



## APPENDIX 4D AND HALF YEAR FINANCIAL STATEMENTS

### 99 WUXIAN LIMITED

ARBN 164 764 729

30 June 2019

Lodged with ASX under Listing Rule 4.2A

This half year report covers the consolidated entity, consisting of 99 Wuxian Limited and its controlled entities. The financial statements are presented in Renminbi (RMB), the official currency of the People's Republic of China, unless otherwise stated.

The report is based on financial statements which have been reviewed by the auditor of the Company.

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## Details of the reporting period and the previous corresponding period

Reporting period:	1 January 2019 to 30 June 2019
Previous corresponding period:	1 January 2018 to 30 June 2018

## Results for announcement to the market

### Key information

	Period ended 30 June 2019 RMB	Period ended 30 June 2018 RMB	% change
Revenue from ordinary operations	105,671,243	54,846,122	93%
Profit/(Loss) from ordinary operations after income tax expense	15,624,832	(12,299,423)	227%
Total comprehensive income attributable to members of the Company	15,624,832	(12,299,423)	227%

### Revenue from Ordinary Operations

Revenue generated in the first half of FY2019 was up by 93% from the previous corresponding period, primarily due to the growth of business partners and enhanced product and service offerings attracting higher commission rates.

#### a) The expansion of business partners

By the end of the first half of FY2019, the Company had approximately 1,790 business partners. The number of business partners increased by 130%, from 776 partners as of 30 June 2018. The Company secured approximately 390 new business partners during the first six months of 2019. The expansion of business partner base reflects the implementation of M-commerce Marketing Solutions and Cloud Delivered Services strategy that meets business partners' demands, and their customers' needs.

#### b) Enhanced product and service offerings attracting higher commission rates

The Company has expended its products and services through M-commerce Marketing Solutions and Cloud Delivered Services that satisfy the market preference and trends. Higher commission rates from enhanced products and services have been achieved.

### Profit/ (Loss) from Ordinary Operations after Income Tax Expense

The Company successfully turned around the net loss in the first half of FY2018 to a net profit in the first half of FY2019. The Company reported a net profit of RMB15.6 million in the first half of FY2019, an improvement of RMB27.9 from the net loss of RMB12.3 million in the first half of FY2018. The increase in net profit resulted primarily from gross profit enhancement and concentration on marketing and distribution functions.

#### a) Improvement of gross profit benefited from the growth of revenue

The Company recorded a gross profit of RMB105.1 million, representing an increase of 99% compared with the previous corresponding period of FY2018. The improvement in gross profit was mainly due to the growth of revenue and cost control.

*b) Operation efficiency improvement and concentration on marketing and distribution functions*

The Company constantly makes efforts to improve its operation efficiency, expense control and concentrate on marketing and distribution functions. As a result, the revenue in the first half of FY2019 increased by 93% from the corresponding period of FY2018, while the total amount of selling & distribution expenses and administration expenses in the first half of FY2019 only increased by 42%.

*c) Other gains as a result of the change in fair value of financial liability derivative*

The Company has obtained a gain of RMB8.4 million in the first half of FY2019, while the gain in the corresponding period of FY2018 was RMB2.9 million. The gain mainly came from the change in fair value of derivative financial liabilities in the first half of FY2019. The derivative financial liabilities represented unlisted call options granted to lenders according to equity-linked loans.

*Dividends*

No dividends have been paid nor are any dividends proposed to be paid.

**Condensed Consolidated Statement of Comprehensive Income**

Please refer to Page 2

**Condensed Consolidated Statement of Financial Position**

Please refer to Page 3

**Condensed Consolidated Statement of Changes in Equity**

Please refer to Page 5

**Condensed Consolidated Statement of Cash Flows**

Please refer to Page 6

**Additional dividend information**

The Company has not declared any dividends.

**Dividend reinvestment plan**

The Company has no dividend reinvestment plan.

**Net tangible asset backing**

	30 June 2019 RMB	30 June 2018 RMB
Net tangible asset backing per ordinary Security	22 cents	20 cents

At 30 June 2019, there were 1,159,682,763 shares on issue, which would convert to a net asset backing of RMB28.1 cents per share compared to a net asset backing of RMB26.5 cents per share as at 30 June 2018.

**Controlled entities acquired or disposed of**

The Company didn't acquire or dispose any entity in the first half of FY2019.

#### **Associates and joint venture entities**

The Company has no associates or joint venture entities.

#### **Other significant information**

Other than the details disclosed herein, there is no other information that needs to be disclosed to investors.

#### **Foreign entities**

The reports have been prepared under Hong Kong Financial Reporting Standards.

#### **Commentary on the operations and results**

The Company reported a net profit of RMB1.3 cents per share compared to a net loss of RMB1.1 cents in the first half of FY2018, an improvement of RMB2.4 cents per share. The Company did not propose any dividend distribution or buy back during the period.

99 Wuxian is a provider of M-commerce Solutions and Cloud Delivered Services. Relying on its strong professional technology and accumulated M-commerce experiences, the Company offers various products and services to the market. With the development of business, the Company constantly extends the business partners pool. At the same time, more demands and higher requirements from business partners emerge on customer acquisition, marketing, customer activeness and engagement, customer incentives, customer retention and loyalty management and customer lifecycle extension. The Company provides more comprehensive services including 99 Marketplace, Offline to Online Marketing Integration, Business Procurement Tools, Customer Behavior Data Analysis, Loyalty Marketing Program, Employee Benefits, Integrated Marketing and Insurance Service Platform to satisfy business partners' developing demands.

