



BaWang International (Group) Holding Limited 霸王國際(集團)控股有限公司*

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

Stock Code: 01338
股票代碼: 01338



Annual Report 2017 2017 年年報

* for identification purposes only
僅供識別



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Financial Highlights

財務摘要

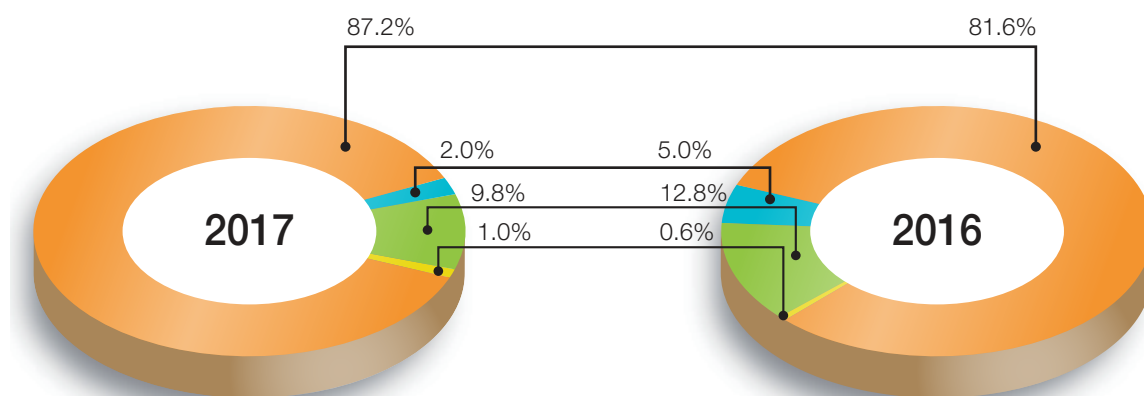
2017
二零一七年
RMB'000
人民幣千元

2016
二零一六年
RMB'000
人民幣千元

Revenue	營業額	264,215	264,229
Cost of sales	銷售成本	(136,902)	(137,699)
Gross profit	毛利	127,313	126,530
Selling & distribution costs	銷售及分銷開支	(93,726)	(80,080)
Administrative expenses	行政費用	(27,866)	(30,458)
Profit from operations	營運利潤	19,726	42,567
Taxation	稅項	(4)	2,610
Profit for the year attributable to owners of the Company	本公司擁有人應佔之年內利潤	19,227	43,704
Gross margin	毛利率	48.2%	47.9%
Net profit ratio	淨利潤率	7.3%	16.5%
Earnings per share (RMB cents)	每股盈利(人民幣仙)		
Basic	基本	0.6081	1.4292
Diluted	攤薄	0.6080	1.4289

Revenue by Product Category

收入按產品類別分析



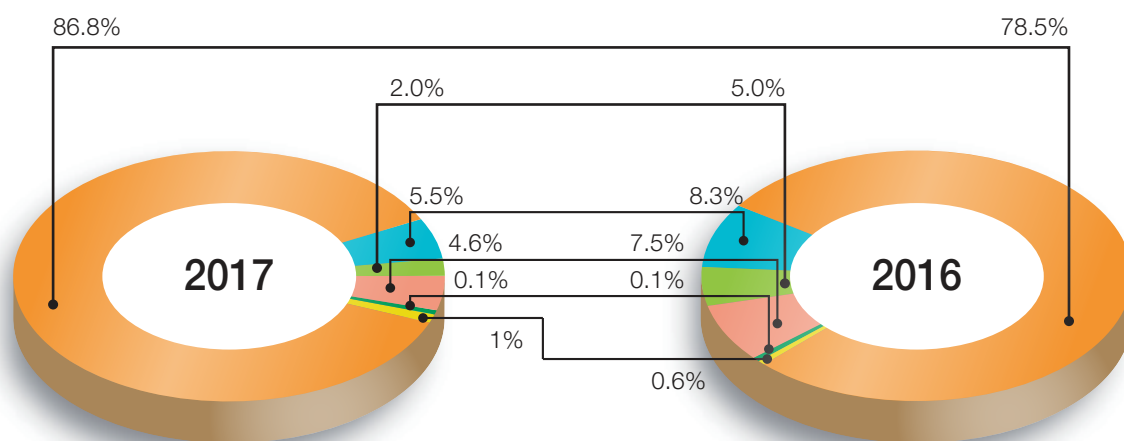
(RMB'000) (人民幣千元)	2H2017 二零一七年 下半年	1H2017 二零一七年 上半年	2H2016 二零一六年 下半年	1H2016 二零一六年 上半年
Shampoo & hair-care products 洗髮護髮產品	139,105	91,390	106,179	107,837
Skincare products 護膚產品	2,620	2,577	3,523	9,753
Other household & personal care products 其他家用及個人護理產品	14,474	11,477	17,509	17,806
Baby & child care products 嬰童護理產品	890	1,682	1,622	0
Total 合計	157,089	107,126	128,833	135,396

Financial Highlights (Continued)

財務摘要(續)

Revenue by Brand Category

收入按品牌類別分析



(RMB'000) (人民幣千元)	2H2017 二零一七年 下半年	1H2017 二零一七年 上半年	2H2016 二零一六年 下半年	1H2016 二零一六年 上半年
 Bawang 霸王	141,816	87,548	101,796	105,731
 Royal Wind 追風	6,698	8,050	13,211	8,692
 Herborn 本草堂	2,615	2,577	3,479	9,753
 Litao 麗濤	5,065	7,269	8,682	11,220
 Smerry 雪美人	5	0	43	0
 Little King 小霸王	890	1,682	1,622	0
Total 合計	157,089	107,126	128,833	135,396

Corporate Information

公司資料

Directors

Executive Directors

CHEN Qiyuan (Chairman)
CHEN Zheng He (Chief Executive Officer)
WONG Sin Yung CPA

Independent non-executive Directors

Dr. NGAI Wai Fung PhD, CPA, FCCA, FCIS, FCS (P.E.)
LI Bida (Passed away on 22 November 2017)
CHEUNG Kin Wing FCA, CPA
Dr. WANG Qi (Subsequently appointed on 17 April 2018)

Audit and Risk Management Committee

Dr. NGAI Wai Fung PhD, CPA, FCCA, FCIS, FCS (P.E.) (Chairman)
LI Bida (Passed away on 22 November 2017)
CHEUNG Kin Wing FCA, CPA
Dr. WANG Qi (Subsequently appointed on 17 April 2018)

Remuneration Committee

CHEUNG Kin Wing FCA, CPA (Chairman)
(Appointed on 14 February 2018)
LI Bida (former Chairman)
(Passed away on 22 November 2017)
Dr. NGAI Wai Fung PhD, CPA, FCCA, FCIS, FCS (P.E.)
CHEN Zheng He

Nomination Committee

CHEN Qiyuan (Chairman)
LI Bida (Passed away on 22 November 2017)
Dr. NGAI Wai Fung PhD, CPA, FCCA, FCIS, FCS (P.E.)
CHEUNG Kin Wing FCA, CPA
(Appointed on 14 February 2018)

Company Secretary

WONG Sin Yung CPA

董事

執行董事

陳啟源(主席)
陳正鶴(首席執行官)
黃善榕 CPA

獨立非執行董事

魏偉峰博士 PhD, CPA, FCCA, FCIS, FCS (P.E.)
李必達(於二零一七年十一月二十二日逝世)
張建榮 FCA, CPA
王琦博士(期後於二零一八年四月十七日
獲委任)

審核及風險管理委員會

魏偉峰博士 PhD, CPA, FCCA, FCIS, FCS (P.E.) (主席)
李必達(於二零一七年十一月二十二日逝世)
張建榮 FCA, CPA
王琦博士(期後於二零一八年四月十七日
獲委任)

薪酬委員會

張建榮 FCA, CPA (主席)
(於二零一八年二月十四日獲委任)
李必達(前任主席)
(於二零一七年十一月二十二日逝世)
魏偉峰博士 PhD, CPA, FCCA, FCIS, FCS (P.E.)
陳正鶴

提名委員會

陳啟源(主席)
李必達(於二零一七年十一月二十二日逝世)
魏偉峰博士 PhD, CPA, FCCA, FCIS, FCS (P.E.)
張建榮 FCA, CPA
(於二零一八年二月十四日獲委任)

公司秘書

黃善榕 CPA

Corporate Information (Continued)

公司資料(續)

Authorised representatives

CHEN Zheng He
WONG Sin Yung *CPA*

授權代表

陳正鶴
黃善榕 *CPA*

Registered office

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

註冊辦事處

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

Principal place of business in the PRC

468 Guanghua 3rd Road
Bawang Industrial Complex
Baiyun District
Guangzhou
510450
PRC

中國主要營業地點

中國
廣州
白雲區
廣花三路468號
霸王工業園
郵編：510450

Place of business in Hong Kong

Suite B, 16/F
Ritz Plaza
122 Austin Road
Tsimshatsui
Kowloon
Hong Kong

香港營業地點

香港
九龍
尖沙咀
柯士甸道122號
麗斯中心
16樓B室

Hong Kong branch share registrar and transfer office

Boardroom Share Registrars (HK) Limited
2103B, 21/F., 148 Electric Road
North Point
Hong Kong

香港證券登記處

寶德隆證券登記有限公司
香港
北角
電氣道148號21樓2103B室

Corporate Information (Continued)

公司資料(續)

Cayman Islands principal share registrar and transfer office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

開曼群島證券過戶登記總處

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Auditors

SHINEWING (HK) CPA Limited
43rd Floor, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

核數師

信永中和(香港)會計師事務所有限公司
香港
銅鑼灣
希慎道33號
利園一期43樓

Legal advisor on Hong Kong law

PETER YUEN & ASSOCIATES
(IN ASSOCIATION WITH FANGDA PARTNERS)
26th Floor, One Exchange Square
8 Connaught Place
Central, Hong Kong

香港法律顧問

阮葆光律師事務所
(聯營上海市方達律師事務所)
香港中環
康樂廣場8號
交易廣場1期26樓

Company's website

www.bawang.com.cn

公司網址

www.bawang.com.cn

Stock code

01338

股票代碼

01338

Principal bankers

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

主要往來銀行

香港上海滙豐銀行有限公司
香港
皇后大道中1號

Bank of China Limited
1073 Jichang Road
Guangzhou
510180
PRC

中國銀行股份有限公司
中國
廣州市
機場路1073號
郵編：510180

Chairman's Statement

主席報告書

Dear shareholders of the Company,

On behalf of the board (the “**Board**”) of directors of BaWang International (Group) Holding Limited (the “**Company**”), I present the audited annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2017.

The Board is pleased to report that the total revenue of the Group for the year ended 31 December 2017 was approximately RMB264.2 million, which remained relatively stable as compared with 2016. The operating profit of the Group for the year ended 31 December 2017 was approximately RMB19.7 million as compared with an operating profit of approximately RMB42.6 million in 2016.

For the year ended 31 December 2017, the net profit of the Group was approximately RMB19.2 million, as compared with a net profit of approximately RMB43.7 million in 2016.

For further information on the operating performance of the Group, please refer to the “Financial Review” section of this annual report.

各位尊敬的本公司之股東：

本人僅代表霸王國際(集團)控股有限公司(「本公司」)之董事會(「董事會」)，向全體股東呈報本公司及其附屬公司(統稱「本集團」)截至二零一七年十二月三十一日止年度的經審核年度業績。

董事會欣然報告本集團截至二零一七年十二月三十一日止年度的總營業額約為人民幣264.2百萬元，與二零一六年同期相比相對持平。本集團截至二零一七年十二月三十一日止年度錄得經營利潤約人民幣19.7百萬元，而二零一六年同期經營利潤約人民幣42.6百萬元。

本集團截至二零一七年十二月三十一日止年度錄得淨利潤約為人民幣19.2百萬元，而二零一六年同期錄得淨利潤約人民幣43.7百萬元。

關於本集團經營業績詳細資料，請參閱本年度報告內「財務回顧」部分。



Chairman's Statement (Continued)

主席報告書(續)

During the year under review, the Group continued to operate under the value-chain-oriented business model, which enabled the Group to reduce the cost of sales and administration expenses for the year ended 31 December 2017.

Looking forward, we plan to focus on two areas to drive the strategic directions to sustain and develop our business in the midst of a volatile business environment. In the short run, the Group intends to continue building up a management team with strong experience in both domestic and global HPC sectors, to regain the sales growth momentum and profitability, and to improve investors' confidence on the Group. In the long run, the Group will continue to focus on strengthening the business model and positioning to acquire market shares from domestic and international competitors, maintaining a multi-brand and multi-product strategy in HPC sectors, and becoming a leader in the branded Chinese herbal HPC products.

On behalf of the Board, I would like to take this opportunity to express our gratitude to all shareholders, customers, suppliers, banks, professional parties, and employees of the Group for their continuous patronage and support.

CHEN Qiyuan

Chairman

Hong Kong, 28 March 2018

於回顧年度內，本集團繼續執行以成本控制價值鏈為導向的業務模式使得本集團截止二零一七年十二月三十一日的銷售成本和行政費用有所減少。

展望未來，在不穩定的內部和外部經營環境中，維持和發展我們業務之戰略方向集中在兩方面。就短期而言，本集團擬繼續在國內外組建就家庭及個人護理行業建立豐富經驗的管理團隊、恢復銷售增長勢頭和盈利能力，以及提升投資者對本集團的信心。就長期而言，本集團將繼續鞏固發展模式及定位，以增加市場佔有率及迎戰國內外競爭對手；保持家庭及個人護理產品品牌及產品多樣化的均衡策略及成為全球中草藥家庭及個人護理產品領軍企業。

謹藉此機會，我代表董事會向不斷擁戴及支持本集團的全體股東、客戶、供應商、銀行、專業人士和僱員，致以衷心的謝意。

陳啟源

主席

香港，二零一八年三月二十八日

Management Discussion and Analysis

管理層討論及分析

Business Review

To kick-start the corporate operational theme of the year “To quantify with performance following the precise execution of plans”, a national distributors’ meeting was held in January 2017 in Guangzhou to introduce the new Bawang haircare products, to explain the Group’s investments in brand building and expansion of channels, and to demonstrate the upcoming marketing campaigns and publicity programs for the year. The incentive leisure travel scheme for participating distributors and internal staff members has been implemented since 2015. The Directors believe that the scheme has motivated the distributors and sales teams to accomplish the sales targets. The Group will therefore continue to offer free travels awards to those who complete the predetermined sales target for a specified period.

業務回顧

啟動公司的營運主題「量化數字，強抓執行」，一場全國性的經銷商會議於二零一七年一月在廣州舉行，會議介紹了最新的霸王洗髮產品並闡述了集團在品牌建設和渠道推廣上面的投資策略，以及展示了今年即將安排的市場活動和宣傳項目。自二零一五年開始，給予參與的經銷商和內部員工的激勵休閒旅遊計劃一直在進行中。董事相信這項計劃已經給經銷商和銷售團隊完成銷售目標起到了激勵作用，本集團將會繼續向那些在指定期間內完成既定銷售目標的人員提供免費旅遊獎勵。



Management Discussion and Analysis (Continued)

管理層討論及分析(續)



In May 2017, the Group participated in the China Beauty Expo in Shanghai, which is one of the key cosmetic industry events in China. The expo provided a platform for the Group to promote its various branded products in an international arena, to get hold of the latest developments and trends in the cosmetic industry in China and to explore business opportunities with potential partners and distributors. Additionally, the Group participated in the cosmetic industry trade fairs in Xian and Lanzhou, which were held in July and October 2017 respectively. These two trade fairs provided an opportunity for the sales teams to expand the distribution channels in the Group's newly-developed markets of north-western region of China. To optimise the resources to enhance the brand image, the sales teams of the Group's other branded products also tagged along to join the beauty expo and trade fairs for recruiting distributors for their brands.

To enhance the sales of Bawang branded products, extensive in-store promotional campaigns, which included Chinese herbal hair-care coaching sessions, were carried out on various festive days throughout the year.

On the International Children's Day on 1 June 2017, a joint promotional program jointly held by the Group and a popular animated character "Superwing" was carried out at the stores to enhance the brand image of "Little King", which is our branded personal and skin care product series for children. To enhance sales revenue, childcare tutorials were held for the young mothers to promote the concepts of Chinese herbal childcare products. To make good use of the sales opportunities, haircare assessments and treatments were conducted for the mothers at the same time. A WeChat network for subsequent discussions on the questions about childcare and haircare between the sales teams and the customers has been established to promote the brand awareness and functionality of our branded products.

於二零一七年五月，本集團參加了上海美容博覽會，這是國內化妝品行業的重點活動之一，美容博覽會給本集團在一個國際場所提供了宣傳平臺以推廣集團各個品牌產品，也使本集團把握最新發展和緊跟化妝品行業趨向，並開拓潛在合作夥伴和經銷商以提供更多的商機。另外，公司參加了二零一七年七月和十月分別在西安和蘭州的化妝品行業貿易展銷會，這兩場展銷會給銷售團隊在中國的西北區新開拓的市場擴大銷售渠道提供了機遇。為優化資源及加強品牌形象，本集團其他品牌產品的銷售團隊也緊跟著參加了美博會和貿易展銷會來為他們的品牌開發經銷商。

為提高霸王品牌產品的銷售，本集團整個年度內在各個節日期間在店內開展了包括中藥護髮培訓課在內的廣泛的推廣活動。

於二零一七年六月一日的國際兒童節，為了滲透「小霸王」的品牌形象，本集團聯合當前流行的動漫角色「超級飛俠」在門店開展促銷活動。這是我們專門為兒童設計的品牌化的個人及護膚產品系列。為提高銷售收入，本集團針對年輕媽媽開展了兒童護理輔導課堂來推動中藥兒童護理產品的概念。為充分運用銷售機會，同時針對媽媽們對頭髮護理展開評估和治療。本集團通過建立銷售團隊和消費者的微信網絡就有關兒童護理和頭髮護理展開持續的問題討論以此來推動品牌意識和我們品牌化產品的功效性。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

As at 31 December 2017, the Bawang brand distribution network comprised approximately 674 distributors and 21 KA retailers, covering 27 provinces and four municipalities in China. Furthermore, the Bawang branded products were also sold in Hong Kong, Singapore, Thailand, Malaysia and Venezuela.

截至二零一七年十二月三十一日，霸王品牌分銷網絡包括大概674個分銷商及21個重點零售商，覆蓋中國27個省份及四個直轄市。此外，該等產品亦已在香港、新加坡、泰國、馬來西亞及委內瑞拉銷售。



During the year under review, the Group rolled out new Royal Wind branded shampoo products with the marketing theme “Let’s chase for the wind rather than wait for the wind” primarily for the online sales channel. As at 31 December 2017, the Royal Wind brand distribution network comprised approximately 674 distributors and 20 KA retailers, covering 27 provinces and four municipalities in China.

於回顧年度內，本集團推出營銷主題為「等風來不如追風去」的追風新系列產品，主供電商平台。截至二零一七年十二月三十一日，追風品牌分銷網絡包括大概674個分銷商及20個重點零售商，覆蓋中國27個省份及四個直轄市。

The Litao products mainly comprise shower gels and laundry detergents, which target consumers living in the second-tier or third-tier cities in China. The Group’s goal is to widen the market coverage in China. A natural fruit shower gel series was rolled out during the year under review. As at 31 December 2017, the Litao products distribution network comprised approximately 674 distributors and two KA retailers, covering 27 provinces and four municipalities in China.

麗濤產品主要由沐浴露和洗衣液組成，以中國二三線城市的消費者為目標客戶群體。本集團的目標是擴大中國的市場覆蓋，本集團在回顧年度內適時推出了水果型沐浴露系列。截至二零一七年十二月三十一日，麗濤品牌分銷網絡包括大概674個分銷商及兩個重點零售商，覆蓋中國27個省份及四個直轄市。

The Herborn Chinese herbal skincare product series targets white-collar ladies in the age range from 25 to 45 who have relatively high net incomes and who are dedicated to pursue a healthy and natural lifestyle. As at 31 December 2017, the sales and distribution network for the Herborn Chinese herbal skincare products comprised approximately 93 distributors and one KA retailer covering 27 provinces and four municipalities in China. Apart from these traditional sales channels, the Group had about 960 counters in cosmetics speciality shops as at 31 December 2017.

本集團的中草藥護膚產品一本草堂，其目標客戶群體是擁有相對較高的收入、熱衷追求健康自然的生活方式、年齡介於25歲至45歲的白領女性。截至二零一七年十二月三十一日，本草堂品牌分銷網絡包括大概93個分銷商及一個重點零售商，覆蓋中國27個省份及四個直轄市。除了上述的傳統銷售渠道，於二零一七年十二月三十一日，本集團亦擁有約960家化妝品專門店專櫃。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

During the year under review, the Group has established online flagship stores for our Bawang, Royal Wind and Herborn branded products on 12 online retailing platforms in China.

