in note 46(a)(i).

(ii) During the year ended 31 December 2018, the Group disposed of 100% equity interest in Amazing Gear Limited to a third party, details of which are set out in note 46(a)(ii).

(iii) During the year ended 31 December 2017, the Company acquired 100% equity interest in Apex Magic International Limited together with its subsidiaries, details of which are set out in note 45(b)(i). The Group holds 50% of the issued share capital of Jumbo Excel with the remaining 50% of its issued share capital held by a third party unrelated to the Group and Grand Ray, Regent Way and Speedy Maker are wholly-owned subsidiaries of Jumbo Excel. Pursuant to the acquisition agreement, the Group is granted the right for the exercise of control over the composition of the board of directors of Jumbo Excel. Accordingly, the directors of the Company consider that the Group has control over Jumbo Excel, which is classified as a subsidiary of the Group.

(iv) During the year ended 31 December 2017, the Group acquired 100% equity interest in Earn Rich Properties Limited, details of which are set out in note 45(b)(ii).

(v) During the year ended 31 December 2017, the Group acquired 100% equity interest in Ample Chance Limited, details of which are set out in note 45(b)(iii).

(vi) During the year ended 31 December 2017, the Group disposed of 45% equity interest in Fujian Herun Supply Chain Management Co., Limited and its subsidiary to a third party. Upon the completion of disposal, Fujian Herun became an associate of the Group, details of which are set out in note 46(b).

57. SUBSIDIARIES (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests

The table below shows details of subsidiaries with material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	2017 *RMB'000*
Marvel and its subsidiary	Note (a) below	49%	49%	2,714	6,735	12,224	8,975
Jumbo Excel and its subsidiaries	Note (b) below	50%	50%	(10,101)	1,261	61,028	68,271

Notes:

(a) Marvel was incorporated in the British Virgin Islands. The subsidiary of Marvel was incorporated in and is operating in Hong Kong. Marvel and its subsidiaries are principally engaged in operation of online platform.

(b) Jumbo Excel was incorporated in the British Virgin Islands. The subsidiaries of Jumbo Excel were incorporated in and are operating in Hong Kong. Jumbo Excel and its subsidiaries are principally engaged in properties holding.

Set out below are the summarised consolidated financial information for subsidiaries of the Group that have material non-controlling interests.

Summarised consolidated statement of financial position

	Marvel and its subsidiary		Jumbo Excel and its subsidiaries	
	2018 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	2017 *RMB'000*
Non-current assets	467	931	123,854	137,297
Current assets	30,806	20,843	–	–
Current liabilities	(6,326)	(3,459)	(1,798)	(755)
Non-current liabilities	–	–	–	–
Net assets	24,947	18,315	122,056	136,542
Proportion of non-controlling interests' ownership	12,224	8,975	61,028	68,271

57. SUBSIDIARIES (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised consolidated statement of profit or loss and other comprehensive income

	Marvel and its subsidiary		Jumbo Excel and its subsidiaries	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue and other income	**11,515**	21,070	**–**	2,523
Expenses	**(5,975)**	(7,324)	**(20,202)**	–
Profit/(loss) for the year	**5,540**	13,746	**(20,202)**	2,523
Profit/(loss) for the year allocated to non-controlling interest	**2,714**	6,735	**(10,101)**	1,261
Total comprehensive income/(expense)	**6,632**	12,820	**(14,486)**	(5,915)
Total comprehensive income/(expense) allocated to non-controlling interests	**3,249**	6,281	**(7,243)**	(2,957)

Summarised consolidated statement of cash flows

	Marvel and its subsidiary		Jumbo Excel and its subsidiaries	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net cash (outflow)/inflow from operating activities	**(385)**	1,643	**–**	–
Net cash outflow from investing activities	**–**	(1,308)	**–**	–
Net cash inflow from financing activities	**–**	–	**–**	–
Net cash (outflow) inflow	**(385)**	335	**–**	–

58. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The following events took place subsequent to the end of the reporting period.