The efforts that 99 Wuxian devotes to offering M-commerce Solutions and Cloud Delivered Services to meet business partners demands is reflected in the growth of the business. The number of business partners experienced a significant increase, which is attributed to the Company's better understanding to business partners and its customers' demands.

99 Wuxian delivers high-value services to business partners, which contributes to the growth of revenue and gross profit. The Company has also adopted further measures to improve operation efficiency and enhance expense control. Compared with the results in the first half of FY2018, the total amount of selling and distribution expenses and the administration expenses in the first half year of FY2019 increased by 42%, however, it brought a revenue growth of 93%, demonstrating a higher productive result.

99 Wuxian will continue research and dialogue with business partners and their customers to ensure strong visibility to key needs and demands, broaden cooperation with both current and new business partners, and enhance services and enrich product portfolio and mix based on the demands analysis. The Company will monitor operational costs to ensure optimal operational efficiency, and ensure best practice technology is available through our core competencies for our business.

#### **Audit Qualification or Review**

These accounts were subject to a review by the auditor and the review report is attached. The auditor has not raised any issue as a result of the review.



**99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

**Condensed Consolidated  
Financial Statements**

**For the six months ended 30 June 2019**

**99 WUXIAN LIMITED**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF 99 WUXIAN LIMITED**

(incorporated in Hong Kong with limited liability)

### **Introduction**

We have reviewed the condensed consolidated interim financial statements set out on pages 2 to 32, which comprises the condensed consolidated statement of financial position of 99 Wuxian Limited (the "Company") and its subsidiaries as of 30 June 2019 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The preparation of a report on interim financial information is required to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed 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.

### **Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.



BDO Limited  
Certified Public Accountants  
Lui Chi Kin  
Practising Certificate Number P06162

Hong Kong, 30 August 2019

99 WUXIAN LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	2019 RMB (unaudited)	2018 RMB (unaudited)
Revenue	6	105,671,243	54,846,122
Cost of sales		<u>(598,814)</u>	<u>(2,080,284)</u>
Gross profit		105,072,429	52,765,838
Other income	7	2,880,167	5,208,854
Other gains and losses, net	8	8,425,932	2,918,371
Selling and distribution expenses		(57,325,417)	(33,714,187)
Administration expenses		(33,564,117)	(30,350,427)
Provision for impairment losses on trade and other receivables		<u>(671,437)</u>	<u>(214,316)</u>
<b>Operating profit/(loss)</b>		24,817,557	(3,385,867)
Finance costs	9	<u>(6,448,191)</u>	<u>(10,647,197)</u>
<b>Profit/(loss) before income tax</b>	10	18,369,366	(14,033,064)
Income tax (expense)/credit	12	<u>(2,744,534)</u>	<u>1,733,641</u>
<b>Profit/(loss) for the period and total comprehensive income for the period attributable to the owners of the Company</b>		<u>15,624,832</u>	<u>(12,299,423)</u>
		<b>RMB (unaudited)</b>	<b>RMB (unaudited)</b>
<b>Earnings/(loss) per share</b>	13		
Basic		<u>0.0135</u>	<u>(0.0106)</u>
Diluted		<u>0.0119</u>	<u>N/A</u>

99 WUXIAN LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019

	Notes	30 June 2019 RMB (unaudited)	31 December 2018 RMB (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	9,358,918	3,327,924
Intangible assets		71,347,095	72,475,121
Goodwill		3,440,400	3,440,400
Loan to a director	16	40,000,000	40,000,000
Deferred tax assets		15,308,621	17,123,341
Total non-current assets		139,455,034	136,366,786
<b>CURRENT ASSETS</b>			
Inventories		1,263,372	1,099,015
Trade and other receivables	17	584,628,714	448,443,362
Tax recoverable		4,355,850	4,355,850
Cash and bank balances	18	77,764,796	105,585,682
Total current assets		668,012,732	559,483,909
<b>NON-CURRENT LIABILITIES</b>			
Derivative financial liabilities	20	-	3,314,450
Lease liabilities		889,393	-
Deferred tax liabilities		7,334,763	7,488,103
Total non-current liabilities		8,224,156	10,802,553
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	137,517,997	96,520,203
Contract liabilities		177,527,809	134,370,547
Amount due to a related party		69,073	136,057
Amount due to a director	16	10,480,000	13,980,000
Derivative financial liabilities	20	1,521,275	5,959,304
Bank and other loans	20	138,430,000	122,116,552
Lease liabilities		5,743,583	-
Current tax liabilities		1,795,296	1,431,734
Total current liabilities		473,085,033	374,514,397
<b>NET CURRENT ASSETS</b>		194,927,699	184,969,512
<b>NET ASSETS</b>		326,158,577	310,533,745