於回顧年度內，本集團已在國內12個線上零售平台建立線上旗艦店銷售霸王、追風和本草堂品牌產品。



For the year under review, we obtained and/or renewed and/or possessed the certificates and/or recognitions as follows:

於回顧年度內，我們獲得或延續或持有以下的證書或認證：

- we were listed among the “Leading Brands of China” (中國好品牌) of the 22nd China Beauty Expo, which was granted by the China Beauty Expo;
- 我們榮獲第二十二屆中國美容博覽會授予的第二十二屆中國美容博覽會「中國好品牌」；
- our Chinese herbal skincare series shampoo and hair care products and shower gel products were both recognised as “Innovative Products of Guangdong” (廣東省高新技術產品) by the Guangdong New Hi-tech Enterprise Association in December 2017 for a period of three years until the end of 2020;
- 二零一七年十二月，我們的中草藥養髮護髮系列洗髮液產品及護膚系列沐浴露均獲廣東省高新技術企業協會評為「廣東省高新技術產品」，有效期為三年至二零二零年底；
- the Group was awarded the “2017 Innovative Marketing Enterprise of China’s Fashion Industry Award” and the “2017 Consumer’s Most Trusted Brand of China’s Trendy Industry Award” by Xinxi News* (信息時報);
- 本集團獲信息時報頒發「2017年度中國時尚產業創新營銷企業獎」及「2017年度中國時尚產業消費者信賴品牌獎」；
- we were awarded as one of the “2017 Top Ten Weibo Enterprises (Guangdong)” at the 2018 “Beyond Influential” Guangdong Sina Weibo Festival (2018超粵影響力新浪廣東微博盛典);
- 我們於2018超粵影響力新浪廣東微博盛典獲頒發「2017年十大企業微博(廣東)」；

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

- we were awarded the “7th Entertainment Marketing 5S Gold Award – Sales Performance Award” by The Advertiser (廣告王);
 - Bawang’s brand was also listed among “China’s Classic Brand Stories” by the China Publication Group Company* (中國出版集團公司);
 - we have renewed the permit for production of cosmetic products, which was issued by the Guangdong Provincial Food & Drug Administration and is valid until May 2021; and
 - three Bawang branded series shampoos have been recognised as “The 2015 New High-Tech Products in Guangdong” by the Guangdong Provincial Bureau of Science & Technology for a period of three years until the end of 2018.
- 我們獲廣告王頒發「第七屆娛樂行銷5S金獎—銷售實效力大獎」;
 - 霸王品牌榮獲中國出版集團公司頒發「中國經典品牌故事」;
 - 廣東省食品藥品監督管理局頒發的化妝品生產許可證書，有效期截至二零二一年五月；及
 - 霸王品牌三大系列產品已被廣東省科技技術廳認定為「2015年廣東省高新技術產品」，有效期為三年即截至二零一八年底。



Key Risks and Uncertainties

Apart from those stated in the Chairman’s Statement and Management Discussion and Analysis sections, the Company is exposed to the following key risks and uncertainties which are required to be disclosed pursuant to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

1. Risks Relating to Our Industry

In recent years, it is common for the Mainland manufacturing enterprises to face continuous rising labour costs and difficulties in employing skilled labour. Our Group’s responding strategy is to reduce the production costs.

主要風險及不明朗因素

除主席報告書及管理層討論及分析提述事宜以外，本公司根據《公司條例》(香港法例第622章)須予披露所面對的主要風險及不明朗因素如下。

1. 行業風險

國內生產企業近年普遍面對勞工成本不斷上漲及招聘熟手工人困難。本集團的應變策略是以減低生產成本。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

2. Credit Risks Relating to Customers

Exposure to bad debts attributable to customers usually intensifies following a weak economic performance. To minimize credit risks, the management of the Group has appointed dedicated staff members to handle procedures for determining credit limits, credit approval and other monitoring procedures, to ensure that follow-up actions with all receivables are taken in a timely manner. In addition, the Group reviews the collectibility of receivables at the end of a reporting period, to ensure that sufficient impairment losses are provided for in respect of uncollectible monies. For the year ended 31 December 2017, no bad debts were recorded by the Group.

3. Liquidity Risks

In managing liquidity risks, the Group monitors and maintains cash and cash equivalents at a level which is considered by the management as sufficient, to satisfy the needs arising from the Group's operations and to mitigate the effect of fluctuations of cash flow. The Group's management will continue to closely monitor the use of cash.

4. Currency Risks

Sales to overseas countries denominated in foreign currencies expose the Group to foreign exchange risks. The Group closely manages and monitors foreign exchange risks to ensure that appropriate measures are taken in a timely manner. The Group will consider using hedging in respect of foreign currencies to mitigate relevant risks as and when appropriate.

2. 客戶的信貸風險

隨著經濟疲弱，客戶壞賬風險相對增加。為減低信貸風險，本集團管理層已委派特定人員負責釐定信貸限額、信貸審批及其他監控程序，以確保及時跟進所有應收賬款。此外，本集團會於報告期末已檢討債項之可收回款額，以確保就不可收回款額作出足夠之減值虧損。截至二零一七年十二月三十一日止年度，本集團並沒有錄得壞賬。

3. 流動資金風險

管理流動資金風險時，本集團會監察及保持管理層視為足夠水平之現金及現金等值項目，以撥付本集團營運所需及減低現金流量波動之影響。本集團之管理層將繼續密切監察現金之使用情況。

4. 貨幣風險

因有產品銷往海外市場以外幣結算，以致本集團承受外幣折算風險。本集團會密切管理及監察外匯風險，以確保及時地採取適當措施。本集團會在適當時候考慮使用對沖以降低有關風險。

Environmental Protection

The Group is responsible for its impact to the environment arising from its business operations. During the year under review, the Group strictly complied with the local environmental regulations of the PRC. The production of household and personal care products belongs to the light industry, thus no pollutants are involved during the manufacturing process and adverse impact to the surrounding environment is minimal. The Group has been investing and implementing various energy conservation projects in recent years, in which overall power consumption has drastically reduced.

環境保護

本集團須為業務經營對環境的影響承擔責任。於回顧年度內，本集團緊守中國當地的環保法規。家庭及個人護理產品生產是屬輕工業，所以沒有污染物質牽涉在生產過程中及對周邊環境造成不良的影響機會很低。本集團近年亦投資及實施多項節能項目，用電量大減。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

Business Compliance

During the year under review, the Group has complied with the relevant laws and regulations that have a significant impact on the Group.

Relationship with Employees, Customers and Suppliers

The Group adopts an employee-oriented approach, which ensures that all staff members are reasonably remunerated. To retain a quality workforce, we strive to regularly improve, review and update our human resources policy and our compensation and benefits. We also provide training opportunities to upgrade the skills of our staff members. We also care for the occupational health and safety of our workers.

The Group's major customers are categorised into four channels, namely traditional distributors, B2B corporate clients, key account hypermarkets and supermarkets, and online sales (including online official flagship stores and distributors). The credit terms granted to major customers are 30 to 90 days, which are in line with those of the credit terms granted to other customers.

The Group maintains a good relationship with its customers. We have put in place procedures for handling customer complaints to receive and analyse the customers' complaints and make recommendations on remedial actions with a view to improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

業務合規

於回顧年度內，本集團已遵守對本集團有重大影響之相關法律及法規。

與僱員、顧客和供應商的關係

本集團以人為本，確保所有僱員享有合理待遇。同時為挽留人才，我們不斷完善薪酬和補償制度，並定期檢討及更新人力資源管理制度。我們提供員工培訓機會來提升僱員的職業技能。我們亦關注僱員的職業健康與安全。

本集團主要顧客分為四個類別：傳統經銷商、B2B商務客戶、現代大賣場及超市以及電商(包括自營官方旗艦店和分銷客戶)。主要客戶獲授之信貸期為30日至90日，與其他客戶獲授之信貸期一致。

本集團與顧客關係良好。為完善服務品質，本集團制定完善的追溯體系來處理顧客的投訴包括投訴收集、分析研究並提出改善意見。

本集團與供應商關係良好，每年對供應商進行公平及嚴格的審核。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

Financial Review

Revenue

During the year under review, the Group's revenue from operations amounted to approximately RMB264.2 million, which remained relatively stable as compared with 2016. The revenue through the online sales channel had a substantial increase of approximately 235.5% as compared to 2016, but such increase was offset by the decrease in the aggregate revenue generated from the traditional sales channels.

The Group's core brand, Bawang, generated approximately RMB229.4 million in revenue, which accounted for approximately 86.8% of the Group's total revenue by brand category in 2017, and represented an increase of approximately 10.6% as compared with 2016.

The branded Chinese herbal anti-dandruff hair care series, Royal Wind, generated approximately RMB14.7 million in revenue, which accounted for approximately 5.6% of the Group's total revenue by brand category in 2017, and represented a decrease of approximately 32.9% as compared with 2016.

The natural-based branded shampoo, shower gel and laundry detergent products series, Litao, generated approximately RMB12.3 million in revenue, which accounted for approximately 4.7% of the Group's total revenue by brand category in 2017, and represented a decrease of approximately 38.2% as compared with 2016.

The branded Chinese herbal skincare series, Herborn, generated approximately RMB5.2 million in revenue, which accounted for approximately 2.0% of the Group's total revenue by brand category in 2017, and represented a decrease of approximately 60.6% as compared with 2016.

We sold our products through extensive distribution and retail networks. During the year under review, sales to our distributors and retailers represented approximately 80.6% and approximately 19.4% of the Group's total revenue from operations respectively.

In 2017, our products were also sold in Hong Kong, Singapore, Thailand, Malaysia and Venezuela. The sales to these overseas markets outside mainland China accounted for approximately 3.2% of our total revenue in 2017.

財務回顧

營業額

於回顧年度內，本集團營業額約為人民幣264.2百萬元，與二零一六年同期相比相對持平，電商渠道的營業額較二零一六年大幅上升了約235.5%，但該上升幅度被其他傳統渠道銷售的下降營業額部份抵減。

本集團核心品牌一霸王，其營業額約人民幣229.4百萬元，約佔本集團二零一七年度按品牌分類營業額的86.8%，比二零一六年度上升了約10.6%。

中草藥去屑護髮系列品牌一追風，其於二零一七年度的營業額約人民幣14.7百萬元，約佔本集團按品牌分類營業額的5.6%，比二零一六年度下降了約32.9%。

以純天然為基礎的洗髮水、沐浴露和洗衣液產品系列一麗濤，其營業額約人民幣12.3百萬元，約佔本集團二零一七年度經營按品牌分類營業額的4.7%，比二零一六年度下降了約38.2%。

中草藥護膚品牌一本草堂，其營業額約人民幣5.2百萬元，約佔本集團二零一七年度按品牌分類營業額的2.0%，比二零一六年度下降了約60.6%。

我們一般通過廣泛的分銷商和零售商網絡銷售我們的產品。於回顧年度內，我們通過分銷商和零售商的銷售額分別約佔本集團總營業額的80.6%和19.4%。

於二零一七年度，我們的產品亦在香港、新加坡、泰國、馬來西亞和委內瑞拉市場上銷售，中國大陸以外的海外市場的銷售額約佔本集團二零一七年度總營業額的3.2%。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

Cost of Sales

Cost of sales in 2017 amounted to approximately RMB136.9 million, representing a decrease of approximately 0.6% compared with approximately RMB137.7 million in 2016. Such decrease was mainly due to the decrease in manufacturing expenses, which was partially offset by the increase in the costs of raw materials and packaging materials consumed, and direct labour expenses.

Gross Profit

During the year under review, the Group's gross profit increased to approximately RMB127.3 million, representing an increase of approximately 0.6% as compared with approximately RMB126.5 million for 2016. The gross profit margin increased from approximately 47.9% for 2016 to approximately 48.2% for 2017. Such increase was mainly attributable to the decrease in cost of sales and the roll-out of new high-margin products during the year under review.

Selling and Distribution Costs

Selling and distribution costs increased to approximately RMB93.7 million for 2017, representing an increase of approximately 17.0% as compared to that for 2016. Such increase was mainly due to the increase in advertising expenses for brand building in various online sales platforms and the increase in product delivery expenses that resulted from the substantial increase in sales volume through online sales channel in 2017, but such increase was partially offset by the decrease in promotion and distributors meeting expenses. As a percentage of revenue, our selling and distribution costs increased from approximately 30.3% in 2016 to 35.5% in 2017.

Administrative Expenses

Administrative expenses for 2017 amounted to approximately RMB27.9 million, representing a decrease of approximately 8.5% as compared with approximately RMB30.5 million in 2016. Such decrease was mainly due to the decreases in provision for bad debts, staff meeting expenses, and postal and communication expenses. As a percentage of revenue, our administration costs were approximately 10.5% and 11.5% in 2017 and 2016 respectively.

銷售成本

二零一七年度的銷售成本約人民幣136.9百萬元，相比二零一六年度約人民幣137.7百萬元下降了約0.6%。下降的主要原因是製造費用的下降，但是這個下降部份被原材料和包材耗用和直接人工的增加所抵減。

毛利

於回顧年度內，本集團的毛利上升至約人民幣127.3百萬元，與二零一六年度約人民幣126.5百萬元相比上升了約0.6%。毛利率從二零一六年約47.9%上升至二零一七年約48.2%。毛利率上升的主要原因銷售成本的減少以及回顧年度內公司陸續推出的高毛利產品。

銷售及分銷開支

二零一七年度銷售及分銷開支增加至約人民幣93.7百萬元，較二零一六年度增加約17.0%。其上升的原因主要是在多個電商銷售平臺作品牌建設的廣告費用的上升以及因二零一七年電商銷售額的大幅度上升所帶來的運輸費用的上升，而這些方面費用的上升被促銷費用，經銷商會議費用減少部份所抵減。以佔收益的百分比計算，我們的銷售及分銷開支由二零一六年約30.3%增加至二零一七年約35.5%。

行政費用

二零一七年度行政費用約為人民幣27.9百萬元，較二零一六年度同期的約人民幣30.5百萬元，下降了約8.5%。有關下降的原因是壞賬費用，員工會議費和郵遞及通訊費的減少。以佔收益的百分比計算，我們二零一七年和二零一六年的行政費用分別約為10.5%和11.5%。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

Profit from Operations

The Group recorded an operating profit of approximately RMB19.7 million for 2017, as compared with an operating profit of approximately RMB42.6 million for 2016. The decrease in operating profit was mainly because of (1) a much lower level of other income, which during year ended 31 December 2016 included the one-off amount that was recovered from a litigation claim, (2) the increase in the costs of packaging materials and direct labour expenses, and (3) the increase in the Group's raw materials and selling and distribution costs.

Finance Costs

For the year ended 31 December 2017, interest on bank borrowings amounted to approximately RMB0.5 million (2016: Nil), and there was no imputed interest on non-interest bearing loans from controlling shareholders in 2017 (2016: approximately RMB1.5 million).

Taxation

During the year ended 31 December 2017, the Group's income tax expense was approximately RMB4,000 (2016: Nil). A write-back of the excess of previous years' provision for the Enterprise Income Tax of China and deferred tax in an aggregate amount of approximately RMB2.6 million was credited to the taxation account for 2016.

Profit for the Year

As a result of the combined effect of the above mentioned factors, the Group recorded a profit of approximately RMB19.2 million for 2017, as compared with a profit of approximately RMB43.7 million for 2016.

Profit for the Year Attributable to Owners of the Company

As a result of the combined effect of the above factors, the Group recorded a profit attributable to owners of the Company of approximately RMB19.2 million for 2017, as compared with a profit attributable to owners of the Company of approximately RMB43.7 million for 2016.

經營盈利

於二零一七年，本集團錄得經營盈利約人民幣19.7百萬元，而二零一六年同期錄得經營利潤約人民幣42.6百萬元。其下降的主要原因是(1)其他業務收入相對較低，此等收入於二零一六年十二月三十一日止全年包含了與法律訴訟案件有關的一次性款項，(2)包裝材料成本和直接勞動力成本的增加，及(3)本集團原材料及銷售及分銷成本的上升。

融資成本

截至二零一七年十二月三十一日止年度，來自銀行借款的利息約為人民幣0.5百萬元(截至二零一六年十二月三十一日止年度：無)，及本集團無控股股東免息貸款而估算的利息(截至二零一六年十二月三十一日止年度：約人民幣1.5百萬元)。

稅項

截至二零一七年十二月三十一日，本集團錄得所得稅約人民幣4千元(截至二零一六年十二月三十一日止年度：無)。於二零一六年度內，撥回一項以前年度多計提的中國企業所得稅及遞延稅項金額約人民幣2.6百萬元至所得稅科目貸方。

年內盈利

綜合以上列報的因素，二零一七年度本集團錄得經營利潤約人民幣19.2百萬元，而二零一六年同期錄得經營利潤約人民幣43.7百萬元。

本公司擁有人應佔年內利潤

因上述因素的綜合影響，本集團二零一七年度錄得本公司擁有人應佔利潤約人民幣19.2百萬元，而二零一六年度錄得本公司擁有人應佔利潤約人民幣43.7百萬元。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

Event after the Reporting Period

On 17 April 2018, the Company appointed Dr. WANG Qi as an independent non-executive Director of the Company and a member of the Audit and Risk Management Committee. Please refer to the relevant announcement of the Company dated 17 April 2018 for details.

Outlook

The International Monetary Fund expects China's gross domestic product ("GDP") growth to stand at approximately 6.6% in 2018. Some economists have different expectations, which range from approximately 6.4% to approximately 6.7%. According to Reuters, China is expected to maintain a GDP growth rate of around 6.5% in 2018. The economy is expected to grow moderately in China.

China's GDP grew by approximately 6.9% in 2017, which was 0.2 percentage point higher than its initial target. The moderate growth target for 2018 suggests that the government is cautious about the downside risks to the Chinese economy that are driven by external factors that may be caused by the US interest rate hikes and tax cuts, restrictive trade policies in developed economies, and geographical tensions; and internally driven by factors such as the uncertainty around housing prices.

However, some economists are of the view that China is transitioning to a slower and more sustainable economic model, which makes them optimistic about the Chinese economy in 2018 and even beyond. The Directors are also optimistic about the future of the Chinese economy.

The corporate theme for 2018 is "The King is Back; Result is King." The Group will strive to maintain the sales growth momentum so as to keep the business profitable. In addition, the Group intends to demonstrate its confidence and determination to the people in the healthcare industry, and to cooperate with its distributors and retailers in revitalising the Bawang brand name. The corporate goal will be aligned in accordance with its targeted results. In this connection, the Group will allocate sufficient resources and supporting services to the sales teams to facilitate their accomplishment of the organisational goal to the fullest extent.

呈報期後事項

於二零一八年四月十七日，王琦博士被任命為本公司的獨立非執行董事以及審核及風險管理委員會之成員，有關詳情請參考本公司發佈日期為二零一八年四月十七日之相關公告。

展望

國際貨幣基金組織預計中國在二零一八年的國內生產總值(GDP)增長率將達到6.6%。一些經濟學家的預期不同，預期範圍約從6.4%到6.7%不等。據路透社報道，中國二零一八年的GDP增長率將保持在6.5%左右。中國的經濟預計將逐漸適度增長。

二零一七年中國GDP增長約6.9%，高於其增長目標0.2個百分點。二零一八年的溫和增長目標意味著政府對中國經濟的下行風險持謹慎態度，這可能是由於美國加息和減稅，發達經濟體系的限制性貿易政策以及地理緊張局勢造成的，內部其他因素例如房地產價格也並不確定。

然而，一些經濟學家認為，中國正在向更緩慢和更可持續的經濟模式過渡，這使得他們對二零一八年甚至更長時間的中國經濟持樂觀態度。董事們對中國經濟的未來也表示樂觀。

二零一八年，公司的經營主題是【王者歸來，業績為王】，本集團將致力保持銷售回升增長、持續盈利的勢頭，讓行業人士、經銷商客戶以及渠道商感受到霸王品牌復蘇的信心與決心。公司的目標是一切以業績為導向，本集團也將會配置充足的資源和服務支持給到銷售團隊以使他們圓滿完成組織目標。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

For Bawang branded product series, we will design specific sales promotion programs in the supermarkets for each festival during the year, whereby assorted branded products of the Group will be bundled together for sale as a way of attracting customers and increasing sales. High-end herbal essence hair care bundled products would be rolled out in order to satisfy the needs of the affluent consumer segment. New hair care product series with animated characters known as “Herbal Fairies” will be launched targeting towards young customers between 20 and 30 years old, who choose to use products that are made domestically. The Group will continue to expand the cooperation with those distributors who have obtained an exclusive right to sell household and personal care (“HPC”) products in dedicated areas inside contracted supermarkets. The Group may also engage young and emerging Internet celebrities in promoting the Bawang brand to their followers on the Internet and broadening the Group’s customer base.

As for the Little King branded children’s product series, which is still in its developmental stage, the Group will work on the brand-building process and develop both the traditional as well as online sales channels. To enhance the brand recognition, Chinese herbal childcare concept briefings will be carried out together with in-store sales promotion campaigns.

For Royal Wind branded product series, the Group intends to re-package this product series and to roll-out this series mainly through the online sales channel.

For Herborn branded product series, owing to the allocation of internal resources, the Group intends to phase out this product series. The Group will strive to clear the existing inventory through its online sales channel and staff or group purchases.

For production management, in order to keep the customers satisfied with our products, our belief is that quality of product is of paramount importance. Our Group will concurrently set up benchmark controls to ensure operational efficiency and to operate our production centre in strict compliance with various guidelines and regulations such as industrial safety, environmental protection, and staff welfares. Efforts will be made to maintain the transparency of operations to enhance the consumers’ confidence in the quality of our products.

As part of the business expansion plan, the Group will continue to explore the possibility with potential distributors for launching our branded products to other countries. The Group is open to explore further business opportunities with potential overseas distributors.

As of the date of this annual report, the Group does not have any outstanding acquisition opportunity on hand, nor is actively exploring business opportunities that may involve potential acquisition. However, the Group is open to potential investment opportunities.