(i) On 1 March 2019, the Company entered into agreement with the shareholder of Real Power International Group Limited ("Real Power") (note 23(c)), under which the Company has conditionally agreed to acquire 80% of the entire issued share capital of Real Power at a consideration of HK$42,000,000 (subject to adjustment). Pursuant to the acquisition agreement, the consideration to the extent of HK$23,000,000 are payable in cash with the remaining balance of HK$20,000,000 satisfied by the issue of 200,000,000 new shares of the Company. Completion of the acquisition of 80% equity interest in Real Power has not taken place up to the date of the approval of these consolidated financial statements.

Details of the acquisition are set out in the Company's announcement dated 1 March 2019.

(ii) On 8 March 2019, the directors of the Company proposed to change the English name of the Company from "China Child Care Corporation Limited" to "Future Development Holdings Limited" and the dual foreign name in Chinese of the Company from "中國兒童護理有限公司" to "未來發展控股有限公司". The change of the Company's name is not yet effective as at the date of the approval of these consolidated financial statements.

Details of the change of name of the Company are set out in the Company's announcement dated 8 March 2019.

Summary Financial Information

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below.

RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**631,215**	795,580	999,544	913,716	1,482,469
(LOSS)/PROFIT BEFORE TAX	**(437,407)**	(156,538)	(106,003)	(49,260)	215,187
Income tax expense	**(1,553)**	(6,745)	(3,473)	(556)	(14,794)
(LOSS)/PROFIT FOR THE YEAR	**(438,960)**	(163,283)	(109,476)	(49,816)	200,393
Attributable to:					
Equity holders of the Company	**(431,435)**	(170,744)	(111,189)	(50,309)	200,393
Non-controlling interests	**(7,525)**	7,461	1,713	493	–
	(438,960)	(163,283)	(109,476)	(49,816)	200,393

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**1,275,296**	1,731,628	1,687,036	1,606,732	1,692,646
Total liabilities	**(428,070)**	(416,047)	(336,858)	(191,896)	(207,202)
Non-controlling interests	**(73,252)**	(85,711)	(25,190)	(4,222)	–
	773,974	1,229,870	1,324,988	1,410,614	1,485,444

Note:

(i) The consolidated results of the Group for the five years ended 31 December 2014, 2015, 2016, 2017 and 2018 and the consolidated assets and liabilities of the Group as at 31 December 2014, 2015, 2016, 2017 and 2018 were extracted from the published audited financial statements.

The summary above does not form part of the audited financial statements.

Particulars of Major Properties

INVESTMENT PROPERTIES

Location	Existing use	Type of lease
Workshop C6 on G/F of Block C, Hong Kong Industrial Centre, Nos. 489-491 Castle Peak Road, Kowloon	Industrial	Medium term
Industrial Complex (partial) No. 8 North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province The People's Republic of China	Industrial	Medium term

Particulars of Major Properties (continued)

PROPERTIES FOR DEVELOPMENT

Location	Gross Floor Area (square meter)	Stage of Completion	Lease Expiry	Group's Interest	Anticipated completion
Section A of Lot 2044 in Demarcation District 104, Yuen Long, New Territories	162.70	Pending Stage	2047	50%	N/A
Section B of Lot 2044 in Demarcation District 104, Yuen Long, New Territories	164.50	Pending Stage	2047	50%	N/A
Section A of Lot 2051 in Demarcation District 104, Yuen Long, New Territories	132.90	Pending Stage	2047	50%	N/A
Section A of Lot 2052 in Demarcation District 104, Yuen Long, New Territories	77.70	Pending Stage	2047	50%	N/A
Section A of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	135.30	Pending Stage	2047	50%	N/A
Section B of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	112.80	Pending Stage	2047	50%	N/A
Section C of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	99.70	Pending Stage	2047	50%	N/A
Section D of Lot 2059 in Demarcation District 104, Yuen Long, New Territories	96.90	Pending Stage	2047	50%	N/A
Section A of Lot 2061 in Demarcation District 104, Yuen Long, New Territories	131.10	Pending Stage	2047	50%	N/A
Section B of Lot 2061 in Demarcation District 104, Yuen Long, New Territories	122.80	Pending Stage	2047	50%	N/A