99 WUXIAN LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019

	Notes	30 June 2019 RMB (unaudited)	31 December 2018 RMB (audited)
<b>EQUITY</b>			
Share capital	21	313,675,893	313,675,893
Reserves		12,482,684	(3,142,148)
<b>TOTAL EQUITY</b>		<u>326,158,577</u>	<u>310,533,745</u>

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2019 and are signed on its behalf by:



Mr. Ross Benson  
Director



Ms. Amalisia Zhang  
Director

99 WUXIAN LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Share capital RMB	Retained earnings/ (accumulated losses) RMB	Total RMB
Balance at 31 December 2017 as originally presented (audited)	313,675,893	6,832,914	320,508,807
Initial application of HKFRS 9	-	(805,573)	(805,573)
Restated balances at 1 January 2018	313,675,893	6,027,341	319,703,234
Loss for the period and total comprehensive income for the period	-	(12,299,423)	(12,299,423)
Balance at 30 June 2018 (unaudited)	<u>313,675,893</u>	<u>(6,272,082)</u>	<u>307,403,811</u>
Balances at 1 January 2019 (audited)	313,675,893	(3,142,148)	310,533,745
Profit for the period and total comprehensive income for the period	-	15,624,832	15,624,832
Balance at 30 June 2019 (unaudited)	<u>313,675,893</u>	<u>12,482,684</u>	<u>326,158,577</u>

99 WUXIAN LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	2019 RMB (unaudited)	2018 RMB (unaudited)
<b>Net cash (used in)/generated from operating activities</b>	<u>(30,849,835)</u>	<u>21,836,119</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(187,178)	(105,068)
Additions of intangible assets	(785,388)	(588,587)
Repayments from a director	-	20,000,000
Increase in pledged deposits	<u>(1,400,000)</u>	<u>(28,600,000)</u>
<b>Net cash used in investing activities</b>	<u>(2,372,566)</u>	<u>(9,293,655)</u>
<b>Cash flows from financing activities</b>		
(Repayments to)/advances from a director	(3,500,000)	5,779,500
Proceeds from borrowings	44,500,000	34,871,050
Repayments of borrowings	(28,039,129)	(37,232,000)
Interests paid	(6,234,803)	(2,619,591)
Repayment of principal portion of the lease liabilities	<u>(3,128,234)</u>	<u>-</u>
<b>Net cash generated from financing activities</b>	<u>3,597,834</u>	<u>798,959</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(29,624,567)	13,341,423
<b>Cash and cash equivalents at the beginning of period</b>	56,985,682	42,536,777
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>403,681</u>	<u>(159,535)</u>
<b>Cash and cash equivalents at the end of period</b>	<u><u>27,764,796</u></u>	<u><u>55,718,665</u></u>

## 99 WUXIAN LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### 1. GENERAL

99 Wuxian Limited (the “Company”) is a limited liability company incorporated in Hong Kong. Its CHESS Depositary Interests (“CDIs”) are listed on the Australian Securities Exchange (stock code: NNW). The principal place of business is located at 3F, Hong Kong Prosperity Tower, Meng Zi Rd, Huangpu District, Shanghai, 200023. The address of the registered office is located at 27/F., Alexandra House, 18 Chater Road, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries (together with the Company referred as the “Group”) are investment holding and provision of financial and operational services on mobile and online marketplaces in the People’s Republic of China (the “PRC”).

#### 2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). These condensed consolidated financial statements for the six months ended 30 June 2019 were approved and authorised by the board of directors on 30 August 2019.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the consolidated financial statements for the year ended 31 December 2018 (“2018 annual financial statements”), except for those that relate to new standards or interpretations effective for the first time for periods beginning on 1 January 2019. Details of any changes in accounting policies are set out in note 3.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 4.

## 99 WUXIAN LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### 2. BASIS OF PREPARATION - Continued

These condensed consolidated interim financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2018 annual financial statements.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA. BDO Limited’s independent review report to the Board of Directors is included on page 1.

The financial information relating to the year ended 31 December 2018 that is included in these condensed consolidated interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the 2018 annual financial statements to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 99 WUXIAN LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### 3. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Lease
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations Amendments to HKAS 12, Income Taxes Amendments to HKAS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 has been summarised below. The adoption of other new or amended HKFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

##### (i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment (if any) to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

99 WUXIAN LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. CHANGES IN HKFRSs - Continued

(i) Impact of the adoption of HKFRS 16 - Continued

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	RMB
<b>Statement of financial position as at 1 January 2019</b>	
Right-of-use assets presented in property, plant and equipment	8,746,791
Trade and other receivables	(218,826)
Lease liabilities (non-current)	3,372,085
Lease liabilities (current)	5,233,835
Trade and other payables	(77,955)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 January 2019:

	RMB
<b>Reconciliation of operating lease commitment to lease liabilities</b>	
Operating lease commitment as of 31 December 2018	9,584,928
Less: short term leases for which lease terms end within 31 December 2019	(138,401)
Less: future interest expenses	(840,607)
Total lease liabilities as of 1 January 2019	8,605,920

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 7.5%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

## 99 WUXIAN LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### 3. CHANGES IN HKFRSs - Continued

##### (ii) The new definition of a lease - Continued

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

##### (iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

## 99 WUXIAN LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### 3. CHANGES IN HKFRSs - Continued

##### (iii) Accounting as a lessee - Continued

###### *Right-of-use asset*

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

###### *Lease liability*

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

## 99 WUXIAN LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### 3. CHANGES IN HKFRSs - Continued

##### (iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment (if any) to the opening balance of retained earnings at the date of initial application (1 January 2019). The Group has assessed and considered the effect of adoption of HKFRS 16 on the opening balance of retained earnings was insignificant and therefore no adjustment has been made. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 and measure at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### 4. USE OF JUDGEMENTS AND ESTIMATES

In preparing the condensed consolidated interim financial statements, significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements, except for new significant judgements related to the application of HKFRS 16 as described in note 3.