對於霸王品牌產品系列，我們在每個節日為各大超市的宣傳活動特別訂制具體的宣傳口號的促銷計劃以吸引顧客，並以通過組合銷售本集團各樣品牌套裝產品的方式來增加銷售。為滿足部分富裕消費者的需求，我們將推出高端草本精華護髮產品。針對年齡介於20-30歲之間的選用國內製造產品的年輕消費者，公司為他們推出了以動漫形象設計的「藥精」新的護髮產品。公司也將會持續擴大與那些在合約賣場銷售家庭及個人護理產品專區的擁有獨家權利的一些代理商合作。本集團也可能會聘請年輕和新興的網絡紅人，通過他們的粉絲群體在網絡上推廣霸王品牌以此來擴大集團的消費群體。

因小霸王品牌兒童產品系列目前仍在發展階段，集團將致力於品牌建設，發展傳統渠道和網上銷售渠道。為加強品牌認可度，中草藥兒童護理概念的簡介將會被推出來配合門店內銷售推廣活動。

對於追風品牌產品系列，集團計劃將這些產品重新包裝後通過網上作主要銷售渠道。

對於本草堂品牌產品系列，本集團打算作出內部資源調配，並淘汰本產品系列。目前我們打算通過網上銷售渠道、團購及員工購買的方式來清理現有的庫存。

對於生產管理，為保持客戶對我們產品的滿意度，我們的理念是品質是至關重要的，而我們集團將會建立基準控制以確保生產效率，我們在經營過程中嚴格遵守各項條例，諸如工業安全條例，環境保護條例，以及員工福利條例。我們會盡最大努力使得生產透明化以加強消費者對我們產品品質的信賴。

在業務擴展計劃方面，本集團將繼續開發與潛在經銷商合作，把我們的品牌推廣至其他國家。本集團將以開放的態度尋找與潛在的海外經銷商洽談更多的商業合作機會。

於本年度報告發佈之日，本集團並無任何正在洽談處理的收購事宜，並且暫時不會積極尋找潛在的收購機會。然而，本集團對於潛在的投資機會持開放態度。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

Liquidity, Financial Resources and Capital Structure

The Group adopts conservative financial management policies and maintains a good and solid financial position. A summary of liquidity and financial resources is set out below:

流動資金、財務資源及資本架構

本集團採用保守的理財策略並維持良好穩定的財務狀況。流動資金和財務資源概要列載如下：

		31 December 2017 於二零一七年 十二月三十一日 RMB in million 人民幣百萬元	31 December 2016 於二零一六年 十二月三十一日 RMB in million 人民幣百萬元
Cash and cash equivalents	現金及現金等價物	46.1	22.3
Total loans	貸款總額	—	5.6
Total assets	總資產	298.4	295.5
The gearing ratio ¹	資產負債率 ¹	—	1.9%

Note:

1. Calculate as total loans divided by total assets

備註：

1. 資產負債率按貸款總額除以資產總額計算

Material Acquisition and Disposal

The Group did not engage in any material acquisition or disposal of any of its subsidiaries or associates during the year under review.

重大收購及出售

於回顧年度，本集團並無重大收購或出售其附屬及聯營公司的活動。

Exposure to Fluctuations in Exchange Rates and Hedging

The operations of the Group are mainly carried out in China, with most transactions being settled in Renminbi. The reporting currency of the Group is Renminbi. During the year under review, the Group had exported its goods to Hong Kong and certain overseas countries. The transactions were settled in either Hong Kong Dollars or United States Dollars. The Group's cash and bank deposits are mostly denominated in Renminbi. The Company will pay dividends in Hong Kong Dollars if dividends are declared. In addition, the Group paid certain advertising fees in United States Dollars or Hong Kong Dollars. The Directors are of the view that the Group conducts its business transactions principally in Renminbi and thus the exchange risk at the Group's operational level is not significant. As at 31 December 2017, the Group had not issued any material financial instruments or entered into any material contracts for foreign currency hedging purposes. However, the Directors will continue to monitor the foreign exchange exposure and are prepared to take prudent measures such as hedging when required.

匯率波動風險及有關對沖

本集團主要在中國境內經營業務，大部分交易以人民幣結算，本集團的報告貨幣為人民幣。於回顧年度，本集團出口產品銷往香港以及其他海外地區，交易以港幣或美元結算。本集團大部份現金及銀行存款均以人民幣計值。倘若本公司宣派股息時，股息亦以港幣派付。此外，本集團以美元或港幣支付若干廣告費。董事認為本集團從事的業務主要是以人民幣結算的，因此外匯風險對本集團的日常經營影響並不重大。於二零一七年十二月三十一日，本集團並沒有發行任何重大金融工具或訂立任何重大合約作外匯對沖用途。然而，董事將繼續監察外匯風險，並準備在需要時採取審慎的措施，例如對沖。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2017.

Capital Commitment

As at 31 December 2017, the capital commitment of the Group amounted to approximately RMB2.7 million.

Charge of Assets

As at 31 December 2016, buildings with carrying values of approximately RMB3,927,000 (2017: Nil) were pledged to secure banking facilities granted to the Group.

Distributable Reserves

Pursuant to applicable statutory provisions of the Cayman Islands, the Company had no reserves available for distribution to the shareholders as at 31 December 2017 (2016: Nil).

Inventories

As at 31 December 2017, the Group had inventories of approximately RMB47.6 million, representing an increase of approximately 13.9% compared with approximately RMB41.8 million for 2016. Such increase was primarily due to increase in the inventory of raw materials and work in progress and a higher level of safety inventory was maintained in order to cope with the high inventory turnover in the online sales channel.

The Group adopts a prudent approach in valuing its inventory. The Group continuously monitors the inventory levels of its different raw materials, packaging materials and finished goods, and based on feedback from the sales force on the various product lines and sales figures, the management regularly identifies the inventory levels of individual inventory items to determine whether there is any slow moving or obsolete items or finished goods. On this basis, the management will devise actions to be taken in relation to such inventory prior to their obsolescence, and/or whether provision should be made.

或然負債

於二零一七年十二月三十一日，本集團並無重大或然負債。

資本承擔

於二零一七年十二月三十一日，本集團資本承擔總額約為人民幣2.7百萬元。

資產抵押

於二零一六年十二月三十一日，本集團抵押帳面價值約人民幣3,927,000元的建築物(二零一七年：無)以確保銀行給予本集團的授信額度。

可供分配儲備

根據開曼群島適用之法定條例，於二零一七年十二月三十一日，本公司並無可供分配予股東的儲備(二零一六年：無)。

存貨

截至二零一七年十二月三十一日止，本集團存貨約人民幣47.6百萬元，較二零一六年同期約人民幣41.8百萬元上升約13.9%。上升的主要原因在於原材料及半成品增加並保持較高水平的安全庫存以應對電商銷售渠道的高存貨周轉率。

本集團採用審慎的方法對存貨進行估值。本集團持續監察不同原材料，包裝材料及成品的庫存水平，並根據銷售團隊對各產品線及銷售資料的回饋，定期識別個別庫存項目的庫存水平以決定是否有任何緩慢移動或過時的物料或成品。在此基礎上，管理層將策劃這些存貨在被淘汰之前會採取的行動，以及／或者是否應該作出撥備。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

Trade Receivables

As at 31 December 2017, the Group had trade receivables of approximately RMB41.5 million, representing a decrease of approximately 6.3% compared with approximately RMB44.3 million for 2016. Such decrease was primarily due to the increase in sales through online channel and the collection period for online channel being shorter than those of retailer and distributor channels.

Some of the Group's sales are made on credit, trade receivables are resulted when the goods and titles have been delivered and passed, respectively. The management regularly reviews the credit quality of the Group's customers and their partners to evaluate whether provision should be made.

Trade and Other Payables

As at 31 December 2017, the trade and other payables of the Group was approximately RMB117.4 million (2016: RMB127.1 million). The decrease was primarily due to a significant decrease in promotion fee payables. For the two years ended 31 December 2017, trade and other payables did not include any balances due to related parties.

Human Resources

To provide incentive to the employees of the Group, the Group is committed to staff training and development under any economic circumstances. The Group maintains a good relationship with its employees. The Group will continue to invest in our human capital so as to retain a quality workforce to achieve our organisational goal.

In 2017, the Group organised various in-house training classes to strengthen the soft skills of our staff members such as time management, stress management, and leadership development. Apart from these in-house courses, the Group also required our department managers to attend external courses on reward and compensation, and motivation, we required our senior sales and marketing staff to attend brand positioning strategy course, and we required our finance and accounting staff members to attend seminars about the latest accounting standards, taxation practices and budgetary control.

應收款項

截至二零一七年十二月三十一日止，本集團的應收款項約為人民幣41.5百萬元，較二零一六年同期約人民幣44.3百萬元下降約6.3%。主要原因在於通過電商渠道的銷售增加並且電商渠道的賒銷貨款回收週期比零售商和分銷商渠道短。

本集團部分銷售以信貸形式進行，應收賬款於貨品交付及擁有權轉移時確認。管理層定期檢討本集團客戶及其合作夥伴的信貸質素，以評估是否應作出撥備。

貿易及其他應付款項

於二零一七年十二月三十一日，本集團貿易及其他應付款項約為人民幣117.4百萬元(二零一六年：人民幣127.1百萬元)，這個下降主要是由於應付促銷費的大幅下降。截至二零一七年十二月三十一日止的兩個年度，貿易及其他應付款項並無任何應付關聯方的結餘。

人力資源

為了激勵本集團的員工，本集團承諾在任何經濟環境下都為員工提供培訓和發展。本集團與員工關係一向良好。我們將繼續投資人力資本，以保持一個高素質的員工團隊，協助我們實現組織目標。

在二零一七年，本集團舉辦了多項內部培訓課程，以增強我們工作人員的軟技能，例如：時間管理、壓力管理和領導能力發展等。除此之外，本集團還要求部門經理參加有關獎勵和激勵的外部培訓課程。我們要求高級市場策劃人員參加品牌定位策略培訓課程，也要求財務人員參加有關最新會計準則、稅務實踐以及預算控制方面的研討會。

Management Discussion and Analysis (Continued)

管理層討論及分析(續)

As at 31 December 2017, the Group employed approximately 1,127 employees (31 December 2016: 1,335), consisting of full-time employees and contract personnel in the PRC and Hong Kong. The total personnel expenses, comprising wages, salaries and benefits, amounted to RMB53.0 million for 2017 (31 December 2016: RMB48.1 million).

The following table sets forth a breakdown of the total headcount of our employees and outsourcing personnel as at 31 December 2017 and 2016:

於二零一七年十二月三十一日，本集團僱用大約1,127名員工(二零一六年十二月三十一日：1,335)，其中包括在中國和香港的全職員工以及合約僱員。人事總開支包括工資、薪金和福利，於二零一七年為人民幣53.0百萬元(二零一六年十二月三十一日：人民幣48.1百萬元)。

下表載列於二零一七年十二月三十一日及二零一六年十二月三十一日我們的總僱員及外包人員的明細：

		31 December 2017 於二零一七年 十二月三十一日	31 December 2016 於二零一六年 十二月三十一日
Full-time employees	全職僱員	185	207
Contract personnel	合約僱員		
— Sales persons	— 促銷員	547	697
— Others	— 其他	395	431
Total employees	總僱員人數	1,127	1,335

The employees' remuneration, promotion and salary review are based on individual job responsibilities, work performances, professional experiences and the prevailing industry practices.

本集團的員工薪酬、晉升及工資是按照各人的工作責任、工作表現、專業經驗及行業標準來釐定的。

Our employees in the PRC and Hong Kong join social insurance contribution plans and mandatory provident fund scheme respectively. Other benefits include performance-based incentive bonus scheme and share options granted or to be granted under the share option schemes.

本集團於中國及香港的員工分別參加社會保障計劃和香港強制性公積金計劃。其他福利包括按工作表現釐定的獎金花紅計劃和購股權計劃下已授出或將會授出的購股權。

The Directors believe that the Group's human resources policies play a crucial part in the further development of the Group. Promising career prospects, good staff remuneration and benefits as well as pleasant working environment are essential factors for maintenance of a stable workforce for the Group.

董事們相信本集團之人力資源政策對集團未來發展擔當着重要角色。良好的職業前景、優厚的員工薪酬福利以及舒適的工作環境，可以使本集團維持一支穩定的工作團隊。

Corporate Governance Report

企業管治報告

The Corporate Governance Code and the Corporate Governance Report

The Company is committed to enhancing the corporate governance and internal control systems of the Group, and the Board reviews and updates all necessary measures in order to promote good corporate governance and effective internal control. Save as mentioned in this annual report, the Board is of the view that the Company has complied with the principles and applicable code provisions of the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the year ended 31 December 2017.

According to code provision A.5.1 of the Corporate Governance Code, the Nomination Committee should comprise a majority of independent non-executive Directors. During the period from 22 November 2017 and prior to the appointment of Mr. CHEUNG Kin Wing to the Nomination Committee on 14 February 2018, the Company did not comply with the said code provision. Such non-compliance was due to the passing-away of an independent non-executive Director, the time needed to identify suitable candidates who have appropriate expertise and who also satisfy the Company’s board diversity policy to serve as an independent non-executive Director, the time needed to conduct the due diligence checks on and interviews with the potential independent non-executive Director candidates, and also the time needed to undertake the nomination and appointment procedures.

Model Code for Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as contained in Appendix 10 to the Listing Rules as the standards for the directors’ dealings in the securities of the Company. Having made specific enquiry with all Directors, the Company confirms that the Directors have complied with the required standard set out in the Model Code throughout the year under review.

企業管治守則及企業管治報告

本公司致力於提高本集團的企業管治水平和內部控制，董事會則檢討及更新所有必要的措施以更好的促進企業管治和有效的內部控制。除本年度報告所提及者外，董事會認為，截止二零一七年十二月三十一日，本公司一直遵守香港聯合交易所證券上市規則（「**上市規則**」）附錄十四所載企業管治守則以及守則所載適用的守則條文。

根據《企業管治守則》條文A5.1，提名委員會應該由大多數的獨立非執行董事組成，於二零一七年十一月二十二日開始至二零一八年二月十四日張建榮先生被任命為薪酬委員之前，本公司未能遵守該項條文，此不遵守是由於其中一位獨立非執行董事的辭世，而公司需要時間物色擁有合適經驗及符合本公司董事會多元化政策的候選人，而公司亦需要時間向該等潛在獨董人選進行盡職調查審核及訪談，也需要時間完成提名及委任程序。

董事進行證券交易的標準守則

本公司已採納上市規則附錄十所載《上市發行人之董事進行證券交易的標準守則》（「**標準守則**」），作為董事進行證券交易的行為守則。向董事進行特定查詢後，公司確認所有董事已於回顧年度內一直遵守標準守則所載的規定標準。

Corporate Governance Report (Continued)

企業管治報告(續)

Board of Directors

As at 31 December 2017, the Board comprised five members, including the Chairman, Mr. CHEN Qiyuan, the Chief Executive Officer, Mr. CHEN Zheng He (the “CEO”), the Chief Financial Officer and two independent non-executive Directors. Biographical details of the Directors are set out in the section headed Directors and Senior Management on pages 56 to 60 of this annual report.

The Board is responsible for approving and monitoring the Group's strategies and policies, approving annual budgets and business plans, evaluating the performance of the Group and supervising the work of management. The management is responsible for the daily operations of the Group under the leadership of the CEO.

The Board has delegated a schedule of responsibilities to the executive Directors and senior management of the Company. These responsibilities include implementing decisions of the Board and directing and co-ordinating day-to-day operation and management of the Group. The Board reviews these arrangements periodically to ensure such arrangements remain appropriate to the Group's needs.

On 22 November 2017, Mr. LI Bida, an independent non-executive Director, passed away and ceased to be an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit and Risk Management Committee.

As a result, as at 31 December 2017, the Company only had two independent non-executive Directors, and the compositions of its Board, the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee fell below the applicable requirements under the Listing Rules and/or the applicable code provisions of the Corporate Governance Code.

On 14 February 2018, Mr. CHEUNG Kin Wing, an independent non-executive Director of the Company, was appointed as the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. Notwithstanding such appointment, the Company only had two independent non-executive Directors and the Audit and Risk Management Committee only has two members, which did not comply with the applicable requirements under Rules 3.10(1) and 3.21 of the Listing Rules.

董事會

於二零一七年十二月三十一日，董事會由五位成員組成，其中包括主席陳啟源先生、首席執行官陳正鶴先生（「首席執行官」）、首席財務官及兩位獨立非執行董事。各董事之履歷列載於本年度報告第56頁至第60頁董事及高級管理層簡介。

董事會負責批准及監察本集團的整體策略及政策、批准年度預算及業務計劃、評估本集團表現、以及監督管理層的工作。管理層在行政總裁的領導下負責集團日常業務。

董事會已將一部分責任書面轉授予本公司執行董事及公司的高級管理層。該等責任包括：執行董事會的決定，指示及協調本集團的日常運作及管理。董事會定期對上述安排作出檢討，以確保該安排符合本集團的需要。

於二零一七年十一月二十二日，本公司獨立非執行董事李必達先生逝世，並停止擔任本公司獨立非執行董事，薪酬委員會主席以及提名委員會和審核及風險管理委員會的成員。

因此，於二零一七年十二月三十一日，本公司只有兩名獨立非執行董事，而董事會、審核及風險管理委員會、薪酬委員會和提名委員會成員的構成低於上市規則的要求和/或在《企業管治守則》適用守則條文的規定。

於二零一八年二月十四日，本公司一名獨立非執行董事張建榮先生被任命為薪酬委員會主席和提名委員會成員。然而，在該任命之後，公司依然只有兩名獨立非執行董事和兩名審核及風險管理委員會成員，仍不符合上市規則第3.10(1)和3.21條的適用要求。

Corporate Governance Report (Continued)

企業管治報告(續)

The Company had applied to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for, and the Stock Exchange had granted to the Company, a waiver from strict compliance with Rules 3.10(1) and 3.21 of the Listing Rules during the period from 22 February 2018 to 22 May 2018.

Notwithstanding the Audit and Risk Management Committee consisting of only two independent non-executive Directors as at 31 December 2017, the Board considered that the current members of the Audit and Risk Management Committee, who are both professional accountants and are experienced in matters relating to auditing and/or accounting, risk management and internal control and also act as independent non-executive directors of other listed companies, continue to be well supported by the senior management of the Company to perform their duties (including in particular their review of the annual results of the Group for the year ended 31 December 2017 and the financial reporting process and risk management control systems of the Company).

On 17 April 2018, the Company appointed Dr. WANG Qi as an independent non-executive Director of the Company and a member of the Audit and Risk Management Committee. The Company has re-complied with Rules 3.10(1) and 3.21 of the Listing Rules on the same date.

To satisfy the independence requirement of the independent non-executive Directors, the Board must determine that the independent non-executive Director does not have any direct or indirect material relationship with the Group. The Board follows the requirements set out in the Listing Rules to determine the independence of Directors. Independent non-executive Directors are appointed for a term of 3 years.

The roles of the Chairman and the CEO are separated in order to reinforce their independence and accountability. Except that the CEO, Mr. CHEN Zheng He, is the son of Mr. CHEN Qiyuan, the Directors are not otherwise related to each other.

The Board held 12 meetings in 2017. Each of Mr. CHEN Qiyuan, Mr. CHEN Zheng He, Mr. WONG Sin Yung, Dr. NGAI Wai Fung and Mr. CHEUNG Kin Wing attended all meetings. Mr. LI Bida attended 11 meetings during the time in which he was a Director.

本公司已向香港聯合交易所有限公司(「聯交所」)申請，而聯交所亦向本公司授出豁免，豁免本公司由二零一八年二月二十二日起至二零一八年五月二十二日止免於嚴格遵守上市規則第3.10(1)及3.21條的規定。

儘管審核及風險管理委員會於二零一七年十二月三十一日只由兩名獨立非執行董事組成，董事會認為當前審核及風險管理委員會的成員都是專業的會計師及在審計和會計、風險管理和內部控制方面擁有豐富經驗，彼亦作為其他上市公司的獨立非執行董事，並繼續在公司管理層的大力支持下履行其職責(包括尤其是他們對截至二零一七年十二月三十一日止集團年度業績的審查以及檢討公司財務報告流程和風險管理控制系統)。

於二零一八年四月十七日，王琦博士被任命為本公司的獨立非執行董事以及審核及風險管理委員會之成員，而本公司亦重新符合上市規則第3.10(1)及3.21條的適用要求。

為了滿足獨立非執行董事的獨立性要求，獨立非執行董事須經董事會確定與本集團並無任何直接或間接的重大關係。董事會按照上市規則的規定，以確定董事的獨立性。獨立非執行董事的任期為三年一屆。

主席及首席執行官職責分開，以加強他們的獨立性和問責性。除首席執行官陳正鶴先生是主席陳啟源先生的兒子外，董事之間概無其他關係。

二零一七年期間，董事會召開了十二次會議。陳啟源先生、陳正鶴先生、黃善榕先生、魏偉峰博士和張建榮先生均有出席上述所有會議。而李必達先生於其擔任董事期間出席了十一次會議。

Corporate Governance Report (Continued)

企業管治報告(續)

The Company has adopted the board diversity policy (the “**Diversity Policy**”) as required by the Corporate Governance Code and has taken into account the diversity of the Board when selecting the candidates from a number of perspectives as stated in the Diversity Policy as published on the Company’s webpage. The Nomination Committee will monitor the implementation of the Diversity Policy and has followed the Diversity Policy in the nomination of the new independent non-executive director.

Remuneration of Directors and Chief Executive

Details of the remuneration of each Director and the Chief Executive for the year ended 31 December 2017 are set out in note 15 to the consolidated financial statements. Other than the Directors and the Chief Executive, there is no other member of senior management.

Directors’ Training

Under Code Provision A.6.5 of the Corporate Governance Code, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for directors are arranged and reading materials on relevant topics are issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company’s expenses.

During the year ended 31 December 2017, all Directors as at 31 December 2017 (being Mr. CHEN Qiyuan, Mr. CHEN Zheng He, Mr. WONG Sin Yung, Dr. NGAI Wai Fung, Mr. LI Bida (up to 22 November 2017) and Mr. CHEUNG Kin Wing) received regular updates on the Group’s business, operations, risk management and corporate governance matters, and participated in the directors’ training offered by professional body or arranged by the Company. Materials on new or changes to salient laws and regulations applicable to the Group were provided to the Directors. Directors are requested to provide their records of training they received to the Company Secretary for record.