#### 5. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group's operating activities are attributable to a single operating segment focusing on provision of offering various services.

The Group's chief operating decision-maker monitors assets and liabilities on a consolidated basis and not by reportable segment. Accordingly, no additional information on assets and liabilities is presented.

All of the Group's operations and assets are located in the PRC (including Hong Kong), in which all of its revenue was derived.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

6. REVENUE

Revenue includes the net invoiced value of goods sold and commission income earned by the Group. Revenue from contracts with customers within the scope of HKFRS 15 during the period are disaggregated by each significant category of revenue as follows:

	2019 RMB (unaudited)	2018 RMB (unaudited)
Commission and service income	105,066,703	54,076,372
Sales of merchandise	604,540	812,742
	105,671,243	54,889,114
Less: other tax and relevant surcharge	-	(42,992)
Total	105,671,243	54,846,122

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	30 June 2019 RMB (unaudited)	31 December 2018 RMB (audited)
Trade receivables	261,076,545	179,968,993
Contract liabilities	177,527,809	134,370,547

The contract liabilities mainly relate to the advance considerations received from customers. Contract liabilities as at 31 December 2018 of RMB134,370,547 were recognised as revenue during the year and the contract liabilities as at 30 June 2019 was arising from the advance considerations received from customers.

The Group has applied the practical expedient and decided not to disclose the amount of the remaining performance obligations for contracts as performance obligations under the contracts had an original expected duration of one year or less.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

7. OTHER INCOME

	2019 RMB (unaudited)	2018 RMB (unaudited)
Interest income		
- Bank deposits	266,612	115,930
- Loan to a director	600,000	600,000
Government grants*	1,508,648	1,855,722
Others	504,907	2,637,202
	<u>2,880,167</u>	<u>5,208,854</u>

\* The Group received unconditional discretionary grants from the relevant PRC government authorities in support of enterprise operating in specified industry.

8. OTHER GAINS AND LOSSES, NET

	2019 RMB (unaudited)	2018 RMB (unaudited)
Exchange gains/(losses), net	403,682	(159,535)
Change in fair value of derivative financial liabilities (note 20(c))	2,051,079	3,077,906
Gain on redemption of equity linked loans (note 20(c))	5,971,171	-
	<u>8,425,932</u>	<u>2,918,371</u>

9. FINANCE COSTS

	2019 RMB (unaudited)	2018 RMB (unaudited)
Interest on bank loans	1,984,347	3,512,245
Interest on debt elements of equity-linked loans	448,966	4,426,150
Interest on other loans	3,654,067	2,708,802
Interest on lease liabilities	360,811	-
	<u>6,448,191</u>	<u>10,647,197</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

10. PROFIT/(LOSS) BEFORE INCOME TAX

	2019 RMB (unaudited)	2018 RMB (unaudited)
Auditor's remuneration	266,203	273,007
Cost of sales by nature:		
- Marketing merchandise	471,025	538,605
- Bank handling charge	126,662	1,541,424
- Ongoing service fee	1,127	255
	<u>598,814</u>	<u>2,080,284</u>
Employee costs (including directors' emoluments) comprise:		
- Contribution on defined contribution retirement plan	6,323,555	5,885,015
- Salaries and staff benefits	23,507,578	21,336,028
Short-term leases expenses	205,638	-
Operating lease charges in respect of leasehold buildings	-	2,385,653
Amortisation of intangible assets	1,913,415	2,038,285
Depreciation of property, plant and equipment	<u>3,744,404</u>	<u>1,427,041</u>

11. DIRECTORS' EMOLUMENTS

	2019 RMB (unaudited)	2018 RMB (unaudited)
Directors' fees	480,000	480,000
Salaries, bonuses, allowances and benefits	1,080,000	1,080,000
Contribution on defined contribution retirement plan	50,079	46,486
	<u>1,610,079</u>	<u>1,606,486</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

12. INCOME TAX (EXPENSE)/CREDIT

	2019 RMB (unaudited)	2018 RMB (unaudited)
Current tax - PRC		
- Tax for the period	1,083,154	222,352
Deferred tax	<u>1,661,380</u>	<u>(1,955,993)</u>
Income tax expense/(credit)	<u>2,744,534</u>	<u>(1,733,641)</u>

Notes:

- (a) Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Company had no assessable profits for the period.
- (b) PRC Enterprise Income Tax ("EIT") is provided at the rates applicable to the subsidiaries in the PRC on the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretations thereof. By reference to the EIT Law of the PRC as approved by the National People's Congress on 16 March 2007, EIT rate applicable to PRC group companies for the current period is 25% (2018: 25%).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

13. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

Earnings/ (loss)

	2019 RMB (unaudited)	2018 RMB (unaudited)
Earnings/ (loss) for the purposes of basic earnings/ (loss) per share	15,624,832	(12,299,423)
Effect of dilutive potential ordinary shares - call options	(1,332,342)	N/A
Earnings for the purpose of diluted earnings per share	<u>14,292,490</u>	<u>N/A</u>

Number of shares

	2019 (unaudited)	2018 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings/ (loss) per share	1,159,682,763	1,159,682,763
Effect of dilutive potential ordinary shares - call options	<u>36,929,825</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,196,612,588</u>	<u>N/A</u>

No adjustment has been made to the basic loss per share for six months ended 30 June 2018 in respect of a dilution as the impact of the call options outstanding had an anti-dilutive effect on the loss per share presented.

14. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2019, nor has any dividend been proposed since the end of reporting period (2018: nil).

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### 15. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred expenditure of RMB187,178 during the six months ended 30 June 2019 (2018: RMB105,068) on property, plant and equipment to acquire more office equipment.

The Group has also entered into several leases for offices in PRC during the six months ended 30 June 2019. Right-of-use assets amounted to RMB841,428 has been recognised for the current period.

#### 16. LOAN TO A DIRECTOR AND AMOUNT DUE TO A DIRECTOR

In 2015, the Group has entered into a binding conditional agreement (the “Ofpay Agreement”) to acquire 100% equity interests in Jiangsu Ofpay E-commerce Limited (“Ofpay”) from its equity holders (the “Ofpay Vendors”). An initial deposit of RMB160 million was paid and three deferred payments up to a total maximum of RMB297.4 million will be paid upon certain historical performance targets and consent from the Group being achieved (the “Conditional Deferred Payments Clause”). No payments have been paid by the Group under the Conditional Deferred Payments Clause.

As confirmed by the Group’s legal advisor, the Group could not unilaterally direct the relevant activity of Ofpay as certain conditions under the Ofpay Agreement had not been fulfilled.

In December 2016, the Group has entered into a binding conditional agreement (the “Ofpay Divestment Agreement”) with Ms. Amalisa Zhang (“Ms. Zhang”) (a director of the Company), certain independent investors (the “Investors”) and Ofpay Vendors to divest 100% equity interests in Ofpay, and contract amounts of RMB200 million (the “Consideration I”), RMB175 million and nil will be received from Ms. Zhang, the Investors and Ofpay Vendors respectively. Upon the completion of Ofpay Divestment Agreement, Ms. Zhang, the Investors and Ofpay Vendors would respectively hold 40%, 35% and 25% equity interests in Ofpay and the Conditional Deferred Payments Clause would be cancelled. The Consideration I from Ms. Zhang would be settled by cash of RMB20,000,000; discharge of other loan to the Company from due from Grand Ease Holdings Limited (“Grand Ease”, a holder of the Company’s CDIs and of which Ms. Zhang is a beneficial shareholder) of RMB140,000,000; and a loan receivable of RMB40,000,000 due from Ms. Zhang to the Company for a maximum of 3 years, which would be secured by equity interests of the Company held by Grand Ease. The loan bears an annual interest of either 3%, or a Mark-up Annual Interest that equals to the 50% margin to the prevailing RMB bank deposit rate quoted by China Merchants Bank, Hong Kong Branch when the Mark-up Annual Interest is higher than 3%.

In December 2017, Ofpay Divestment Agreement has been completed and a loan receivable of RMB40,000,000 was recognised by the Group.

The amount due to a director represented amount due to Ms. Zhang, which was unsecured, interest-free and repayable on demand.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

17. TRADE AND OTHER RECEIVABLES

		30 June 2019 RMB (unaudited)	31 December 2018 RMB (audited)
	Notes		
Trade receivables	(a)	261,076,545	179,968,993
Prepayments and deposits		170,625,087	119,538,301
Other receivables		2,804,225	2,022,458
Other receivable from Shanghai Handpay Information & Technology Co., Ltd ("Handpay")	(b)	150,122,857	146,913,610
		<u>584,628,714</u>	<u>448,443,362</u>

Notes:

- (a) Trade receivables arose from m-Commerce transactions and mobile marketing business.

During the period, the Group discounted part of its trade receivables with full recourse to financial institutions. In the event of default by the debtors, the Group is obliged to pay the financial institutions the amount in default. Interest is charged ranging from 15.5% to 18% (31 December 2018: 16.5% to 18%) on the proceeds received from the financial institutions until the date the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

As the Group retains substantially significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of these trade receivables, and includes the proceeds of the discounting transactions as other loan (note 20(b)). At 30 June 2019, trade receivables of RMB24,393,883 (31 December 2018: RMB4,839,620) continue to be recognised in the Group's financial statements even though they have been legally transferred to the financial institutions. The carrying amounts of the transferred assets and their associated liabilities approximates their fair values as at 30 June 2019 and 31 December 2018.