根據《企業管治守則》要求，本公司已採納董事會多樣性政策(「**多樣性政策**」)並已將其在公司的網站上發佈，以及在遴選董事候選人時從多個方面考慮多樣性政策中所述的董事會成員多元化。提名委員會將監察多樣性政策的實施並在提名新獨立非執行董事時依隨該政策。

董事及最高行政人員薪酬

截至二零一七年十二月三十一日止年度有關各董事及最高行政人員薪酬的詳情載於綜合財務報表附註15。除董事及最高行政人員外，並無其他高級管理層成員。

董事培訓

根據《企業管治守則》守則條文第A.6.5條，董事須參與合適的持續職業發展，以提高及更新其知識及技能，以確保繼續在具備全面資訊及切合所需的情況下向董事會作出貢獻。本公司於適當時為董事安排內部用簡報，並就有關主題刊發閱讀材料。本公司鼓勵所有董事參加相關培訓課程，費用由本公司支付。

截至二零一七年十二月三十一日止年度，全體董事於二零一七年十二月三十一日(即陳啟源先生、陳正鶴先生、黃善裕先生、魏偉峰博士、李必達先生(截至二零一七年十一月二十二日)及張建榮先生)均定期接收有關本集團業務、營運、風險管理及企業管治事宜的簡報及更新，以及參與由專業機構提供或本公司安排的培訓。董事獲提供適用於本集團的新訂重點法律及條例或重要法律及條例之變動。董事須向公司秘書提供彼等所接受培訓的記錄以作存檔。

Corporate Governance Report (Continued)

企業管治報告(續)

Remuneration Committee

The Remuneration Committee comprises our executive Director, Mr. CHEN Zheng He, and our two independent non-executive Directors, Mr. CHEUNG Kin Wing (appointed on 14 February 2018) and Dr. NGAI Wai Fung. Mr. CHEUNG Kin Wing is the chairperson of the Remuneration Committee since 14 February 2018. Mr. LI Bida was the chairperson of the Remuneration Committee before he passed away on 22 November 2017. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensures that none of our Directors determine their own remuneration. If necessary, the Remuneration Committee will have access to independent advice.

The Remuneration Committee held one meeting in 2017. Each of Mr. CHEN Zheng He, Mr. LI Bida, Dr. NGAI Wai Fung attended the said meeting.

During the meeting, the Remuneration Committee discussed the remuneration structure of the Directors.

Nomination Committee

The Nomination Committee comprises our executive Director, Mr. CHEN Qiyuan, and our two independent non-executive Directors, Mr. CHEUNG Kin Wing (appointed on 14 February 2018) and Dr. NGAI Wai Fung. Mr. LI Bida was a member of the Nomination Committee before he passed away on 22 November 2017. Mr. CHEN Qiyuan is the chairperson of the Nomination Committee. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and to make recommendations to the Board regarding candidates to fill vacancies on the Board and the re-election of Directors.

The Nomination Committee held one meeting in 2017. During the meeting, the committee members reviewed the senior management structure of the Group and the re-election of Directors. All committee members attended the said meeting. The members of the Nomination Committee also discussed the potential candidates for independent non-executive director after Mr. LI Bida had passed away.

薪酬委員會

薪酬委員會由我們的執行董事陳正鶴先生及兩名獨立非執行董事，即張建榮先生及魏偉峰博士組成。張建榮先生自二零一八年二月十四日起為薪酬委員會主席。在李必達先生於二零一七年十一月二十二日逝世前，他為薪酬委員會主席。薪酬委員會的主要職責乃就本集團全體董事及高級管理人員的整體薪酬政策及架構向董事會作出推薦建議；審閱通過表現而釐定的薪酬；以及確保我們的董事概無釐訂本身的薪酬。如有需要，薪酬委員會可以獲得獨立意見。

二零一七年期間，薪酬委員會召開一次會議。陳正鶴先生、李必達先生及魏偉峰博士均有出席該會議。

在該會議中，薪酬委員會討論了董事的薪酬架構。

提名委員會

提名委員會由我們的執行董事陳啟源先生及兩名獨立非執行董事，即張建榮先生(自二零一七年二月十四日起成為成員)及魏偉峰博士組成。在李必達先生於二零一七年十一月二十二日逝世前，他為提名委員會成員。陳啟源先生為提名委員會主席。提名委員會的主要職責為檢討董事會架構、人數和組成及就填補董事會空缺及重選向董事會作出推薦建議。

二零一七年期間，提名委員會召開一次會議。會議期間，本委員會成員已審閱本集團高級管理層架構以及董事膺選連任事項。所有委員均有出席該會議。於李必達先生逝世後，提名委員會成員亦有對新獨立非執行董事人選進行討論。

Corporate Governance Report (Continued)

企業管治報告(續)

Audit and Risk Management Committee

As at 31 December 2017, the Audit and Risk Management Committee comprises two independent non-executive Directors, both of whom possess the appropriate business and financial experience and skills to understand the accounts of the Group. Mr. LI Bida was a member of the Audit and Risk Management Committee before he passed away on 22 November 2017. The Audit and Risk Management Committee is chaired by Dr. NGAI Wai Fung and the other member is Mr. CHEUNG Kin Wing. Save as mentioned in this annual report, the Audit and Risk Management Committee was formed in compliance with Rule 3.21 of the Listing Rules to review and supervise the financial reporting process and risk management and internal control systems of the Company.

The written terms of reference which describes the authority and duties of the Audit and Risk Management Committee were prepared and adopted in accordance with the Listing Rules. The Audit and Risk Management Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of risk management and internal control systems of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determines necessary and to perform investigations.

During the year, the Audit and Risk Management Committee has performed the following:

- met with the external auditor to discuss the general scope and findings of their annual audit and interim review work;
- reviewed and recommended to the Board for approval of the external auditor's remuneration;
- made recommendations to the Board on the reappointment of the external auditor;
- reviewed the external auditor's independence, objectivity and the effectiveness of the auditing process;
- reviewed the annual and interim reports and annual and interim results announcements of the Company;
- reviewed the effectiveness and the implementation of the Group's internal audit and risk management function;

審核及風險管理委員會

於二零一七年十二月三十一日，審核及風險管理委員會包括兩位獨立非執行董事，他們均具備了解財務報表所需的商業與財務技巧與經驗。在李必達先生於二零一七年十一月二十二日逝世前，他為審核及風險管理委員會成員。委員會由魏偉峰博士擔任主席，另一位成員為張建榮先生。除本年度報告所提及者外，審核及風險管理委員會是根據上市規則第3.21條成立，負責審閱及監督本公司財務報告程序及風險管理及內部監控系統。

審核及風險管理委員會之書面職權範圍列明審核委員會之權力與職責，乃參照上市規則而編製和採納的。審核及風險管理委員會之職責，其中包括監察與外聘核數師的關係、審閱集團的中期業績與年度業績、檢討集團風險管理及內部控制系統的範疇、規限與有效性，審閱集團所採用的會計政策及慣例，在認為有需要時委聘獨立的法律或其他顧問，以及進行調查。

在本年度內，審核及風險管理委員會進行了下列各項工作：

- 與外聘核數師討論其年度核數和中期審閱工作的一般範疇和結果；
- 檢討外聘核數師酬金並建議董事會予以批准；
- 就重新委任外聘核數師事宜，向董事會提出建議；
- 檢討外聘核數師的獨立性、客觀性和核數程序的有效性；
- 審閱本公司年度報告和中期報告以及年度和中期業績公告；
- 檢討本集團內部監控及風險管理的功能的有效性和履行；

Corporate Governance Report (Continued)

企業管治報告(續)

- discussed auditing, internal control, risk management and financial reporting matters of the Company before recommending them to the Board for approval; and
- reviewed the connected transactions entered into by the Group.

The Audit and Risk Management Committee has reviewed the annual report with the management and the external auditors and recommended its adoption by the Board.

All issues raised by the external auditor and the Audit and Risk Management Committee have been addressed by the senior management of the Company. The work and findings of the Audit and Risk Management Committee have been reported to the Board. During the year, no issues were brought to the attention of the senior management of the Company and the Board of sufficient significance for disclosure in this annual report.

The Audit and Risk Management Committee held three meetings in 2017. Each of Dr. NGAI Wai Fung, Mr. LI Bida and Mr. CHEUNG Kin Wing had attended all three meetings.

Corporate Governance Functions

The Audit and Risk Management Committee is responsible for performing the functions set out in the Code Provision D.3.1 of the Corporate Governance Code.

During the year under review, the Audit and Risk Management Committee met once to review the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements and the compliance of the Company with the Corporate Governance Code and disclosure in this Corporate Governance Report.

- 就本公司審核、內部監控、風險管理制度和財務報告事項，於建議董事會予以批准前進行討論；及

- 審閱本集團訂立的關連交易。

審核及風險管理委員會已與管理層和外部核數師審閱年度報告，並建議董事會採納。

高級管理層已就外聘核數師和審核及風險管理委員會提出的所有問題作出回應。審核及風險管理委員會的工作和結果已經向董事會匯報。本年度內，需要高級管理層和董事會注意的問題之重要性不足以在本年度報告內作出有關披露。

於二零一七年期間，審核及風險管理委員會召開三次會議。魏偉峰博士、李必達先生和張建榮先生均有出席上述三次會議。

企業管治職能

審核及風險管理委員會負責履行《企業管治守則》守則條文第D.3.1條所載的職能。

於回顧年度內，審核及風險管理委員會曾舉行一次會議，審閱本公司的企業管治政策及常規、董事及高級管理層的培訓及持續職業發展、本公司在遵守法律及監管規定方面的政策及常規及遵守《企業管治守則》的情況以及於本企業管治報告內的披露。

Corporate Governance Report (Continued)

企業管治報告(續)

Directors' responsibilities for financial statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company, and for ensuring that the financial statements are prepared in accordance with applicable statutory requirements and accounting standards.

A statement from the auditor of the Company about their reporting responsibilities on the financial statements of the Group for the year ended 31 December 2017, is set out on pages 61 to 67 of the annual report.

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.

Internal control and risk management

The Board is responsible for making appropriate assertions on the adequacy and the effectiveness of the risk management and internal control systems and procedures and to resolve material internal control defects. The Board together with the senior management of the Group are jointly responsible for maintaining a sound and effective system of internal control of the Group so as to ensure the effectiveness and efficiency of operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations.

During the year under review, the management of the Group, through its daily management activities, gathers information on the Group's business, receives reports from the internal control function of the Group, and analyses feedback from frontline and back office staff to identify risks in the Group's business, operation, financial conditions and future expansion plans. Significant risks that are identified are presented to the Audit and Risk Management Committee of the Board on an ongoing basis.

The Audit and Risk Management Committee of the Board is responsible for reviewing reports and proposals submitted. The Audit and Risk Management Committee will consider such risks and recommend to the Board measures that should be taken to address them. Where appropriate, management of the Group will assist the Audit and Risk Management Committee in submitting proposals to the Board to address risks faced by the Group.

董事對財務報表的責任

董事知悉須負責編製本公司財務報表，確保財務報表遵照適用的法定要求及會計準則編製。

本公司核數師就其對本集團截至二零一七年十二月三十一日止年度綜合財務報表的申報責任所做的聲明載於本年度報告第61至67頁。

並無若干事項或情況之重大不明朗因素可能對本公司持續經營的能力產生重大疑問。

內部監控及風險管理

董事會負責對風險管理及內部監控系統及程序是否充分及有效作出適當的聲明，並透過轄下的審核及風險管理委員會定期檢討該等制度是否有效以及解決嚴重內部監控缺失。董事會與集團的高級管理層對維持一套屬於本集團的、穩健妥善而且有效的內部監控制度有著共同的責任，而該系統確保本集團能有效地以高效率營運，藉以達成企業目標、保障本集團資產、提供可靠的財務申報以及遵守適用的法律及規例。

於回顧年度內，集團的管理層透過其日常管理職能、從集團內部監控功能所獲得的報告、以及從前線及後勤員工所獲得有關集團的業務、營運、財務狀況及未來發展的信息作出分析，並持續地將識別出的重大風險向董事會轄下的審核及風險管理委員會匯報。

審核及風險管理委員會負責審閱其收到的報告及建議，並會對此等風險作出評估及向董事會建議應採取的措施。在適當的情況下，集團的管理層亦會協助審核及風險管理委員會就集團所面對的風險而應採取的應對措施提供建議。

Corporate Governance Report (Continued)

企業管治報告(續)

Based on the risks identified by the Group's management and the Group's internal control function, the Audit and Risk Management Committee will also regularly review and report to the Board as to whether the risk management and internal control systems of the Group are effective, whether there are adequate resources (including budgetary support for the Group's accounting, internal audit and financial reporting functions, staff with adequate qualification and experience) for the implementation of the Group's risk management and internal control systems, and whether measures are in place to ensure that the staff are suitably trained for this purpose. The Directors will then collectively decide on what actions should be taken.

During the year under review, the Board has reviewed the effectiveness of the risk management and internal control systems of the Group covering all material controls such as financial, operational and compliance controls. The Board considers that these systems and controls are well established to suit the Group's needs and are effective and adequate.

The Directors recognise that the Group's risk management and control systems are designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Handling and disclosure of inside information

With respect to procedures and internal controls for the handling and dissemination of inside information (as defined under the Listing Rules), the Company is fully aware of its obligations under Chapter 13 of the Listing Rules and the Securities and Futures Ordinance. The Board reviews from time to time its internal guidelines on inside information with reference to its own and industry circumstances and also makes reference the "Guide on Disclosure of Inside Information" issued by the Securities and Futures Commission in considering its obligations to make a disclosure. The Company's policy strictly prohibits unauthorised use or dissemination of confidential or inside information and has established and implemented procedures for responding to external enquiries about the Group's affairs, including the provision of an email address for external enquiries. The Company Secretary also regularly sends out reminders to the directors, senior management and employees reminding them of their obligations with respect to inside information under the relevant statutory provisions and Listing Rules.

以集團管理層以及內部審核功能所識別的風險作為基礎，審核及風險管理委員會亦會定期檢討並向董事會匯報內部審核功能是否有效、提供予內部監控功能以及實行風險管理及內部監控系統及程序的資源(包括本集團在會計、內部監控及財務匯報功能的預算安排、適當資歷及經驗的員工的數量)是否足夠、以及評估現行員工是否有接受適當的培訓以履行其職責。其後，董事們將共同決定應採取何種行動。

於回顧年度內，董事會已完成檢討集團的風險管理及內部監控系統，包括所有重要的監控方面例如財務監控、運作監控及合規監控。董事會在檢討後認為該等系統以及內部監控是行之有效，符合集團需要，並且是有效和足夠的。

董事承認集團的風險管理及內部監控系統旨在管理而非消除未能達成業務目標的風險，而且只能就不會有重大的失實陳述或損失作出合理而非絕對的保證。

內幕消息的處理及發佈

在處理及發佈內幕消息(其定義與上市規則下的定義相同)的程序及內部監控方面，本公司完全瞭解其於上市規則第十三章以及《證券及期貨條例》下的責任。本公司不時參考自身與行業狀況以及證監會頒佈的《內幕消息披露指引》，檢討關於內幕消息或可能屬於股價敏感性質資料的內部指引。本公司的政策嚴禁未經授權使用機密或內幕消息，並已設立與實施有關外界對本集團事務進行查詢的回應程序，包括向投資者提供電子郵箱以作查詢。本公司的公司秘書亦會定期向公司的董事、高級管理層以及員工作出提示，以提醒他們在上市規則以及相關法律條文下對內幕消息的相關要求。

Corporate Governance Report (Continued)

企業管治報告(續)

All media communication activities are restricted to persons appointed by the Board for the role in order to protect the interests of the Company and keep inside information strictly confidential prior to its disclosure.

董事會規定只能由董事會特別委任的人士參與與媒體的溝通活動，以保障本公司利益以及確保內幕消息披露前絕對保密。

Investor Relations and Communication with Shareholders

The Company establishes different communication channels with shareholders and investors: (i) dispatching printed copies of corporate communication documents to shareholders; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) latest and key information of the Group are available on the website of the Company; (iv) press conferences and briefing meetings with investors, shareholders and analysts are set up from time to time to provide updated information about the Group, and; (v) the Company's registrars serve the shareholders in respect of all share registration matters. The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. The Chairman of the Board as well as the Chairmen and/or other members of the Audit and Risk Management Committee and the Remuneration Committee will normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised.

投資者關係及股東通訊

本公司與股東及投資者建立不同的通訊途徑：(i)送遞公司通訊文件之印刷本予股東；(ii)股東可於股東週年大會上發表建議及與董事交換意見；(iii)本公司網頁載有集團之最新及重要資訊；(iv)本公司不時召開新聞發佈會，及投資者、股東和分析員簡佈會以提供本集團最新資料，及(v)本公司之股份過戶處就股份登記事宜為股東提供服務。董事會歡迎股東提出意見，並鼓勵彼等出席股東大會以直接就其對董事會或管理層的任何存疑作出提問。董事會主席及審核及風險管理委員會及薪酬委員會主席及/或其他成員一般會出席本公司股東週年大會及其他股東大會，解答股東的提問。

The Company convened one shareholders' general meeting in 2017, being the Annual General Meeting (the "AGM") for the year 2016. The AGM held on 26 May 2017 reviewed and approved numerous resolutions such as the financial statements for the year 2016, Report of Directors and appointment and remuneration of auditors of the Company. All the Directors, namely Mr. CHEN Qiyuan, Mr. CHEN Zheng He, Mr. WONG Sin Yung, Dr. NGAI Wai Fung and Mr. CHEUNG Kin Wing, and Mr. LI Bida, a former independent non-executive Director have attended the AGM of the Company.

本公司於二零一七年召開一次股東大會，為二零一六年度股東週年大會（「股東週年大會」）。於二零一七年五月二十六日召開的股東週年大會審議通過了二零一六年財務報告、董事報告書及核數師聘任及酬金等多項議案。所有董事，即陳啟源先生、陳正鶴先生、黃善榕先生、魏偉峰博士、張建榮先生，以及前任獨立非執行董事李必達先生均有出席公司的股東週年大會。

Company Secretary

The company secretary is Mr. WONG Sin Yung, an associate member of Hong Kong Institute of Certified Public Accountants. Mr. WONG is also our executive Director and Chief Financial Officer. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed.

公司秘書

公司秘書黃善榕先生是香港註冊會計師公會之會員。黃先生亦為本公司之執行董事兼財務總監。他協助董事會以確保董事會內信息得以傳遞，以及董事會的政策及程序得到遵守。

Corporate Governance Report (Continued)

企業管治報告(續)

In compliance with Rule 3.29 of the Listing Rules, Mr. WONG has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2017.

為遵守上市規則第3.29條規定，黃先生於截至二零一七年十二月三十一日止年度內參加了不少於15小時的相關專業培訓。

Shareholders' Rights

Pursuant to the articles of association of the Company (the "Articles"), shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board.

Contact details are as follows:

Address: Suite B, 16/F Ritz Plaza,
122 Austin Road,
Tsimshatsui, Kowloon, Hong Kong
(For the attention of Mr. WONG Sin Yung,
Company Secretary)
Fax: +852 3114 8819
Email: IR@1338.hk

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

Auditors' Remuneration

The remuneration paid (payable) to the Company's independent external auditor, SHINEWING (HK) CPA Limited, for the year ended 31 December 2017 in relation to audit services and non-audit services (including the review of the Company's interim results announcement and interim report for the year 2017) are approximately RMB1,025,000 and RMB216,000 respectively.

股東權利

根據本公司組織章程(「組織章程」)，持有不少於十分之一本公司附有股東大會投票權的繳足股本的股東可要求本公司召開股東特別大會，方法為向董事會或公司秘書發出書面要求。

股東可向本公司寄發書面查詢或建議以向董事會作出任何查詢。

聯絡詳情如下：

地址：香港九龍尖沙咀
柯士甸道122號
麗斯中心16樓B室
(收件人為公司秘書
黃善榕先生)
傳真：+852 3114 8819
電子郵件：IR@1338.hk

在回顧年度內，本公司並無對其組織章程作出任何變動。組織章程的最新版本可在本公司網站及聯交所網站查閱。股東亦可參考組織章程以取得有關其權利的詳情。

核數師薪酬

截至二零一七年十二月三十一日止年度，本公司已付/應付外聘獨立核數信永中和(香港)會計師事務所有限公司所有關核數服務及非核數服務(包括審閱本公司二零一七年度中期業績公告及中期報告)的薪酬分別約為人民幣1,025,000元和人民幣216,000元。

Report of the Directors

董事會報告

The Directors submit this Report of Directors together with the audited consolidated financial statements for the year ended 31 December 2017.

Principal Activities

The principal activities of the Group are the designing, manufacturing, trading and distribution of Chinese herbal products, including shampoo products, hair-care products, skin-care products, and household cleaning products. The principal activities and other particulars of the subsidiaries are set out on pages 165 to 166 of this annual report.

Dividends

Following a review of the operating results of the Group, the Board does not recommend the payment of any final dividends in respect of the year ended 31 December 2017.

Results and Appropriations

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 68 of this annual report.

Reserves

Details of the movements in the reserves of the Group and the Company during the financial year 2017 are set out on pages 71 and 150 of this annual report respectively.

Major Customers and Suppliers

During the year ended 31 December 2017, sales made to the Group's five largest customers and the largest customer accounted for approximately 16.2% and 5.3%, respectively of the total sales of the Group. The Group purchased approximately 45.9% and 19.3%, respectively of its goods and services from its five largest suppliers and the largest supplier.