At 30 June 2019, trade receivables of the Group of RMB18,407,765 (31 December 2018: RMB14,576,483) were pledged against bank loans of the Group (note 20(a)).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

17. TRADE AND OTHER RECEIVABLES - Continued

Notes: - Continued

- (b) Other receivable due from Handpay is mainly derived from the operation of 99wuxian.com. According to a licensing arrangement entered between the Group and Handpay in 2013 and the relevant supplementary agreements entered in 2015, during the transition period, Handpay would continue to perform all third party contracts entered into with respect to the 99wuxian.com mobile marketplace until renewal of existing contracts. Handpay continues to collect revenue and pay expenses on behalf of the Group. The amount is unsecured, interest-free and repayable on demand.

Impairment on trade and other receivables

At 30 June 2019, allowance for impairment of RMB1,293,261 has been recognised in accordance with the Group's assessment (31 December 2018: RMB621,824).

The Group's management expects to collect the receivable due from Handpay in full and hence no impairment allowance has been made as at 30 June 2019 (31 December 2018: nil).

18. CASH AND BANK BALANCES

	Notes	30 June 2019 RMB (unaudited)	31 December 2018 RMB (audited)
Cash and bank balances		77,764,796	105,585,682
Less:			
Deposit pledged against bank loans	(a)	(45,000,000)	(43,600,000)
Deposit restricted for insurance brokerage work	(b)	(5,000,000)	(5,000,000)
Cash and cash equivalents for the purpose of the condensed consolidated statement of cash flows		<u>27,764,796</u>	<u>56,985,682</u>

Notes:

- (a) At 30 June 2019, the bank deposit with interest rate of 2% per annum (31 December 2018: 2% per annum) was pledged against bank loan due to be settled within twelve months after the reporting period (31 December 2018: settled within twelve months after the reporting period) (note 20(a)), and had a maturity within twelve months after the reporting date (31 December 2018: settled within twelve months after the reporting period).
- (b) In accordance with relevant provision of Insurance Law of the PRC, Beijing Dingli Insurance Brokers Limited, a subsidiary of the Group, has placed 10% of its share capital as restricted statutory deposit.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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19. TRADE AND OTHER PAYABLES

		30 June 2019 RMB (unaudited)	31 December 2018 RMB (audited)
	Notes		
Trade payables		61,188,571	32,846,377
Accruals and other payables	(a)&(b)	76,329,426	63,673,826
		<u>137,517,997</u>	<u>96,520,203</u>

Notes:

- (a) The Group is in progress to finalise certain tax treatment in relation to Value-added Tax ("VAT") filing with relevant tax authority in the PRC. In the opinion of the management, there is possibility that VAT of RMB61,380,328 (31 December 2018: RMB52,299,315) may be reversed.
- (b) As at 30 June 2019, other payables of approximately RMB8,450,000 were unsecured, interest-bearing at interest rate of 15% and repayable on demand.

20. BANK AND OTHER LOANS

		30 June 2019 RMB (unaudited)	31 December 2018 RMB (audited)
	Notes		
<b>Current</b>			
Bank loans - secured	(a)	83,430,000	82,030,000
Other loans - secured	(b)	55,000,000	25,000,000
Debt elements of equity-linked loans - unsecured	(c)	-	15,086,552
Total borrowings		<u>138,430,000</u>	<u>122,116,552</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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20. BANK AND OTHER LOANS - Continued

The Group's bank and other loans are repayable as follows:

	30 June 2019 RMB (unaudited)	31 December 2018 RMB (audited)
Within one year or on demand	138,430,000	122,116,552

The carrying amounts of the Group's bank and other loans are denominated in the following currencies:

	30 June 2019 RMB (unaudited)	31 December 2018 RMB (audited)
Australian Dollar ("A\$")	-	4,994,929
RMB	138,430,000	117,121,623
Within one year or on demand	138,430,000	122,116,552

Notes:

- (a) As at 30 June 2019, the effective interest rates of the Group's secured bank loans were ranging from 4.35% to 5.65% per annum (31 December 2018: 4.35% to 6.25% per annum).

As at 30 June 2019, bank loans of RMB42,750,000 (31 December 2018: RMB41,350,000) were secured by a bank deposit of the Group of RMB45,000,000 (31 December 2018: RMB43,600,000) (note 18) and guaranteed by Ms. Zhang.

As at 30 June 2019, bank loans of RMB40,680,000 were secured by trade receivables of RMB18,407,765 (31 December 2018: RMB14,576,483) (note 17(a)).

- (b) As at 30 June 2019, the effective interest rates of the Group's secured other loans were ranging from 15.5% to 18% per annum (31 December 2018: 16.5% to 18%).

The balance represents the amounts of financing obtained from financial institutions in factoring transactions on the Group's trade receivables with full recourse (note 17(a)).

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### 20. BANK AND OTHER LOANS - Continued

Notes: - Continued

##### (c) Equity-linked Loans I

In November 2017, the Group obtained three equity-linked loans with principal amounts of A\$950,000 (equivalent to RMB4,974,105), RMB6,250,000 and RMB5,000,000 (collectively “Equity-linked Loans I”) respectively for general working capital purpose. Equity-linked Loans I carry a coupon rate of 10% per annum, which are paid quarterly on 17 February 2018, 17 May 2018, 17 August 2018 and 17 November 2018 (“Maturity Date I”). The lenders of Equity-linked Loans I are entitled to unlisted call options (“Call Options I”) which would provide the lenders the right to acquire a maximum of total 31,429,825 CDIs of the Company at a fixed price of A\$0.1 per option at any time prior to 17 November 2020.

On 17 November 2018, the Company redeemed part of the Equity-linked Loans I at a price equal to the sum of principal amount of RMB4,056,026 upon its maturity. The terms and conditions of the principal amount of RMB12,168,079 (the “Modified Equity-linked Loans I”) were amended and modified (the “Modification”). The Maturity Date I of Modified Equity-linked Loans I is extended by four months, from 17 November 2018 to 17 March 2019. The coupon rate is adjusted from 10% to 13% per annum. The Call Options I are extended by six months and convertible at any time prior to 17 May 2021. Except for the above, all other terms and conditions of the Modified Equity-linked Loans I remain unchanged from the original terms.

##### Equity-linked Loan II

In January 2018, the Group obtained an equity-linked loan with principal amount of A\$250,000 (equivalent to RMB1,271,050) (“Equity-linked Loan II”) for general working capital purpose. Equity-linked Loan II carries a coupon rate of 10% per annum, which is paid quarterly on 22 April 2018, 22 July 2018, 22 October 2018 and 22 January 2019 (“Maturity Date II”). The lender of Equity-linked Loan II is entitled to unlisted call options (“Call Options II”) which would provide the lender the right to acquire a maximum of total 2,500,000 CDIs of the Company at a fixed price of A\$0.1 per option at any time prior to 22 January 2021.

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### 20. BANK AND OTHER LOANS - Continued

Notes: - Continued

(c) - Continued

##### Equity-linked Loan III

In February 2018, the Group obtained an equity-linked loan with principal amount of RMB1,500,000 ("Equity-linked Loan III") (together with the Equity-linked Loans I and Equity-linked Loan II referred as the "Equity-linked Loans") for general working capital purpose. Equity-linked Loan III carries a coupon rate of 10% per annum, which is paid quarterly on 20 May 2018, 20 August 2018, 20 November 2018 and 20 February 2019 (together with the Maturity Date I and Maturity Date II referred as the "Maturity Dates"). The lender of Equity-linked Loan III is entitled to unlisted call options (together with the Call Options I and Call Options II referred as the "Call Options") which would provide the lender the right to acquire a maximum of total 3,000,000 CDIs of the Company at a fixed price of A\$0.1 per option at any time prior to 20 February 2021.

In the event Call Options are exercised by the lenders prior to Maturity Dates, the proceeds from Call Options exercised will be repaid by the Group to the lenders as a loan reduction of the principal within 30 days of receipt of the proceeds of Call Options exercised from the lenders. During the period, no Call Options have been exercised and converted into CDI of the Company by lenders.

The Group determined that the feature of Call Options will not result in settlement by the exchange of a fixed amount of cash for a fixed number of the Company's shares. Each of the Equity-linked Loans is separately recognised as derivative financial liabilities consisting of Call Options, and a liability component consisting of a straight debt element.

In the opinion of the management, the total transaction prices of Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III of RMB16,224,105, RMB1,271,050 and RMB1,500,000 respectively were not the best evidence of their aggregated fair values as the total fair values of Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III at initial recognition determined by a firm of independent professional valuer, based on Binominal model that does not only use data from observable markets, were RMB25,405,571, RMB1,827,887 and RMB1,954,025 respectively.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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20. BANK AND OTHER LOANS - Continued

Notes: - Continued

(c) - Continued

The total loss on initial recognition of Call Options and debt elements determined by the initial differences between fair values and transaction price are deferred and allocated to the carrying amounts of Call Options and debt elements respectively. After initial recognition, the deferred initial differences are recognised as gains or losses only to the extent that they arise from a change in a factor (including time) that market participants would take into account when pricing the Equity-linked Loans. As at 30 June 2019, the unamortised deferred initial differences amounted to RMB812,072 (31 December 2018: RMB1,081,843) were included in Call Options.

The Modification of Equity-linked Loans I is accounted for as an extinguishment of the original financial liabilities of the Equity-linked Loans I as the discounted present value of the cash flow of the Modified Equity-linked Loans I is more than 10% difference from the discounted present value of the cash flow of the outstanding Equity-linked Loans I prior to the Modification. The difference between the carrying amounts of the outstanding Equity-linked Loans I prior to the Modification and the amount recognised as new financial liabilities, being the fair values of the Modified Equity-linked Loans I, has been recognised in other gains or losses. The total fair values of Modified Equity-linked Loans I at the date of the Modification determined by a firm of independent professional valuer, based on Binominal model that does not only use data from observable markets, were RMB14,994,150.