董事呈列董事會報告，連同截至二零一七年十二月三十一日止年度的經審核綜合財務報表。

主要業務

本集團之主要業務是設計、製造、銷售中草藥產品，包括洗髮產品、護髮產品、護膚產品以及家庭清潔產品。各附屬公司之主要業務及其他詳情載列於本年度報告第165至166頁。

派息

根據本集團經營業績的回顧，董事會不建議派發關於截至二零一七年十二月三十一日止年度的任何末期股息。

業績及分配

本年度截至二零一七年十二月三十一日止年度之集團業績載於本年度報告第68頁之綜合損益表內。

儲備

有關本集團及本公司於二零一七年財政年度的儲備變動，詳情分別載於本年度報告第71及150頁。

主要客戶及供應商

截至二零一七年十二月三十一日止年度，本集團向五大客戶及最大客戶銷售所得的銷售額分別佔本集團總銷售額約16.2%及5.3%。本集團向五大供應商及最大供應商採購的貨物及服務分別佔其採購的45.9%和19.3%。

Report of the Directors (Continued)

董事會報告(續)

Save for Guangzhou Chenming Paper Products Company Limited (“**Chenming Paper**”), which is one of the Group’s suppliers and is wholly owned by Mr. CHEN Qiwen, the brother of Mr. CHEN Qiyuan (a Director of the Company), none of the Directors, their associates or any shareholder of the Company, which, to the best knowledge of the Directors, owns more than 5% of the Company’s issued share capital had any interest in the share capital of the Group’s five largest customers or five largest suppliers. The total purchase amount from Chenming Paper by the Group accounted for approximately 5.0% of the total purchase of the Group for the year ended 31 December 2017.

除本集團其中一名供應商，廣州晨明紙品有限公司(以下簡稱「**晨明紙品**」)(由本公司董事陳啟源先生之胞弟陳啟文先生全資擁有)外，本公司之董事、彼等之聯繫人士或任何股東(據董事所知持有本公司發行股本5%以上者)概無於本年度任何時間擁有該等五大客戶或五大供應商之任何權益。本集團向晨明紙品的總採購金額約佔本集團截至二零一七年十二月三十一日止年度之總採購金額的約5.0%。

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 167 of this annual report.

財務概要

本集團於最近五個財政年度之業績及資產與負債概要載於本年度報告第167頁。

Bank Borrowings

Please refer to note 25 of the audited consolidated financial statements for details of bank loans and other borrowings of the Group.

銀行借貸

本集團的銀行貸款及其他借貸之詳情列載於本年度經審核的合併財務報表附註25。

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

物業、廠房及設備

有關本集團物業、廠房及設備的變動，詳情載於綜合財務報表附註17。

Share Capital and Share Options

Details of the movements in the share capital of and the share options granted by the Company are set forth in notes 26 to 27 to the consolidated financial statements.

股本及購股權

有關本公司股本及已授出購股權的變動，詳情載於綜合財務報表附註26至27。

Changes in Equity

Please refer to the consolidated statement of changes in equity as contained in the audited consolidated financial statements of the year (page 71 of this annual report).

權益變動

請參閱本年度經審核的合併財務報表所列載的合併權益變動表(本年度報告第71頁)。

Report of the Directors (Continued)

董事會報告(續)

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of Cayman Islands which oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

Principal Subsidiaries

Please refer to note 35 of the audited consolidated financial statements for details of the Company's principal subsidiaries at 31 December 2017.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to issue of this annual report, the Company has maintained the prescribed public float with at least 25% of the Shares held by the public as required under the Listing Rules during the year ended 31 December 2017 and up to the date of this annual report.

Permitted Indemnity

For the year under review and as at the date of this report, the Company has arranged appropriate insurance cover in respect of legal actions against the directors of the Company.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

優先購買權

本公司組織章程細則或本公司註冊成立地點開曼群島之法律均無有關優先購買權的規定。

主要附屬公司

於二零一七年十二月三十一日，本公司的附屬公司的詳情分別列載於本年度經審核的合併財務報表附註35。

購入、出售或贖回本公司之上市證券

於回顧年度內，本公司及其任何附屬公司並無購入、出售或贖回本公司之任何上市證券。

足夠公眾持股量

按本公司可公開獲得之資料及就董事所知，於本報告刊發前之最後可行日期，本公司於截至二零一七年十二月三十一日止年度內及截至本年度報告發佈之日一直維持上市規則指定數額之公眾持股量不低於25%。

獲准許的彌償

於回顧年度內及於本報告的日期，本公司已就本公司董事可能面對的法律行動作適當的投保安排。

管理合約

年內概無訂立或存在任何有關管理及經營本公司全部或任何重大部份業務的合約。

Report of the Directors (Continued)

董事會報告(續)

Directors

The Directors during the year were:

Executive Directors

CHEN Qiyuan (*Chairman*)

CHEN Zheng He (*Chief Executive Officer*)

WONG Sin Yung *CPA*

Independent non-executive Directors

Dr. NGAI Wai Fung *PhD, CPA, FCCA, FCIS, FCS (P.E.)*

LI Bida (Passed away on 22 November 2017)

CHEUNG Kin Wing *FCA, CPA*

Directors' Biographies and re-election of Directors

Details of the Directors' (for the year ended 31 December 2017) biographies have been set out on pages 56 to 60 of the annual report.

In accordance with article 84(1) of the Articles, Mr. CHEN Zheng He and Dr. NGAI Wai Fung will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Each of our executive Directors (other than Mr. CHEN Zheng He) has entered into a director's service agreement with the Company for a term of three years from 4 July 2015. Mr. CHEN Zheng He has entered into a director's service agreement with the Company for a term of three years from 20 October 2014, which is automatically renewable upon expiration, unless terminated by not less than six months' written notice served by either party to the service agreement on the other or in accordance with the provisions set out in the relevant service agreement.

Each of our independent non-executive Directors (other than Mr. CHEUNG Kin Wing) has entered into a letter of appointment with the Company for a term of three years from 4 July 2015. Mr. CHEUNG Kin Wing has entered into a letter of appointment with the Company for a term of three years from 13 November 2017. For details of the letter of appointment entered into between Dr. WANG Qi and the Company after the year under review, please refer to the paragraph headed "Appointment of new independent non-executive Director" on page 41 of this annual report.

董事

於本年度內之董事如下：

執行董事

陳啟源(主席)

陳正鶴(首席執行官)

黃善榕 *CPA*

獨立非執行董事

魏偉峰博士 *PhD, CPA, FCCA, FCIS, FCS (P.E.)*

李必達(於二零一七年十一月二十二日逝世)

張建榮 *FCA, CPA*

董事之履歷詳情、退任及董事重選

本公司董事截至二零一七年十二月三十一日年年底之履歷詳情載於本年度報告第56至60頁。

根據本公司組織章程細則第84(1)條，陳正鶴先生及魏偉峰博士於應屆股東大會上退任，彼等符合資格並願意膺選連任。

董事服務合約

各執行董事(陳正鶴先生除外)已與本公司訂立董事服務協議，由二零一五年七月四日起，為期三年。陳正鶴先生已與本公司訂立董事服務協議，由二零一四年十月二十日起，為期三年，但於協議期屆滿後自動重續，直至協議任何一方發出不不少於六個月之書面通知或根據相關服務協議所載條文予以終止為止。

各獨立非執行董事(張建榮先生除外)已與本公司簽訂委任函，由二零一五年七月四日起，為期三年。張建榮先生已與本公司簽訂委任函，由二零一七年十一月十三日起，為期三年。王琦博士與本公司於回顧期後所簽訂的委任函的詳情載於本年度報告第41頁「任命新的獨立非執行董事」一節。

Report of the Directors (Continued)

董事會報告(續)

None of the Directors of the Company has entered into any service contract with the Company which cannot be terminated by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Emoluments

The emoluments for the Directors are determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. In addition to the fees, salaries, housing allowances, other allowances, benefits in kind or bonuses, the Company has conditionally adopted a share option scheme pursuant to which the participants, including the Directors, may be granted options to subscribe for the Shares.

Confirmation of Independence

The Company has received from each of the independent non-executive Directors (other than LI Bida, who passed away on 22 November 2017) an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Updates on Directors' Information

Dr. NGAI Wai Fung, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of China Communications Construction Company Limited (01800), and ceased to be an independent non-executive director of China Railway Construction Corporation Limited (00390) and China Coal Energy Company Limited (01898).

Mr. CHEUNG Kin Wing, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of Trio Industrial Electronics Group Limited (01710) and Kin Pang Holdings Limited (01722), the shares of which were listed on the Stock Exchange in November 2017 and December 2017, respectively.

概無任何董事與公司簽訂任何服務協議而根據該服務協議公司不能在不付賠償金的情況下(法定賠償金除外)於一年內終止該協議。

董事酬金

董事酬金乃參考可比公司支付的薪金、其經驗、職責及其在本集團的表現而釐定。除袍金、薪金、住房津貼、其他津貼、實物利益或花紅外，本公司已有條件採納一項購股權計劃，據此參與者(包括董事)可獲授購股權以認購股份。

獨立性之確認

本公司已接獲各獨立非執行董事根據上市規則第3.13條發出之年度獨立性確認書(除李必達先生以外，彼於二零一七年十一月二十二日逝世)，並認為全體獨立非執行董事均為獨立。

董事資料更新

魏偉峰博士，本公司的一名獨立非執行董事，開始擔任中國交通建設股份有限公司(01800)的獨立非執行董事，並停止擔任中國中鐵股份有限公司(00390)以及中國中煤能源股份有限公司(01898)的獨立非執行董事。

張建榮先生，本公司的一名獨立非執行董事，開始擔任致豐工業電子集團有限公司(01710)的獨立非執行董事以及建鵬控股有限公司(01722)的獨立非執行董事，其分別於二零一七年十一月及二零一七年十二月於聯交所上市。

Report of the Directors (Continued)

董事會報告(續)

Appointment of new independent non-executive Director

After the year under review, on 17 April 2018, Dr. WANG Qi was appointed as an independent non-executive Director and a member of the Audit and Risk Management Committee. Dr. WANG Qi entered into a letter of appointment with the Company for a term of three years from 17 April 2018.

In accordance with article 83(3) of the Articles, Dr. WANG Qi will retire and being eligible, offer himself for re-election at the forthcoming annual general meeting.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As of 31 December 2017, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they had taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register that was required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

任命新的獨立非執行董事

於回顧年度後，於二零一八年四月十七日，王琦博士被委任為本公司獨立非執行董事以及審核及風險管理委員會委員。王琦博士已與本公司簽訂委任函，由二零一八年四月十七日起，為期三年。

根據本公司組織章程細則第83(3)條，王琦博士於應屆股東大會上退任，彼符合資格並願意膺選連任。

董事及最高行政人員於本公司及其相聯法團的股份、相關股份或債權證中擁有的權益及淡倉

於二零一七年十二月三十一日，董事及本公司行政人員於本公司及其相聯法團（按香港法例第571章證券及期貨條例（「證券及期貨條例」）條例第XV部的涵義的股份、相關股份或債券證中，擁有(a)根據證券及期貨條例第XV部第7及第8分部的規定須知會本公司及聯交所的權益及淡倉（包括彼等根據上述證券及期貨條例該等條文被當做或視作擁有的權益及淡倉），或(b)根據證券及期貨條例第352條規定須登記於需存置的登記冊內的權益及淡倉，或(c)根據標準守則規定須知會本公司及香港聯交所如下：

Report of the Directors (Continued)

董事會報告(續)

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company

董事及最高行政人員於本公司股份、相關股份及債權證中擁有的權益及淡倉

Name of director/ chief executive 董事/最高行政人員 名稱	Long/short position in ordinary shares 普通股中之好/淡倉	Nature of interest 權益性質	Number of ordinary shares/ underlying ordinary shares of the Company held 持有公司 的普通股及 相關普通股 股份數目	Approximate percentage of issued share capital of the Company 於公司 已發行 股本中之 權益百分比 (約數)
CHEN Qiyuan (Note 1) 陳啟源(附註1)	Long 好倉	Interest in controlled corporation 所控制法團權益	1,900,840,000	60.12%
CHEN Zheng He (Note 2) 陳正鶴(附註2)	Long 好倉	Interest in controlled corporation 所控制法團權益	1,900,840,000	60.12%
WONG Sin Yung (Note 3) 黃善榕(附註3)	Long 好倉	Beneficial owner 實益擁有人	2,100,000	0.07%

Notes:

附註:

- CHEN Qiyuan was deemed to be interested in the 1,900,840,000 shares of the Company held by Fortune Station Ltd. ("Fortune Station") by virtue of CHEN Qiyuan and his spouse, WAN Yuhua holding 25.72% and 24.71% of the issued share capital of Fortune Station, respectively. The remaining 49.57% of the issued share capital of Fortune Station was held by Heroic Hour Limited ("Heroic Hour"). Heroic Hour's entire issued share capital is held by CHEN Zheng He as trustee for himself and on behalf of his six brothers and sisters. The beneficial interests of CHEN Qiyuan's six children under the age of 18, namely CHEN Cynthia Yuping, CHEN Li Zi, CHEN Zheng Sheng, CHEN Zheng Yan, CHEN Ya Shan and CHEN Bo Ling in Heroic Hour, representing 78.00% of the issued share capital of Heroic Hour, were also attributable to CHEN Qiyuan.
- CHEN Zheng He was deemed to be interested in the shares of Fortune Station held by Heroic Hour by virtue of him holding the entire issued share capital of Heroic Hour (as trustee for himself and his six brothers and sisters). Therefore CHEN Zheng He was deemed to be interested in the 1,900,840,000 shares of the Company held by Fortune Station.
- Including 630,000 shares, which would be allotted and issued to WONG Sin Yung upon the exercise in full of the share options granted to WONG Sin Yung under the Pre-IPO Share Option Scheme of the Company. For details, please refer to section headed "Share Option Scheme and Pre-IPO Share Option Scheme" below.

- 憑藉陳啟源及其配偶萬玉華分別持有Fortune Station之25.72%及24.71%之已發行股份，陳啟源被視為擁有Fortune Station Ltd. [Fortune Station]所持有的1,900,840,000股公司股份的權益。Fortune Station的其餘49.57%已發行股本由Heroic Hour Limited ([Heroic Hour])持有，而陳正鶴作為受託人代彼及其六位弟妹持有Heroic Hour的全部已發行股本。由陳啟源18周歲以下的六位子女，即陳鈺坪、CHEN Li Zi、CHEN Zheng Sheng、陳正諺、陳雅善及Chen Bo Ling所實益持有的78.00% Heroic Hour已發行股本亦被視為歸屬於陳啟源。
- 憑藉陳正鶴作為受託人代彼及其六位弟妹持有Heroic Hour的全部已發行股本而被視為於Heroic Hour在Fortune Station的權益中擁有權益。因此陳正鶴被視為擁有Fortune Station所持有的1,900,840,000股公司股份的權益。
- 包括630,000股，根據本公司首次公開發售前購股權計劃黃善榕行使購股權後，該等股份將被配發及發行給黃善榕。有關詳情，請參閱下文「購股權計劃及首次公開發售前購股權計劃」一節。

Report of the Directors (Continued)

董事會報告(續)

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of associated corporations

董事及最高行政人員於相聯法團的股份、相關股份及債權證中之權益及淡倉

Name of director/ chief executive 董事/最高行政人員 名稱	Name of associated corporation 相聯法團名稱	Nature of interest 權益性質	Long/short position 好/淡倉	Number of ordinary shares held 持有的 普通股 股份數目	Approximate percentage of interest in associated corporation 於相關法團中 之權益百分比
CHEN Qiyuan (Note 1) 陳啟源(附註1)	Fortune Station	Beneficial owner 實益擁有人	Long 好倉	10,200	25.72%
		Interest of spouse and children under 18 配偶及未滿18歲子女之權益	Long 好倉	25,130	63.37%
		Other 其他	Long 好倉	4,327	10.91%
CHEN Zheng He (Note 2) 陳正鶴(附註2)	Fortune Station	Interest in controlled corporation 所控制法團權益	Long 好倉	19,657	49.57%

Notes:

- CHEN Qiyuan was the beneficial owner of approximately 25.72% of the issued share capital of Fortune Station. CHEN Qiyuan, as the spouse of WAN Yuhua, was deemed to be interested in WAN Yuhua's interests in Fortune Station. The beneficial interests of CHEN Qiyuan's six children under the age of 18 in Heroic Hour, representing 78.00% of the issued share capital of Heroic Hour, were also attributable to CHEN Qiyuan. Heroic Hour held approximately 49.57% of the issued share capital of Fortune Station.
- CHEN Zheng He was deemed to be interested in the interests of Fortune Station held by Heroic Hour by virtue of him holding the entire issued share capital of Heroic Hour (as trustee for himself and his six brothers and sisters).

附註:

- 陳啟源為 Fortune Station 已發行股本的約 25.72% 實益擁有人。陳啟源作為萬玉華的配偶被視為於萬玉華在 Fortune Station 的權益中擁有權益。由陳啟源 18 周歲以下的六位子女所實益持有的 78.00% Heroic Hour 已發行股本亦被視為歸屬於陳啟源。Heroic Hour 持有 Fortune Station 已發行股本的約 49.57%。
- 憑藉陳正鶴作為受托人代彼及其六位弟妹持有 Heroic Hour 之全部已發行股本而被視為於 Heroic Hour 在 Fortune Station 的權益中擁有權益。

Other than as disclosed above, as at 31 December 2017, so far as known to any Director or chief executive of the Company, neither the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they had taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register that was required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

除上述披露的人員之外，於二零一七年十二月三十一日，就目前本公司的任何董事及最高行政人員所知，無論是本公司董事或者是最高行政人員，都沒有擁有本公司及其相聯法團(按證券及期貨條例第 XV 部的涵義)的股份、相關股份或債權證中，(a)根據證券及期貨條例第 XV 部第 7 及第 8 分部的規定須知會本公司及聯交所的權益及淡倉(包括彼等更具上述證券及期貨條例該等條文被當做或視作擁有的權益及淡倉)，或(b)根據證券及期貨條例第 352 條規定須登記於需存置的登記冊內，或(c)根據標準守則規定須知會本公司及聯交所。

Report of the Directors (Continued)

董事會報告(續)

Interests and Short Positions of Substantial Shareholders of the Company

As of 31 December 2017, so far as known to any Director or chief executive of the Company, shareholders (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register that was required to be kept pursuant to Section 336 of the SFO were as follows:

本公司主要股東的權益及淡倉

據本公司任何董事或最高行政人員所知，於二零一七年十二月三十一日，股東（除本公司董事或最高行政人員外）於股份或相關股份中擁有根據證券及期貨條例第336條規定須登記於需存置的登記冊內的權益或淡倉如下：

Name of shareholder 股東名稱	Nature of interest 權益性質	Number of ordinary shares of the Company held 持有的公司普通股股份數目	Approximate percentage of issued share capital of the Company 於公司已發行股本中之權益百分比 (約數)
Fortune Station	Beneficial owner 實益擁有人	1,900,840,000 (L)	60.12%
Heroic Hour	Interest in controlled corporation (Note 1) 所控制法團權益(附註1)	942,199,659 (L)	29.80%
WAN Yuhua (Note 2) 萬玉華(附註2)	Beneficial owner 實益擁有人	469,733,767 (L)	14.86%
	Interest of spouse and children under the age of 18 配偶及未滿18歲的子女之權益	1,223,704,392 (L)	38.70%
	Other 其他	207,401,841 (L)	6.56%
CHEN Cynthia Yuping (Note 3) 陳鈺坪(附註3)	Beneficiary of a trust (other than a discretionary trust) 信託受益人(非酌情信託)	122,466,303 (L)	3.87%
	Other 其他	1,778,373,697 (L)	56.25%
CHEN Li Zi (Note 3) CHEN Li Zi (附註3)	Beneficiary of a trust (other than a discretionary trust) 信託受益人(非酌情信託)	122,466,303 (L)	3.87%
	Other 其他	1,778,373,697 (L)	56.25%
CHEN Zheng Sheng (Note 3) CHEN Zheng Sheng (附註3)	Beneficiary of a trust (other than a discretionary trust) 信託受益人(非酌情信託)	122,466,303 (L)	3.87%
	Other 其他	1,778,373,697 (L)	56.25%

Report of the Directors (Continued)

董事會報告(續)

Name of shareholder 股東名稱	Nature of interest 權益性質	Number of ordinary shares of the Company held 持有的公司普通股股份數目	Approximate percentage of issued share capital of the Company 於公司已發行股本中之權益百分比 (約數)
CHEN Zheng Yan (Note 3) 陳正諺(附註3)	Beneficiary of a trust (other than a discretionary trust) 信託受益人(非酌情信託)	122,466,303 (L)	3.87%
	Other 其他	1,778,373,697 (L)	56.25%
CHEN Ya Shan (Note 3) 陳雅善(附註3)	Beneficiary of a trust (other than a discretionary trust) 信託受益人(非酌情信託)	122,466,303 (L)	3.87%
	Other 其他	1,778,373,697 (L)	56.25%
CHEN Bo Ling (Note 3) CHEN Bo Ling (附註3)	Beneficiary of a trust (other than a discretionary trust) 信託受益人(非酌情信託)	122,466,303 (L)	3.87%
	Other 其他	1,778,373,697 (L)	56.25%

(L)—Long Position
(L)—好倉

Notes:

- Heroic Hour was the beneficial owner of approximately 49.57% of the issued share capital of Fortune Station and was deemed to be interested in the shares of the Company held by Fortune Station.
- WAN Yuhua was the beneficial owner of approximately 24.71% of the issued share capital of Fortune Station. As spouse of CHEN Qiyuan, WAN Yuhua was deemed to be interested in CHEN Qiyuan's interests of approximately 25.72% in Fortune Station. The beneficial interests of WAN Yuhua's six children under the age of 18, namely CHEN Cynthia Yuping, CHEN Li Zi, CHEN Zheng Sheng, CHEN Zheng Yan, CHEN Ya Shan and CHEN Bo Ling in Heroic Hour, representing 78.00% of the issued share capital of Heroic Hour, were also attributable to WAN Yuhua.
- The interests of CHEN Cynthia Yuping, CHEN Li Zi, CHEN Zheng Sheng, CHEN Zheng Yan, CHEN Ya Shan and CHEN Bo Ling were held as beneficiaries under a trust, which held 100% of the issued share capital of Heroic Hour.

附註:

- 憑藉Heroic Hour為Fortune Station已發行股本的約49.57%實益擁有人，Heroic Hour被視為於Fortune Station持有的公司股份中擁有權益。
- 萬玉華為Fortune Station已發行股本的約24.71%實益擁有人。作為陳啟源的配偶，萬玉華並被視為於陳啟源在Fortune Station的權益中擁有25.72%權益。由萬玉華18周歲以下的六位子女，即陳鈺坪、CHEN Li Zi、CHEN Zheng Sheng、陳正諺、陳雅善及CHEN Bo Ling所實益持有的78.00% Heroic Hour已發行股本亦被視為歸屬於萬玉華。
- 憑藉陳鈺坪、CHEN Li Zi、CHEN Zheng Sheng、陳正諺、陳雅善和CHEN Bo Ling為同一信託下的受益人，此信託持有Heroic Hour全部已發行股本。

Other than as disclosed above, as of 31 December 2017, the Company has not notified by any person (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

於二零一七年十二月三十一日，除上文所披露人士之外，本公司未接到通知有任何人士(除本公司董事或最高行政人員外)於股份或相關股份中擁有根據證券及期貨條例第336條規定須登記於需存置的登記冊內的權益或淡倉。

Report of the Directors (Continued)

董事會報告(續)

Share Option Scheme and Pre-IPO Share Option Scheme

The Company has adopted two share option schemes, a share option scheme dated on 20 May 2009 (the “**Share Option Scheme**”) and a pre-IPO share option scheme dated on 10 December 2008 (the “**Pre-IPO Share Option Scheme**”), the purpose of which is to give the Directors, senior management and employees of the Group an opportunity to have a personal stake in the Company and help motivate its employees to optimise their performance and efficiency, and also to retain employees whose contributions are important to the long-term growth and profitability of the Group.

Share Option Scheme

The Share Option Scheme became effective on 20 May 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date becoming effective.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company, must not, in aggregate, exceed 30.0% (or such other percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time. The maximum number of Shares issuable to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1.0% 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 at a general meeting.

Share options granted to a connected person (or its associates) of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. 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 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 at a general meeting.

購股權計劃及首次公開發售前購股權計劃

本公司已經採用了兩類股權激勵計劃，亦即是於二零零九年五月二十日採納的購股權計劃(「**購股權計劃**»)和於二零零八年十二月十日採納的首次公開發售前購股權計劃(「**首次公開發售前購股權計劃**»)，目的在於為公司董事、高級管理人員和僱員提供一個機會擁有公司股票，以激勵他們表現得更好及更有效率，並以此挽留那些為本集團的長遠增長及盈利能力做出重大貢獻的員工。

購股權計劃

購股權計劃於二零零九年五月二十日起生效，除非另行取消或修訂，從已獲接納之日起生效，有效期為10年。

因行使根據購股權計劃及本公司任何其他計劃授出而尚未行使的所有購股權而發行的股份總數，不能超過本公司已發行總股份的30.0%(或根據上市規則可獲准的其他百分比)。購股權計劃的每個合資格參與者在任何十二個月期間內發行股份的最大數目不得超過在任何時間本公司已發行總股份的1.0%。任何授出的購股權超過此限額的須經股東在股東大會上批准。

授予本公司之關連人士(或其聯營公司)或彼等之任何聯繫人之購股權，須事先獲得獨立非執行董事批准。此外，在任何十二個月期間，任何授予本公司主要股東或獨立非執行董事，或彼等之任何聯繫人之購股權超過本公司已發行股份之0.1%的，以及其總價值(以本公司授出之日之股票價格為基礎計算)超過港元5百萬的，須經股東在股東大會上事先批准。

Report of the Directors (Continued)

董事會報告(續)

The offer of a grant of share options may be accepted, upon payment of an option price to be determined by the Board from time to time. The exercise period of the share options granted is determinable by the Board, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of share options is determinable by the Board, but shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

As of 1 January and 31 December 2017, no shares option was outstanding under the Share Option Scheme, and there was no share option granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2017.

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme became effective on 10 December 2008. As of 31 December 2017, options to subscribe for an aggregate of 14,532,000 Shares were granted, representing approximately 0.5% of the issued share capital of the Company as at the latest practicable date. No further options will be granted under the Pre-IPO Share Option Scheme.

The above options have been conditionally granted to 42 participants by the Company at a consideration of HK\$1.0 each. The subscription price of the pre-IPO share options would be at par value or at HK\$1.19. The pre-IPO share options may be exercised up to 8 June 2019.

經董事會釐定不時支付之購股權價格後，授出購股權之要約方可被接受。授出購股權的行使期由董事會釐定，並經過一定的行權等待期間開始，但結束日期不能超過授出購股權之日起10年。

購股權之行使價由董事會釐定，但應至少是以下價格之最高者(i)為要約日(必須是一個營業日)當天聯交所每日報價表所列股份之收市價；(ii)要約日前五個營業日聯交所每日報價表所列股份之收市價的平均值；及(iii)股份面值。

於二零一七年一月一日及十二月三十一日，購股權計劃下並無尚未行使之購股權，而截至二零一七年十二月三十一日止年度概無購股權在購股權計劃下授出、行使、註銷或失效。

首次公開發售前購股權計劃

首次公開發售前購股權計劃於二零零八年十二月十日起生效。於二零一七年十二月三十一日，已授予總共14,532,000股的購股權，大約佔本公司截至最後實際可行日期已發行股份之約0.5%。概無根據首次公開發售前購股權計劃授出的其他購股權。

上述購股權被本公司有條件地以每人1.0港元授予42名參與者，其認購價格分別是面值或1.19港元。首次公開發售前購股權可於二零一九年六月八日前行使。

Report of the Directors (Continued)

董事會報告(續)

A total of 4,200,000 pre-IPO share options were granted to two executive Directors on 8 June 2009. Of which, options to subscribe for a total of 840,000 shares held by a director resigned on 28 May 2013 were forfeited on the same date, which was partially exercised up to 31 December 2017. Movement of these share options during the year ended 31 December 2017 were as follows:

於二零零九年六月八日，公司授予兩名執行董事合共4,200,000股的首次公開發售前購股權。其中，一名董事於二零一三年五月二十八日辭任而其持有合共840,000股份購股權已於同日失效，截至二零一七年十二月三十一日，該購股權已部分被行使。這些首次公開發售前購股權截至二零一七年十二月三十一日止年度明細如下：

Name of director 董事名稱	Date of grant 授權日	Exercise price (HKD) 行權價(港元)	Number of share options 股份購股權數目				Forfeited during the year 於年內失效	Outstanding as at 31 December 2017 截至 二零一七年 十二月三十一日 尚未行使	Approximate percentage of issued share capital of the Company (%) 佔本公司 已發行股本的概 約百分比(%)	Exercise Period 行權期間
			Outstanding as at 1 January 2017 截至 二零一七年 一月一日 尚未行使	Granted during the year 於年內 授予數目	Exercise during the year 於年內 行權數目					
WONG Sin Yung 黃善榕	8 June 2009 二零零九年六月八日	Par Value 面值	630,000	—	—	—	630,000	0.01	4 July 2014 to 8 June 2019 二零一四年七月四日至 二零一九年六月八日	
Total 合計			630,000	—	—	—	630,000	0.01		

Apart from the above, options to subscribe for a total of 10,332,000 Shares under the Pre-IPO Share Option Scheme were granted to 40 employees of the Group on 8 June 2009. Of which, options to subscribe for totalling 5,227,320 Shares granted to 28 employees had been forfeited prior to 2017.

除此以外，在二零零九年六月八日，根據首次公開發售前購股權計劃，總共有10,332,000股股份的購股權分配給了本集團40名僱員。其中，之前授予28名僱員總共5,227,320股股份的購股權已於二零一七年前被取消。

As at 1 January and 31 December 2017, there was a balance of unexpired and unexercised options to subscribe for 1,653,960 Shares (which was inclusive of Mr. WONG Sin Yung's share options). Except for the options which had been granted as disclosed above, no further pre-IPO share options were granted, exercised, cancelled or lapsed for the year ended 31 December 2017. Details of Pre-IPO Share Option Scheme are set out in Note 27 under the section headed "Notes to the Consolidated Financial Statements" in this annual report.

於二零一七年一月一日及十二月三十一日，尚未到期且並未被行使的購股權餘額為1,653,960股(包括由黃善榕先生所持有的購股權)。除了上述已經披露授出的購股權外，截至二零一七年十二月三十一日止年度概無任何公開發售前購股權授出、行使、註銷或失效。首次公開發售前購股權計劃詳見本年度報告「綜合財務報告」附註27。

Report of the Directors (Continued)

董事會報告(續)

Continuing connected transactions

For the year ended 31 December 2017, the Group had the following continuing connected transactions in accordance with Chapter 14A of the Listing Rules:

1. Production Plant Lease Agreement

Bawang (Guangzhou) Co., Ltd (“**Bawang Guangzhou**”) and Guangzhou Bawang Cosmetics Co., Ltd (“**Guangzhou Bawang**”) entered into a lease agreement (the “**Previous Production Plant Lease Agreement**”) on 9 August 2013 for the lease of production plant at Bawang Industrial Complex which is located in Baiyun District, Guangzhou, the PRC. On 9 August 2016, Bawang Guangzhou and Guangzhou Bawang entered into a new lease agreement (the “**2016 Production Plant Lease Agreement**”) in respect of the production plant for a renewed lease term of three years commencing on 9 August 2016 at the same location but with a reduced lease area. The 2016 Production Plant Lease Agreement is renewable at the option of Bawang Guangzhou by giving one month’s notice prior to the expiry of the lease. The monthly rent (inclusive of property management fees, parking fees, usage fees for public facilities and maintenance fees) in aggregate is RMB799,517.29 and is fixed throughout the term of the lease. Bawang Guangzhou has been granted a right of first refusal to purchase the production premises under the 2016 Production Plant Lease Agreement. Bawang Guangzhou has a right to terminate the 2016 Product Plant Lease Agreement by giving three months’ prior notice to Guangzhou Bawang.

On 1 December 2017, Bawang Guangzhou and Guangzhou Bawang entered into the New Lease Agreement (as defined below) and terminated the 2016 Production Plant Lease Agreement with immediate effect. Given that neither Guangzhou Bawang nor Bawang Guangzhou was required to make any payment to each other pursuant to the termination of the 2016 Production Plant Lease Agreement, the termination was exempt from the announcement, reporting and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2017, pursuant to the 2016 Production Plant Lease Agreement, the rent paid by Bawang Guangzhou to Guangzhou Bawang was approximately RMB8.8 million.

持續關連交易

根據上市規則第十四A章，截至二零一七年十二月三十一日止年度，本集團有下列關連交易：

1. 生產廠房租賃協議

霸王(廣州)有限公司(以下簡稱「霸王廣州」)與廣州霸王化妝品有限公司(以下簡稱「廣州霸王」)於二零一三年八月九日簽訂一份生產廠房租賃協議(「前生產廠房租賃協議」)，自二零一三年八月九日起租位於中國廣州市白雲區的霸王工業園。於二零一六年八月九日，霸王廣州及廣州霸王重新簽訂一份生產廠房租賃協議(「2016生產廠房租賃協議」)，以重續租期並續租相同物業但較小面積的生產廠房，並於簽訂當日開始生效，為期三年。按照2016生產廠房租賃協議，霸王廣州可於租期屆滿前一個月通知廣州霸王要求重續生產廠房租賃協議。每月租金(包括：物業管理費、停車費、公用設施使用費及維修費用)每月共人民幣799,517.29元。於租期內，每月租金固定不變。根據2016生產廠房租賃協議，霸王廣州獲授購買生產廠房的優先權，霸王廣州亦有權提前三個月通知廣州霸王終止此生產廠房租賃協議。

於二零一七年十二月一日，霸王廣州和廣州霸王簽訂新租賃協議(如下文所定義)，並立即終止於2016生產廠房租賃協議。鑒於廣州霸王和霸王廣州無須就終止2016生產廠房租賃協議向對方支付任何款項，根據上市規則第14A章該終止獲豁免遵守公告、申報以及取得獨立股東批准的規定。

截至二零一七年十二月三十一日止年度，根據2016生產廠房租賃協議，霸王廣州支付廣州霸王的年度租金約為人民幣8.8百萬元。

Report of the Directors (Continued)

董事會報告(續)

As of 31 December 2017, Guangzhou Bawang was beneficially owned as to 20% by Mr. CHEN Zheng He, the CEO and an executive Director of the Company, and 80% by Mr. CHEN Zheng He's six brothers and sisters. The transactions contemplated under the Previous Production Plant Lease Agreement and the 2016 Production Plant Lease Agreement therefore constituted continuing connected transactions of the Company.

2. Office Premises Lease Agreement

Bawang Guangzhou and Guangzhou Bawang entered into a lease agreement (the **“Previous Office Premises Lease Agreement”**) on 9 August 2013 for the lease of office premises, which is located in Baiyun District, Guangzhou, the PRC. On 9 August 2016, Bawang Guangzhou and Guangzhou Bawang entered into a new lease agreement (the **“2016 Office Premises Lease Agreement”**) in respect of the offices premises for a renewed lease term of three years commencing on 9 August 2016 at the same location but with a reduced lease area. The 2016 Office Premises Lease Agreement is renewable at the option of Bawang Guangzhou by giving one month's notice prior to the expiry of the lease. The monthly rent (inclusive of property management fees, parking fees, usage fees for public facilities and maintenance fees) in aggregate is RMB83,816.04 and is fixed throughout the term of the lease. Bawang Guangzhou has been granted a first right of refusal to purchase the office premises under the 2016 Office Premises Lease Agreement. Bawang Guangzhou has a right to terminate the 2016 Office Premises Lease Agreement by giving three months' prior notice to Guangzhou Bawang.

On 1 December 2017, Bawang Guangzhou and Guangzhou Bawang entered into the New Lease Agreement (as defined below) and terminated the 2016 Office Premises Lease Agreement with immediate effect. Given that neither Guangzhou Bawang nor Bawang Guangzhou was required to make any payment to each other pursuant to the termination of the 2016 Office Premises Lease Agreement, the termination was exempt from the announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

於二零一七年十二月三十一日，廣州霸王的20%股權由本公司之首席執行官及執行董事陳正鶴先生實益持有，而餘下之80%則由陳正鶴先生之六位弟妹實益持有。前生產廠房租賃協議及2016生產廠房租賃協議項下進行的交易因此構成本公司的持續關連交易。

2. 辦公場所租賃協議

霸王廣州與廣州霸王於二零一三年八月九日簽訂一份辦公場所租賃協議(「前辦公場所租賃協議」)，自二零一三年八月九日起租用位於中國廣州市白雲區的辦公場所。於二零一六年八月九日，霸王廣州及廣州霸王重新簽訂一份辦公場所租賃協議(「2016辦公場所租賃協議」)，以重續租賃期並續租相同物業但較小面積的辦公場所，並於簽訂當日開始生效，為期三年。按照2016辦公場所租賃協議，霸王廣州可於租期屆滿前一個月通知廣州霸王要求重續辦公場所租賃協議。每月租金(包括：物業管理費、停車費、公用設施使用費及維修費用)共人民幣83,816.04元。於租期內，每月租金固定不變。根據2016辦公場所租賃協議，霸王廣州獲授購買辦公場所的優先權，霸王廣州亦有權提前三個月通知廣州霸王終止此辦公場所租賃協議。

於二零一七年十二月一日，霸王廣州和廣州霸王簽訂新租賃協議(如下文所定義)，並立即終止於2016辦公場所租賃協議。鑒於廣州霸王和霸王廣州無須就終止2016辦公場所租賃協議向對方支付任何款項，根據上市規則第14A章該終止獲豁免遵守公告、申報以及取得獨立股東批准的規定。

Report of the Directors (Continued)

董事會報告(續)

For the year end 31 December 2017, pursuant to the 2016 Office Premises Lease Agreement, the annual rent paid by Bawang Guangzhou to Guangzhou Bawang was approximately RMB0.9 million.

As of 31 December 2017, Guangzhou Bawang was beneficially owned as to 20% by Mr. CHEN Zheng He, the CEO and an executive Director of the Company, and 80% by Mr. CHEN Zheng He's six brothers and sisters. The transactions contemplated under the Previous Office Premises Lease Agreement and the 2016 Office Premises Lease Agreement therefore constituted continuing connected transactions for the Company.

3. Lease Agreement for the Group's production facilities, office premises and staff dormitory

On 1 December 2017, Bawang Guangzhou and Guangzhou Bawang entered into a lease agreement (the "New Lease Agreement") for the Group's production facilities, office premises and staff dormitory, which is located at Bawang Industrial Complex, 468 Guanghua 3rd Road, Baiyun District, Guangzhou, the PRC, and terminated the 2016 Production Plant Lease Agreement and the 2016 Office Premises Lease Agreement both dated 9 August 2016 with immediate effect. The New Lease Agreement is for a lease term of three years commencing on 1 December 2017 which is renewable at the option of Bawang Guangzhou by giving one month's notice prior to the expiry of the lease. The monthly rent (exclusive of management fee and other outgoings, which are payable to an independent third party management company) in aggregate is RMB719,857.56 and is fixed throughout the term of the lease. Bawang Guangzhou has been granted a right of first refusal to purchase the aforesaid premises under the New Lease Agreement. Bawang Guangzhou has a right to terminate the New Lease Agreement by giving three months' prior notice to Guangzhou Bawang. Details of the New Lease Agreement were disclosed in the Company's announcement dated 1 December 2017.

For the year ended 31 December 2017, pursuant to the New Lease Agreement, the rent paid by Bawang Guangzhou to Guangzhou Bawang was approximately RMB0.7 million.

截至二零一七年十二月三十一日止年度，根據2016辦公場所租賃協議，霸王廣州支付廣州霸王的年度租金約為人民幣0.9百萬元。

於二零一七年十二月三十一日，廣州霸王的20%股權由本公司之首席執行官及執行董事陳正鶴先生實益持有，而餘下之80%則由陳正鶴先生之六位弟妹實益持有。前辦公場所租賃協議及2016辦公場所租賃協議項下進行的交易因此構成本公司的持續關連交易。

3. 本集團的生產廠房、辦公場所以及員工宿舍的租賃協議

於二零一七年十二月一日，霸王廣州就本集團的生產廠房、辦公場所以及員工宿舍和廣州霸王簽訂一份租賃協議(「新租賃協議」)，租用位於中國廣州市白雲區廣花三路468號霸王工業園的物業，並立即終止日期均為二零一六年八月九日的2016生產廠房租賃協議及2016辦公場所租賃協議。新租賃協議自二零一七年十二月一日起計，為期三年。根據新租賃協議，霸王廣州可於租期屆滿前一個月通知廣州霸王要求重續新租賃協議。每月租金(不包括另行支付給獨立第三方管理公司的管理費和其他費用)共人民幣719,857.56元。於租期內，每月租金固定不變。根據新租賃協議，霸王廣州獲授購買上述物業的優先權，霸王廣州亦有權提前三個月通知廣州霸王終止新租賃協議。新租賃協議的詳情於本公司日期為二零一七年十二月一日的公告中披露。

截至二零一七年十二月三十一日止年度，根據新租賃協議，霸王廣州已支付廣州霸王的租金約為人民幣0.7百萬元。

Report of the Directors (Continued)

董事會報告(續)

As of 31 December 2017, Guangzhou Bawang was beneficially owned as to 20% by Mr. CHEN Zheng He, the CEO and an executive Director of the Company, and 80% by Mr. CHEN Zheng He's six brothers and sisters. The transactions contemplated under the New Lease Agreement therefore constituted continuing connected transactions for the Company.

4. Packaging Material Supply Agreement

Bawang Guangzhou and Chenming Paper entered into a packaging material supply agreement on 28 March 2009, pursuant to which Chenming Paper agreed to supply packaging material to Bawang Guangzhou from time to time at fixed unit prices for a term of three years commencing from 1 January 2009 and has been renewed subsequently (the **"Packaging Material Supply Agreement"**). Bawang Guangzhou and Chenming Paper will review the prices offered by Chenming Paper at least once annually to ensure that they are at market prices or at prices no less favourable than those offered to Bawang Guangzhou by independent third-parties. The Packaging Material Supply Agreement was renewed by Bawang Guangzhou and Chenming Paper on 12 December 2014 for a further term of three years commencing from 1 January 2015 and on the same terms as the original Packaging Material Supply Agreement. The Packaging Material Supply Agreement will be automatically renewed by a term of three years in the absence of a three-month prior written notice.

For the year ended 31 December 2017, pursuant to the Packaging Material Supply Agreement, the annual transaction amount for the supply of packaging material by Chenming Paper to Bawang Guangzhou was approximately RMB9.9 million.

Mr. CHEN Qiyuan is a Director. Chenming Paper is wholly owned by Mr. CHEN Qiwen, who is Mr. CHEN Qiyuan's brother. The transactions contemplated under the Packaging Material Supply Agreement therefore constitute continuing connected transactions for the Company.