During the six months ended 30 June 2019, the Group has redeemed the entire outstanding balances of Modified Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III at a price equal to the sum of principal amounts upon their maturity.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

20. BANK AND OTHER LOANS - Continued

Notes: - Continued

(c) - Continued

The carrying values and movements of debt elements and derivative financial liabilities which are the Call Options of Equity-linked Loans are as follows:

	Debt elements RMB	Derivative financial liabilities RMB	Total RMB
Carrying amount as at 1 January 2018 (audited)	10,621,304	6,842,647	17,463,951
Issuance of equity-linked loans	2,813,254	968,658	3,781,912
Deferred initial differences upon issuance	(748,153)	(262,709)	(1,010,862)
Redemption of equity-linked loans	(4,056,026)	-	(4,056,026)
Extinguishment of equity-linked loans	(12,168,079)	(2,195,357)	(14,363,436)
Recognition of modified equity-linked loans	12,103,216	2,890,934	14,994,150
Change in fair value of derivative financial liabilities (note 8)	-	(1,321,332)	(1,321,332)
Amortisation of deferred initial differences on derivatives financial liabilities	-	2,350,913	2,350,913
Interest expense	8,319,354	-	8,319,354
Interest paid	(1,798,318)	-	(1,798,318)
Carrying amount as at 31 December 2018 (audited)	15,086,552	9,273,754	24,360,306
Redemption of equity-linked loans	(14,939,129)	(5,971,171)	(20,910,300)
Change in fair value of derivative financial liabilities (note 8)	-	(2,051,079)	(2,051,079)
Amortisation of deferred initial differences on derivatives financial liabilities	-	269,771	269,771
Interest expense	448,966	-	448,966
Interest paid	(596,389)	-	(596,389)
Carrying amount as at 30 June 2019 (unaudited)	-	1,521,275	1,521,275
Carrying amount as at 31 December 2018 (audited)	15,086,552	9,273,754	24,360,306
Less: Current portion	(15,086,552)	(5,959,304)	(21,045,856)
Non-current portion	-	3,314,450	3,314,450
Carrying amount as at 30 June 2019 (unaudited)	-	1,521,275	1,521,275
Less: Current portion	-	(1,521,275)	(1,521,275)
Non-current portion	-	-	-

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

#### 20. BANK AND OTHER LOANS - Continued

Notes: - Continued

(c) - Continued

The change in the fair value of the derivative financial liabilities during the six months ended 30 June 2019 results in a fair value gain of RMB2,051,079 (30 June 2018: RMB3,077,906) (note 8). For more detailed information in relation to the fair value measurement of derivative financial liabilities, please refer to note 23.

Interest expenses are calculated using the effective interest method by applying the effective interest rates ranging from 12% to 47% (2018: 12% to 57%) to the adjusted liability component.

#### 21. SHARE CAPITAL

	Number of ordinary shares	RMB
Issued:		
Fully paid-up		
At 1 January 2018 (audited), 31 December 2018 (audited) and 30 June 2019 (unaudited)	<u>1,159,682,763</u>	<u>313,675,893</u>

#### 22. CAPITAL COMMITMENT

There is no significant capital commitment for the Group at the end of reporting period (31 December 2018: Nil).

#### 23. FAIR VALUE MEASUREMENTS

The fair values of trade and other receivables, cash and bank balances, trade and other payables, amount due to a related party and a director, and interest-bearing borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the loan to a director have been calculated by discounting the expected future cash flows using the rates currently available for instruments on similar terms, credit risk and remaining maturities which are not materially different from the carrying amount.

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23. FAIR VALUE MEASUREMENTS - Continued

Fair value hierarchy

The following tables present financial liabilities measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the financial liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial liabilities measured at fair value in the consolidated statement of financial position at the reporting date are grouped into the fair value hierarchy as follows:

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>As at 30 June 2019</b>				
<b>(unaudited)</b>				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities - Unlisted call options	-	-	1,521,275	1,521,275
<b>As at 31 December 2018</b>				
<b>(audited)</b>				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities - Unlisted call options	-	-	9,273,754	9,273,754

There were no significant transfers between levels 1 and 2 and no transfers into or out of level 3 during the period/year.

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23. FAIR VALUE MEASUREMENTS - Continued

The fair value of the derivative financial liabilities was calculated using the Binominal model with the major inputs used in the model as follows:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Stock price	A\$0.069	A\$0.14
Volatility	45-50%	23-50%
Risk free rate	0.96-0.98%	1.88 - 2.01%

Any changes in the major inputs into model will result in changes in the fair value of the derivative component. Increase in the average expected volatility, stock price and risk free rate would increase the fair value of the unlisted call options.

Assuming all other variables are held constant; an increase in stock price by 10% would increase the unlisted call options by a further RMB580,096 (31 December 2018: RMB1,912,609), an increase in volatility by 10% would increase the unlisted call options by RMB694,530 (31 December 2018: RMB948,199), and an addition in risk free rate by 0.2% would increase the unlisted call options by RMB12,995 (31 December 2018: RMB20,526).

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24. RELATED PARTY TRANSACTIONS

Transaction with key management personnel

All members of key management personnel are the directors of the Company. The remuneration paid to them during the period was disclosed in note 11 to the condensed consolidated financial statements.

Transaction with other party

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated interim financial statements, the Group had the following material related party transactions:

	Type of Transaction	2019 RMB (unaudited)	2018 RMB (unaudited)
Investorlink Corporate Limited ("Investorlink Corporate")	Professional services fees	<u>246,981</u>	<u>1,276,955</u>

Mr. Ross Benson and Mr. Christopher Ryan, directors of the Company, are associated with Investorlink Securities Limited ("Investorlink Securities"), Investorlink Corporate and Investorlink Group Limited ("Investorlink Group").

Investorlink Group and Investorlink Securities are the shareholders of the Company.