於二零一七年十二月三十一日，廣州霸王的20%股權由本公司之首席執行官及執行董事陳正鶴先生實益持有，而餘下之80%則由陳正鶴先生之六位弟妹實益持有。新租賃協議項下進行的交易因此構成本公司的持續關連交易。

4. 包裝物料供應協議

霸王廣州與晨明紙品於二零零九年三月二十八日訂立一份包裝物料供應協議。據此，晨明紙品同意不時以固定單位價格向霸王廣州供應包裝物料，自二零零九年一月一日起，為期三年及於其後獲續期(「**包裝物料供應協議**」)。霸王廣州及晨明紙品將每年至少一次評審晨明紙品提供的價格，以確保有關價格符合市價或不遜於由獨立第三方向霸王廣州所提供的價格。包裝物料供應協議於二零一四年十二月十二日簽署續約，自二零一五年一月一日起為期三年，條件與原有的包裝物料供應協議相同。除非有三個月的事前書面通知，包裝物料供應協議將自動續期三年。

截至二零一七年十二月三十一日止年度，根據包裝物料供應協議，晨明紙品向霸王廣州供應包裝物料的全年交易額約為人民幣9.9百萬元。

陳啟源先生為董事。晨明紙品由陳啟文先生全資擁有，而陳啟文先生是陳啟源先生的胞弟。因此包裝物料供應協議項下進行的交易構成本公司的持續關連交易。

Report of the Directors (Continued)

董事會報告(續)

The internal control and risk management functions of the Group together with the senior management of the Group had reviewed the continuing connected transactions of the Company for the year under review, the scope of review included whether the premises lease agreements were implemented in accordance with their terms, whether the packaging materials purchased from the Company's connected person were purchased in accordance with the provisions and the pricing as stipulated in the Packaging Material Supply Agreement, and whether the transaction amount of each continuing connected transaction had exceeded its respective annual cap. The results of the review had been provided to the Board. During the year under review, Bawang Guangzhou and Chenming Paper had completed a review of the prices offered by Chenming Paper.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above connected transactions. The Company also confirms that during the year under review it has followed the policies and guidelines as described above in determining the pricing and the terms of the continuing connected transactions.

The independent non-executive Directors have reviewed and confirmed that the above continuing connected transactions were entered into the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole; and the respective annual caps are fair and reasonable and in the interests of the Shareholders as a whole and the transaction amounts of such continuing connected transactions did not exceed their respective annual caps for the year ended 31 December 2017.

The Company's auditor was engaged to report on the Group's continuing connected transactions 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. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

本集團的內部監控及風險管理功能連同公司的高級管理層已對本公司的持續性關連交易進行審閱，審閱內容包括場所租賃協議是否按照租賃協議的條款執行、公司從關連方購買的包裝物料的條款及定價是否按照包裝物料供應協議下的規定執行、以及個別持續性關連交易有否超出其各自年度上限。審閱的結果已向董事會匯報。於回顧年度內，霸王廣州以及晨明紙品已完成一次評審晨明製品提供的價格。

本公司確認上述關連交易已符合上市規則第十四A章的披露規定。本公司亦同時確認，其於回顧年度內進行上述相關交易時所制定的價格及交易條款時依從上述定價政策及指引。

獨立非執行董事認為，上述非豁免持續關連交易乃於本公司的一般及日常業務過程中，按一般商業條款訂立，屬公平合理，並符合股東的整體利益，而相關年度上限為公平合理，並符合股東的整體利益且該等持續關連交易之交易金額截至二零一七年十二月三十一日止年度未有超出其各自年度上限。

本公司核數師已獲聘請根據香港會計師公會頒佈的香港審核保證委聘準則第3000號(經修訂)《審核或審閱過去財務資料以外之核證委聘》，及實務說明第740號《關於香港上市規則所述持續關連交易的核數師函件》以匯報本集團的關連交易。核數師已根據上市規則第14A.56條出具無保留意見函件，該函件載有核數師對本集團已披露的持續關連交易的發現和結論。本公司已將有關之核數師函件副本呈交至聯交所。

Report of the Directors (Continued)

董事會報告(續)

Directors' interests in contracts of significance

Other than as disclosed under the heading "Continuing connected transactions" in this annual report, no Director or an entity connected with a Director has or had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party which was subsisting during or at the end of the 2017 financial year.

Directors' and Controlling Shareholders' interest in competing business

As at 31 December 2017, none of the Directors and their respective associates (as defined in the Listing Rules) or the controlling shareholders (as defined in the Listing Rules) of the Company had any interest in a business, which competes or may compete with the business of the Group.

Retirement schemes

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in the PRC, and a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 31 to the consolidated financial statements of this annual report.

Corporate governance

Save as disclosed in this annual report, for the year ended 31 December 2017, all the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules were met by the Company.

Audit and Risk Management Committee

The Audit and Risk Management Committee has reviewed the annual results of the Group for the year ended 31 December 2017 with the management of the Company and the Company's independent auditors and recommended its adoption by the Board.

董事之合約權益

除於本年度報告中「持續關連交易」一段所披露外，2017財政年度內或結束時仍然生效，而本公司、其控股公司或其任何附屬公司亦屬訂約方之一的重要交易、安排或合約中，無任何董事或與該董事有關連的實體仍然或曾經於其中直接或者間接有重大權益。

董事及控股股東於競爭業務的權益

於二零一七年十二月三十一日，董事及其各自的聯繫人(定義見上市規則)或本公司控股股東(定義見上市規則)概無在與本集團業務構成競爭或可能構成競爭的業務中擁有任何權益。

退休計劃

本集團為本集團之合資格中國員工參與多種定額供款退休計劃及為香港員工參與強制性公積金計劃，該等退休計劃之詳情載於本年度報告綜合財務報表附註31。

企業管治

除本年度報告所披露者外，截至二零一七年十二月三十一日止年度，本公司已遵守上市規則附錄十四所載的企業管治守則所列的原則。

審核及風險管理委員會

審核及風險管理委員會已採納與企業管治守則相一致的職責範圍。審核及風險管理委員會已與公司管理層及公司獨立核數師審閱本集團截至二零一七年十二月三十一日止之全年業績，並建議董事會將其採納。

Report of the Directors (Continued)

董事會報告(續)

Auditors

SHINEWING (HK) CPA Limited will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

CHEN Qiyuan

Chairman

Hong Kong, 28 March 2018

核數師

信永中和(香港)會計師事務所有限公司將任滿告退，惟願應聘連任。在即將召開之股東周年大會上將提呈議案，議決續聘信永中和(香港)會計師事務所有限公司為本公司之核數師。

董事會代表

陳啟源

主席

香港，二零一八年三月二十八日

Directors and Senior Management

董事及高層管理人員

Directors

During the year under review, the Board consisted of six Directors, including three executive Directors and three independent non-executive Directors until Mr. Li Bida passed away on 22 November 2017. The following table sets forth certain information in respect of our Directors:

Name 姓名	Age 年齡	Position/Title 職位/職銜
Mr. CHEN Qiyuan 陳啟源先生	56	Chairman and Executive Director 主席兼執行董事
Mr. CHEN Zheng He 陳正鶴先生	29	CEO and Executive Director 首席執行官兼執行董事
Mr. WONG Sin Yung 黃善榕先生	63	Chief Financial Officer and Executive Director 首席財務官兼執行董事
Dr. NGAI Wai Fung 魏偉峰博士	56	Independent non-executive Director 獨立非執行董事
Mr. LI Bida (Passed away on 22 November 2017) 李必達先生 (於二零一七年十一月二十二日逝世)	76	Independent non-executive Director 獨立非執行董事
Mr. CHEUNG Kin Wing 張建榮先生	63	Independent non-executive Director 獨立非執行董事

Executive Directors

Mr. CHEN Qiyuan, aged 56, is the co-founder of our Group, our chairman and has been our executive Director since 12 November 2007. Mr. CHEN is responsible for the overall strategic planning and management of our Group. Mr. CHEN has extensive experience in the Chinese herbal HPC product industry, having been engaged in the consumer chemical product business for over 20 years. Mr. CHEN and Ms. WAN Yuhua entered the HPC product business by establishing Guangzhou Bawang Cosmetics Co., Ltd. (the predecessor entity of the Company) in 1994, to enter the HPC product business in the PRC. Mr. CHEN was engaged in the trading of pesticides in the PRC before the establishment of Guangzhou Bawang Cosmetics Co., Ltd.. In November of 2010, Mr. CHEN Qiyuan was recognised as the “Representative Successor of Chinese Herbal Tea Culture” by the Guangdong Provincial Bureau of Culture. In December 2013, Mr. CHEN Qiyuan had been honoured as the “Distinguished People of Yunfu City” for recognition of his contribution to the development of the city.

董事

於回顧年度內，董事會由六名董事組成，包括三名執行董事及三名獨立非執行董事直至李必達先生於二零一七年十一月二十二日逝世。下表載列關於董事的若干資料：

執行董事

陳啟源先生，56歲，為本集團共同創辦人、我們的主席，並自二零零七年十一月十二日出任我們的執行董事。陳先生負責本集團整體策略規劃及管理。陳先生從事日化產品行業方面的業務超過20年，在中草藥家用個人護理產品行業擁有豐富經驗。考慮到中國市場的家用個人護理產品業務，陳先生及萬玉華女士於一九九四年成立廣州霸王化妝品有限公司(本公司的前身實體)以進軍家用個人護理產品業務。創立廣州霸王化妝品有限公司之前，陳先生曾參與中國農藥貿易生意。二零一零年十一月，陳啟源先生被認定為涼茶傳統技藝的「廣東省非物質文化遺產項目代表性傳承人」。二零一三年十二月，陳啟源先生因其為城市作出的貢獻，被授予「雲浮傑出紳士」的榮譽稱號。

Directors and Senior Management (Continued)

董事及高層管理人員(續)

Mr. CHEN Zheng He, aged 29, was appointed as our executive Director on 20 October 2014. Mr. CHEN joined the Group in March 2007 and has been officially appointed as a director of Bawang Guangzhou since then and started to involve in the planning of sales, marketing, advertising and promotion campaigns of Bawang Guangzhou. Mr. CHEN was appointed as the personal assistant to the chief executive officer of the Company since March 2012, mainly responsible for the daily administration and management of Bawang Guangzhou. Since mid-2013, Mr. CHEN has also been responsible for the supervision and execution of sales, marketing, advertising and promotion campaigns of Bawang Guangzhou. Mr. CHEN works closely with the chairman and the chief executive officer of the Company on formulating overall strategic plan and management of the Group, and executing strategic plans in marketing, and sales and distribution. Mr. CHEN has been appointed as the CEO and Remuneration Committee Member with effect from 9 December 2015. Mr. CHEN obtained the degree of bachelor of commerce from the University of Toronto in 2012. Mr. CHEN is the son of Mr. CHEN Qiyuan, the chairman and an executive Director of the Company.

Mr. WONG Sin Yung, aged 63, is our Chief Financial Officer and executive Director. Mr. WONG joined our Group in April 2008 and was appointed as our executive Director on 10 December 2008. Mr. WONG was also appointed as our Chief Financial Officer and our Company Secretary since December 2008. He is responsible for the finance management and control, accounting, auditing, company secretarial and investor relations of our Group. Prior to joining our Group, Mr. WONG was an executive director of China Ting Group Holdings Limited (03398), from 2005 to 2008, the shares of which are listed on the Stock Exchange. Mr. WONG was the chief accountant and finance manager of Mark Wong & Associates (Industrial Consultants) Limited from 1988 to 1992 and from 1994 to 2003 respectively. He also worked for a certified public accountant firm from 1992 to 1994. Mr. WONG has over 30 years experience in corporate finance, accounting, auditing, corporation administration, and project consulting. He is an associate member of Hong Kong Institute of Certified Public Accountants. Mr. WONG obtained a master's degree in human resource management from Macquarie University in 1996 and a master's degree in business administration from The University of Hong Kong in 1999.

陳正鶴先生，29歲，於二零一四年十月二十日獲委任為我們的執行董事。陳先生於二零零七年三月起加入本集團並自此正式被任命為霸王廣州的董事，並開始參與霸王廣州的銷售、廣告及推廣活動的策劃。陳先生於二零一二年三月起擔任公司首席執行官私人助理一職，負責廣州霸王的日常行政及管理。在二零一三年中開始，陳先生亦同時負責霸王廣州的銷售、廣告及推廣活動的監督及執行。陳先生就制訂本集團之策略性計劃及管理，及銷售、廣告及推廣計劃的執行方面均與公司主席及首席執行官緊密合作。陳正鶴先生於二零一五年十二月九日被委任擔任本公司首席執行官及薪酬委員會成員。陳先生於二零一二年獲得多倫多大學商業學士學位。陳先生是公司集團主席兼執行董事陳啟源先生的兒子。

黃善榕先生，63歲，為我們的首席財務官兼執行董事。黃先生於二零零八年四月加入本集團，並於二零零八年十二月十日獲委任為我們的執行董事。自二零零八年十二月起，黃先生亦被委任為我們的首席財務官及公司秘書。彼負責本集團的財務管理及監控、會計、審核、公司秘書及投資者關係。加入本集團之前，黃先生於二零零五年至二零零八年曾為華鼎集團控股有限公司(03398)(其股份於聯交所上市)的執行董事。於一九八八年至一九九二年及一九九四年至二零零三年期間，黃先生在Mark Wong & Associates (Industrial Consultants) Limited擔任總會計師及財務經理。彼亦於一九九二年在一家執業會計師事務所工作。黃先生在企業融資、會計、審核、公司管理及項目諮詢方面擁有超過30年的經驗。彼為香港會計師公會會員。黃先生於一九九六年獲麥格理大學的人力資源管理碩士學位，於一九九九年獲香港大學工商管理碩士學位。

Directors and Senior Management (Continued)

董事及高層管理人員(續)

Dr. NGAI Wai Fung, aged 56, was appointed as our independent non-executive Director on 10 December 2008. He is currently the Chief Executive Officer of SW Corporate Services Group Limited, a specialty company and secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 20 years of senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and secretarial work for listed issuers including major red chip companies. He has led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. Dr. NGAI was a member of the Working Group on Professional Services under the Economic Development Commission of The Hong Kong Special Administrative Region from January 2013 to March 2018. He is the past president of the Hong Kong Institute of Chartered Secretaries, a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of the Hong Kong Institute of Chartered Secretaries, a fellow of Hong Kong Institute of Directors, a member of Hong Kong Securities and Investment Institute, a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants, a member of the General Committee of the Chamber of Hong Kong Listed Companies and Finance Expert Consultant of the Ministry of Finance of the People's Republic of China. He obtained a doctoral degree in Finance from Shanghai University of Finance and Economics, a master's degree in corporate finance from Hong Kong Polytechnic University, a master's degree in business administration from Andrews University of Michigan and a degree of Bachelor of Laws (Honours) at University of Wolverhampton. Dr. NGAI was an independent non-executive director of China Railway Construction Corporation Limited (01186) from 2007 to 2014, Sany Heavy Equipment International Holdings Company Ltd (00631) from 2009 to 2015, China Coal Energy Company Limited (01898) from 2010 to 2017 and China Railway Group Limited (00390) from 2014 to 2017, and is currently an independent non-executive director of SITC International Holdings Company Limited (01308), Bosideng International Holdings Limited (03998), Powerlong Real Estate Holdings Limited (01238), Beijing Capital Grand Limited (formerly known as Beijing Capital Junda Limited) (01329), Health and Happiness (H&H) International Holding Limited (formerly known as

魏偉峰博士，56歲，於二零零八年十二月十日獲委任為我們的獨立非執行董事。彼現任信永方圓企業服務集團有限公司的行政總裁，該公司專門為上市前及上市後的公司提供公司秘書、企業管治及合規專門服務。在此之前，彼曾擔任獨立運作綜合企業服務公司的董事兼上市服務部主管。魏博士擁有超過20年高層管理包括執行董事、財務總監及公司秘書的經驗，其中絕大部分經驗涉及上市發行人(包括大型紅籌公司)的財務、會計、內部控制及法規遵守，企業管治及公司秘書方面，彼曾領導或參與多個上市、收購合併、發債等重大企業融資項目。魏博士曾為香港特別行政區經濟發展委員會專業服務業工作小組非官守成員(二零一三年一月至二零一八年三月)。彼為香港特許秘書公會前會長、英國特許公認會計師公會資深會員、香港會計師公會會員、特許秘書及行政人員公會資深會員及香港特許秘書公會資深會員、香港證券及投資學會會員、香港會計師公會專業資格及考試評議會委員會成員、香港上市公司商會常務委員會成員及中國財政部會計諮詢專家。彼於分別獲得上海財經大學金融學博士學位，香港理工大學企業融資碩士學位，美國密茲根州安德魯大學工商管理碩士學位及英國華瑞漢普敦大學法律學士(榮譽)學位。魏博士於二零零七年至二零一四年曾擔任中國鐵建股份有限公司(01186)的獨立非執行董事。於二零零九年至二零一五年擔任三一重裝國際控股有限公司(00631)的獨立非執行董事，於二零一零年至二零一七年擔任中國中煤能源股份有限公司(01898)的獨立非執行董事及於二零一四年至二零一七年擔任中國中鐵股份有限公司(00390)的獨立非執行董事。而目前為海豐國際控股有限公司(01308)、波司登國際控股有限公司(03998)、寶龍地產控股有限公司(01238)、首創鉅大有限公司(01329)、健合(H&H)國際控股有限公司(前稱為合生元國際控股有限公司)(01112)、長飛光纖光纜股份有限公司(06869)、北京金隅集團股份有限公司

Directors and Senior Management (Continued)

董事及高層管理人員(續)

Biostime International Holdings Limited) (01112), Yangtze Optical Fibre and Cable Joint Stock Limited Company (06869), BBMG Corporation (02009), TravelSky Technology Limited (00696), China HKBridge Holdings Limited (02323) and China Communications Construction Company Limited (01800), the shares of which are listed on the Stock Exchange and/or the Shanghai Stock Exchange. Dr. NGAI is also an independent director of LDK Solar Co. Ltd (LDKYQ), which was previously listed on the New York Stock Exchange, and is currently listed on the OTC Pink Limited Information and SPI Energy Co., Limited (SPI), the shares of which are listed on NASDAQ.

Mr. LI Bida, aged 76, was appointed as our independent non-executive Director on 10 December 2008. Prior to joining our Group, Mr. LI was the head of Department of Lawyers, the Ministry of Justice of the PRC, currently known as Department of Directing Lawyers and Notarization, Ministry of Justice, from 1988 to 1992. He was also an arbitrator in China International Economics and Trade Arbitration Commission from 1989 to 1990. From 1992 to 1995, he served as standing deputy head of State Trademark Bureau. From 1992 to 2001, he held various positions in State Administration of Industry and Commerce including the head of the Fair Trading Bureau and the head of Registration Bureau. He was a consultant with a number of companies, including Galanz Group from 2001 to 2003, Perfect (China) Co., Ltd. and Nanfong Lee Kum Kee Co., Ltd. from 2001 to 2005, Ricoh China Co., Ltd. from 2005 to 2006, and NU Skin (China) Co., Ltd. from 2006 to 2007. He is currently a consultant of Intellectual Property Institute of Peking University, professor of Renmin University of China Law School and Capital University of Economics and Business. Mr. LI obtained a bachelor's degree in law from Hubei University in 1965. Mr. LI passed away on 22 November 2017.

(02009)、中國民航信息網絡股份有限公司(00696)、中國港橋控股有限公司(02323)及中國交通建設股份有限公司(01800)的獨立非執行董事，上述公司的股份於聯交所及/或上海證券交易所上市。魏博士同時為賽維LDK太陽能高科技有限公司(LDKYQ)(曾於紐約證券交易所上市，現於OTC Pink Limited Information上市)及SPI Energy Co., Limited (SPI)，其股份於納斯達克市場上市的獨立董事。

李必達先生，76歲，於二零零八年十二月十日獲委任為我們的獨立非執行董事。在加入本集團之前，李先生於一九八八年至一九九二年期間為中國司法部律師司司長(現稱為司法部律師公證工作指導司)。彼於一九八九年至一九九零年期間為中國國際經濟貿易仲裁委員會仲裁員。於一九九二年至一九九五年期間，彼任職國家商標局常務副局長。一九九二年至二零零一年期間，彼在國家工商行政管理總局擔任不同職位，包括公平交易局局長及企業註冊局局長。彼曾為多家公司的顧問，包括二零零一年至二零零三年期間擔任格蘭仕集團的顧問、二零零一年至二零零五年期間擔任完美(中國)日用品有限公司及南方李錦記有限公司的顧問、二零零五年至二零零六年期間擔任理光(中國)投資有限公司的顧問及於二零零六至二零零七年期間擔任如新(中國)日用保健品有限公司的顧問。彼目前擔任北京大學知識產權學院顧問、中國人民大學法律學院及首都經濟貿易大學教授。李先生於一九六五年獲湖北大學法學學士學位。李先生於二零一七年十一月二十二日逝世。

Directors and Senior Management (Continued)

董事及高層管理人員(續)

Mr. CHEUNG Kin Wing (張建榮先生), aged 63, was appointed as our independent non-executive Director on 13 November 2014. Mr. CHEUNG has around 30 years of experience in information technology, financial accounting, auditing and management. Mr. CHEUNG is a member of Hong Kong Institute of Certified Public Accountants and a fellow of the Institute of Chartered Accountants in England and Wales. Since February 1999, Mr. CHEUNG has been a director and lead consultant of Sunplex Consultants Limited, a company providing human resources management and information technology consultancy services to its clients (including government organisations and private companies). Mr. CHEUNG had been an independent director of Principal Trust Company (Hong Kong) Limited (formerly known as AXA China Region Trustees Limited) from August 1999 to August 2015 and an independent non-executive director of Bank of Communications Trustee Limited from November 2003 to January 2018. Mr. CHEUNG has been an independent non-executive director of ENM Holdings Limited (00128) since June 2016, Trio Industrial Electronics Group Limited (01710) since February 2017, and Kin Pang Holdings Limited (01722) since November 2017, companies whose shares are listed on The Stock Exchange of Hong Kong Limited. Mr. CHEUNG had held several positions, including Assistant Manager, Manager and Senior Manager between September 1980 and July 1991 in Coopers & Lybrand. Mr. CHEUNG had been a partner of Coopers & Lybrand since March 1995, and had been a partner of PricewaterhouseCoopers since Coopers & Lybrand was merged with Price Waterhouse into PricewaterhouseCoopers in October 1998 until his resignation in May 1999. Mr. CHEUNG was Director of Operations and Finance of Hong Kong Institute of Certified Public Accountants between July 2004 and April 2008 and a consultant of Hong Kong Institute of Certified Public Accountants between April 2008 and August 2008. Mr. CHEUNG obtained a Bachelor of Commerce from The University of Calgary in Canada in June 1979.

張建榮先生，63歲，於二零一四年十一月十三日獲委任為我們的獨立非執行董事。張先生於資訊科技、財務會計、審計及管理領域擁有約30年經驗。張先生是香港會計師公會會員及英格蘭及威爾士特許會計師公會的資深會員。張先生自一九九九年二月起擔任輝柏顧問有限公司的董事兼首席顧問，主要為客戶(包括政府機構及私營企業)提供人力資源管理和資訊科技諮詢服務。張先生於一九九九年八月至二零一五年八月擔任信安信託(香港)有限公司(前稱為安盛信託有限公司)的獨立董事及自二零零三年十一月起至二零一八年一月擔任交通銀行信託有限公司的獨立非執行董事。張先生自二零一六年六月開始擔任安寧控股有限公司(00128)的獨立非執行董事，彼自二零一七年二月開始擔任致豐工業電子集團有限公司(01710)的獨立非執行董事及自二零一七年十一月開始擔任建鵬控股有限公司(01722)的獨立非執行董事。安寧控股有限公司，致豐工業電子集團有限公司及建鵬控股有限公司均為香港聯合交易所有限公司的上市公司。張先生於一九八零年九月至一九九一年七月期間曾在容永道會計師事務所擔任不同工作崗位，包括助理經理、經理及高級經理。張先生於一九九五年三月起擔任容永道會計師事務所的合伙人，並自一九九八年十月容永道會計師事務所與羅兵咸會計師事務所合併成羅兵咸永道會計師事務所後繼續擔任其合伙人至一九九九年五月本人離開羅兵咸永道會計師事務所為止。張先生曾於二零零四年七月至二零零八年四月期間擔任香港會計師公會的營運及財務總監及於二零零八年四月至八月期間擔任香港會計師公會顧問。張先生於一九七九年六月獲得加拿大卡爾加里大學的商學士學位。

Independent Auditor's Report

獨立核數師報告



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF
BAWANG INTERNATIONAL (GROUP) HOLDING LIMITED
(incorporated in the Cayman Islands with limited liability)

致霸王國際(集團)控股有限公司股東
(於開曼群島註冊成立的有限公司)

Opinion

We have audited the consolidated financial statements of BaWang International (Group) Holding Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 68 to 166, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (the “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.

意見

我們已審計列載於第68至第166頁霸王國際(集團)控股有限公司(「貴公司」)及其子公司(以下合稱「貴集團」)的綜合財務報表，其中包括於二零一七年十二月三十一日的綜合財務狀況表，以及截至該日止年度的綜合損益表及其他全面收益表、綜合權益變動表和綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

我們認為，該等綜合財務報表已根據國際會計準則委員會(「國際會計準則委員會」)頒佈之國際財務報告準則(以下簡稱「國際財務報告準則」)真實而公平地反映貴集團於二零一七年十二月三十一日之財務狀況及其截至該日止年度之財務表現及綜合現金流量，並已遵循《香港公司條例》的披露要求進行適當編製。

意見的基礎

本行已根據香港會計師公會頒佈的《香港審計準則》進行審計。在這些準則下，本行的責任會在本核數師報告的核數師就綜合財務報表須承擔的責任中詳述。根據香港會計師公會之職業會計師道德守則(簡稱「守則」)，本行獨立於貴集團，並已遵循守則履行其他道德責任。本行相信，本行所獲得的審核憑證是充足和適當為本行的審核意見提供基礎。

Independent Auditor's Report (Continued)

獨立核數師報告(續)

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.

Valuation of trade receivables

Refer to note 20 to the consolidated financial statements and the accounting policies on pages 98 to 100.

The key audit matter 關鍵審核事項

As at 31 December 2017, the Group had trade receivables of approximately RMB41,511,000, which were significant to the Group's total current assets.

於二零一七年十二月三十一日，貴集團應收賬款達約人民幣41,511,000，佔貴集團總流動資產重要部份。

We have identified valuation of trade receivables as a key audit matter because the estimates on the provision of individual debt entail a significant degree of management judgement and may be subject to management bias.

我們把應收賬款的減值評估確定為關鍵審計事項，因為在估算個別應收賬款撥備涉及管理層的重大判斷，當中可能存在意見偏頗的情況。

關鍵審核事項

根據我們的專業判斷，關鍵審核事項為本行審核本期綜合財務報表中最重要的事項。本行在整體審核綜合財務報表和就此形成意見時處理此等事項，而不會就此等事項單獨發表意見。

銷售收入確認

參閱綜合財務報表附註20及第98至100頁的會計政策。

How the matter was addressed in our audit 在審核中的處理方法

Our audit procedures included, amongst others, evaluating management's assessment of the indicators of impairment and management's controls relating to the valuation of trade receivables. In addition, we have performed substantive testing and analytical procedures. These procedures included challenging the appropriateness of management's assumptions and management estimates in relation to the valuation of trade receivables.

我們的審計程序包括評估管理層對應收賬款估值的控制。此外，我們進行了實質性測試和分析程序。這些程序包括對管理層就應收賬款減值評估的假設及估算的適當性提出質疑。

We have discussed with management regarding the level, ageing and recoverability of trade receivables. We have considered the Group's previous experience of bad debt exposure and the individual counterparty credit risk. We have assessed the recoverability of overdue unprovided debt with reference to the historical levels of bad debt expense and credit history of the counterparties. We have also considered the consistency of judgements regarding the recoverability of trade receivables to consider whether there is evidence of management bias through discussion with management on their rationale and obtaining evidence to support judgement areas.

我們已與管理層討論應收賬款的水平，賬齡和可收回性。我們考慮了貴集團以往壞賬風險及個別客戶信用風險的經驗。我們參考壞賬費用的歷史水平和個別客戶的信用歷史評估逾期但未進行減值撥備的應收賬款的可收回性。我們還考慮了與應收賬款可回收性相關的判斷的一致性，通過與管理層的討論以獲得是否存在意見偏頗的證據及支持判斷領域的證據。

Independent Auditor's Report (Continued)

獨立核數師報告(續)

Valuation of inventories

Refer to note 19 to the consolidated financial statements and the accounting policies on pages 96 and 97.

The key audit matter 關鍵審核事項

As at 31 December 2017, the Group had inventories of approximately RMB47,581,000, which were significant to the Group's total current assets.

於二零一七年十二月三十一日，貴集團存貨達約人民幣47,581,000，佔貴集團總流動資產重要部份。

Taking into account of the variety of products and relatively short life cycles of the Group's products, there are risks on obsolescence of long aged inventories which may affect the valuation of inventories held as at year end.

考慮到貴集團產品種類繁多及產品週期相對較短，貨齡較長的存貨有過時的風險並影響年末存貨的估值。

We have identified valuation of inventories as a key audit matter because the estimates on the net realisable values of inventories entail a significant degree of management judgement and may be subject to management bias.

我們把存貨的減值評估確定為關鍵審計事項，因為在估算存貨的可變現淨值涉及管理層的重大判斷，當中可能存在意見偏頗的情況。

存貨的減值評估

參閱綜合財務報表附註19及第96和97頁的會計政策。

How the matter was addressed in our audit 在審核中的處理方法

Our audit procedures were designed to assess the methodology and assumptions used by management in calculating the inventory provisions. We have reviewed management's identification of slow moving and obsolete inventories, and critically assessed whether appropriate provisions had been established for slow moving and obsolete items. When considering management's assessment, we have also taken into account the most recent prices achieved on sales across different products.

我們的審計程序旨在評估管理層在計算存貨撥備時使用的方法和假設。我們審查了管理層對銷售緩慢和過時存貨的識別，並嚴格評估了是否為銷售緩慢和過時的項目制定了適當的條款。在考慮管理層的評估時，我們也考慮了不同產品的最近期銷售價格。

We have also assessed the reliability of management's assessment by considering the utilisation or release of previously recorded provisions.

我們還通過考慮以往撥備的使用或撥回，評估管理層計算存貨撥備的可靠性。

Independent Auditor's Report (Continued)

獨立核數師報告(續)

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors of the Company and Audit and Risk Management Committee for the Consolidated Financial Statements

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

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

Audit and Risk Management Committee is responsible for overseeing the Group's financial reporting process.

其他資料

董事須對其他資料承擔責任。其他資料包括年報中所包含的資料，但不包括綜合財務報表及本行就此發出的核數師報告。

本行對綜合財務報表作出的意見並未考慮其他資料。本行不對其他資料發表任何形式的核證結論。

就審計綜合財務報表而言，本行的責任是閱讀其他資料，從而考慮其他資料是否與綜合財務報表或本行在審核過程中獲悉的資料存在重大不符，或似乎存在重大錯誤陳述。倘若本行基於已完成的工作認為其他資料出現重大錯誤陳述，本行須報告此一事實。本行就此並無須報告事項。

董事和管治層就綜合財務報表須承擔的責任

貴公司董事須負責根據國際會計準則理事會頒佈的《國際財務報告準則》及《香港公司條例》的披露要求編製及真實而公允地列報該等綜合財務報表，並負責董事認為編製綜合財務報表所必需的有關內部監控，以確保有關綜合財務報表不存在重大錯誤陳述(不論是否由於欺詐或錯誤而導致的)。

在編製綜合財務報表時，董事須負責評估貴集團持續經營的能力，並披露與持續經營有關的事項(如適用)。除非董事有意將貴集團清盤，或停止營運，或除此之外並無其他實際可行的辦法，否則董事須採用以持續經營為基礎的會計法。

審核及風險管理委員會須負責監督貴集團的財務報告流程。

Independent Auditor's Report (Continued)

獨立核數師報告(續)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, 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 of the Company.

核數師就綜合財務報表須承擔的責任

本行的目標是合理確定整體而言此等綜合財務報表是否不存在重大錯誤陳述(不論是否由於欺詐或錯誤而導致的),並根據本行約定的專案約定條款向貴公司(作為一個團體)發出包含審核意見的核數師報告,除此之外別無其他目的。本行不就本報告之內容向任何其他人士承擔任何責任或接受任何義務。合理確定屬高層次的核證,但不能擔保根據《香港審計準則》進行的審計工作總能發現所有存在的重大錯誤陳述。重大錯誤陳述可源於欺詐或錯誤,倘個別或整體在合理預期情況下可影響使用者根據綜合財務報表作出的經濟決定時,被視為重大錯誤陳述。

本行根據《香港審計準則》進行審計的工作之一,是運用專業判斷,在整個審核過程中抱持職業懷疑態度。本行也:

- 識別和評估貴集團綜合財務報告內的重重大錯報風險(無論是否因錯誤或欺詐而導致的),設計和執行響應這些風險的審計程序,和獲取充份和適當的審計證據為發表本行的意見提供基礎。基於欺詐涉及共謀、偽造、故意遺漏、誤導性陳述或對內部控制的否決,因此未能發現由欺詐而導致重大錯報的風險是比由錯誤而導致重大錯報的風險為高。
- 瞭解與審計工作相關的內部控制以設計恰當的審計程序,但並非對貴集團的內部控制有效性發表意見。
- 評價公司董事選用會計政策的恰當性和作出會計估計和相關披露的合理性。

Independent Auditor's Report (Continued)

獨立核數師報告(續)

- Conclude on the appropriateness of the Company's 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.
- 總結公司董事採用以持續經營為基礎的會計處理是否恰當，並根據已獲取的審核證據，總結是否對貴集團持續經營的能力構成重大疑問的事件或情況等存在重大不確定因素。倘若本行總結認為有重大不確定因素，本行需要在核數師報告中提請注意貴集團綜合財務報表內的相關資料披露，或如果相關披露不足，則修訂本行的意見。本行的結論是基於截至核數師報告日期所獲得的審核憑證。然而，未來事件或情況可能導致貴集團不再具有持續經營的能力。
- 評估貴集團綜合財務報表的整體列報、架構和內容(包括資料披露)，以及貴集團綜合財務報表及是否已公允地反映及列報相關交易及事項。
- 就貴集團內各實體或業務活動的財務資料獲得充足的審核憑證，以就綜合財務報表發表意見。本行須負責指導、監督和執行貴集團的審計工作。本行仍為本行的審核意見承擔全部責任。

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

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

本行就審計工作的計劃範圍和時間、在審核過程中的主要發現(包括內部控制的重大缺失)及其他事項與審核及風險管理委員會進行溝通。

本行亦向審核及風險管理委員會作出聲明，確認本行已遵守有關獨立性的道德要求，並就所有被合理認為可能影響核數師獨立性的關係和其他事宜以及相關保障措施(如適用)，與管治層進行溝通。

Independent Auditor's Report (Continued)

獨立核數師報告(續)

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hon Kei, Anthony.

本行通過與審核及風險管理委員會溝通，確定哪些是本期綜合財務報表審計工作的最重要事項，即關鍵審核事項。除非法律或法規不容許公開披露此等事項或在極罕有的情況下，本行認為披露此等事項可合理預期的不良後果將超過公眾知悉此等事項的利益而不應在報告中予以披露，否則本行會在核數師報告中描述此等事項。

負責此審核項目與簽發獨立核數師報告的項目合夥人為黃漢基先生，安東尼。

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Hon Kei, Anthony

Practising Certificate Number: P05591

Hong Kong

28 March 2018

信永中和(香港)會計師事務所有限公司

執業會計師

黃漢基，安東尼

執業證書號碼：P05591

香港

二零一八年三月二十八日

Consolidated Statement of Profit or Loss and Other Comprehensive Income

綜合損益及其他全面收益表

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

		Notes 附註	2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Revenue	營業額	7	264,215	264,229
Cost of sales	銷售成本		(136,902)	(137,699)
Gross profit	毛利		127,313	126,530
Other income	其他收入	8	14,162	28,001
Changes in fair value less costs to sell in respect of biological assets	生物資產公允價值減 銷售成本的變動損益	18	—	29
Selling and distribution costs	銷售及分銷成本		(93,726)	(80,080)
Administrative expenses	行政開支		(27,866)	(30,458)
Other expenses	其他開支		(157)	(1,455)
Finance costs	財務費用	9	(495)	(1,473)
Profit before taxation	除所得稅前利潤		19,231	41,094
Taxation	所得稅	10	(4)	2,610
Profit for the year attributable to owners of the Company	本公司擁有人應佔 之年內利潤	11	19,227	43,704
Other comprehensive income/(expense)	其他全面收入/(支出)			
<i>Item that may be reclassified subsequently to profit or loss:</i>	<i>其後可重新分類至損益 的項目:</i>			
Exchange differences arising on translation of foreign operations	海外業務換算之 匯兌差額		477	(1,740)
Profit and total comprehensive income for the year attributable to owners of the Company	本公司擁有人應佔年內 盈利及全面收入總額		19,704	41,964
Earnings per share	每股盈利	14		
Basic	基本		RMB0.6081 cents 人民幣0.6081仙	RMB1.4292 cents 人民幣1.4292仙
Diluted	攤薄		RMB0.6080 cents 人民幣0.6080仙	RMB1.4289 cents 人民幣1.4289仙

Consolidated Statement of Financial Position

綜合財務狀況表

As at 31 December 2017 於二零一七年十二月三十一日

		Notes 附註	2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Non-current asset	非流動資產			
Property, plant and equipment	物業、廠房及設備	17	132,403	137,237
Current assets	流動資產			
Inventories	存貨	19	47,581	41,827
Biological assets	生物資產	18	—	457
Trade and other receivables	貿易及其他應收賬款	20	45,458	65,584
Amounts due from related parties	應收關聯方款項	32(a)	6,947	8,075
Pledged bank deposits	抵押銀行存款	21	—	10
Deposit with bank	銀行存款	21	20,000	20,000
Bank balances and cash	銀行結餘及現金	21	46,050	22,312
			166,036	158,265
Current liabilities	流動負債			
Trade and other payables	貿易及其他應付賬款	22	117,439	127,121
Amounts due to related parties	應付關聯方款項	32(a)	1,346	660
Bank borrowings	銀行借款	25	—	5,610
Income tax payables	應付所得稅		9,070	9,066
Provisions	計提費用	23	338	2,503
			128,193	144,960
Net current assets	流動資產淨值		37,843	13,305
Net assets	資產淨值		170,246	150,542

Consolidated Statement of Financial Position (Continued)

綜合財務狀況表(續)

As at 31 December 2017 於二零一七年十二月三十一日

		Notes 附註	2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Capital and reserves	股本及儲備			
Share capital	股本	26(a)	277,878	277,878
Reserves	儲備	26(b)	(107,632)	(127,336)
Total equity	權益總額		170,246	150,542

The consolidated financial statements on pages 68 to 166 were approved and authorised for issue by the board of directors on 28 March 2018 and are signed on its behalf by:

第68至166頁面的綜合財務報表經董事會於二零一八年三月二十八日批准並由其代表簽署授權發行：

Mr. CHEN Qiyuan

陳啟源
Director
董事

Mr. CHEN Zheng He

陳正鶴
Director
董事

Consolidated Statement of Changes in Equity

綜合權益變動表

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

		Attributable to owners of the Company							Accumulated losses	Total
		Share capital	Share premium	PRC statutory reserves	Capital reserve	Merger reserve	Translation reserve	Other reserve		
		股本	股本溢價	中國法定儲備	資本儲備	合併儲備	匯兌儲備	其他儲備	累計虧損	權益總額
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
			(note 26(b))	(note 26(b))	(note 26(b))	(note 26(b))	(note 26(b))	(note 26(b))		
			(附註26(b))	(附註26(b))	(附註26(b))	(附註26(b))	(附註26(b))	(附註26(b))		
At 1 January 2016	於二零一六年一月一日	256,705	1,356,369	49,887	2,814	8,468	(29,185)	7,752	(1,611,355)	41,455
Profit for the year	年內盈利	—	—	—	—	—	—	—	43,704	43,704
Other comprehensive expense for the year	其他全面費用	—	—	—	—	—	—	—	—	—
Exchange differences arising on translation of foreign operations	海外業務換算之匯兌差異	—	—	—	—	—	(1,740)	—	—	(1,740)
Total comprehensive (expense) income for the year	年內全面(支出)收入總額	—	—	—	—	—	(1,740)	—	43,704	41,964
Deemed contribution arising from non-interest bearing loans from controlling shareholders (note 32(h))	控股股東提供的免息借款所產生之視同注資(附註32(h))	—	—	—	—	—	—	1,669	—	1,669
Issue of shares by way of placing (note 26(a))	以出售方式發行股票(附註26(a))	21,173	44,462	—	—	—	—	—	—	65,635
Share issue expenses	股票發行費用	—	(181)	—	—	—	—	—	—	(181)
At 31 December 2016	於二零一六年十二月三十一日	277,878	1,400,650	49,887	2,814	8,468	(30,925)	9,421	(1,567,651)	150,542
At 1 January 2017	於二零一七年一月一日	277,878	1,400,650	49,887	2,814	8,468	(30,925)	9,421	(1,567,651)	150,542
Profit for the year	年內盈利	—	—	—	—	—	—	—	19,277	19,277
Other comprehensive income for the year	其他全面收入	—	—	—	—	—	—	—	—	—
Exchange differences arising on translation of foreign operations	海外業務換算之匯兌差異	—	—	—	—	—	477	—	—	477
Total comprehensive income for the year	年內全面收入總額	—	—	—	—	—	477	—	19,227	19,704
At 31 December 2017	於二零一七年十二月三十一日	277,878	1,400,650	49,887	2,814	8,468	(30,448)	9,421	(1,548,424)	170,246

Consolidated Statement of Cash Flows

綜合現金流量表

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
OPERATING ACTIVITIES	經營活動		
Profit before taxation	稅前利潤	19,231	41,094
Adjustments for:	就下列作出調整：		
Bank interest income	銀行利息收入	(379)	(406)
Changes in fair value less costs to sell in respect of biological assets	生物資產公允價值減銷售成本的變動損益	—	(29)
Depreciation of property, plant and equipment	物業、廠房及設備折舊	17,159	11,898
Finance costs	融資成本	495	1,473
(Reversal of)/impairment loss recognised in respect of trade receivables	貿易應收款項之減值損失確認撥回	(5,136)	2,425
Loss on disposals of property, plant and equipment	處置物業、廠房及設備損失	34	1,455
Allowance for inventories	存貨跌價	112	1,427
Reversal of allowance for inventories	存貨跌價撥回	—	(243)
Obsolete inventories written-off	逾期存貨報廢	3,370	2,493
Write-back of payables for property, plant and equipment	購買物業、廠房及設備之付款撥回	—	(4,083)
Write-back of trade and other payables	貿易及其他應付款撥回	(4,947)	—
Provision for litigation	訴訟計提費用	—	722
Operating cash flows before working capital changes	營運資金變動前之經營資金流量	29,939	58,226
Increase in inventories	存貨增加	(8,779)	(4,583)
Decrease/(increase) in trade and other receivables	貿易及其他應收款項減少/(增加)	25,262	(3,215)
Decrease/(increase) in amounts due from related parties	應收關聯方款項減少/(增加)	1,128	(8,000)
Decrease in trade and other payables	貿易及其他應付款項減少	(2,250)	(34,902)
Increase/(decrease) in amounts due to related parties	應付關連方款項增加/(減少)	686	(6,641)
Decrease in provisions	計提費用減少	(2,165)	(2,045)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	經營活動產生/(所用)的現金淨額	43,821	(1,160)

Consolidated Statement of Cash Flows (Continued)

綜合現金流量表(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
INVESTING ACTIVITIES	投資活動		
Purchase of property, plant and equipment	購買物業、廠房及設備	(14,952)	(1,234)
Bank interest received	已收銀行利息	379	406
Withdrawal/(placement) of pledged bank deposits	提取/(存放)已抵押銀行存款	10	(10)
Proceeds from disposals of property, plant and equipment	處置物業、廠房及設備的所得款項	4	236
Plantation expenditure of biological assets	生物資產種植支出	—	(14)
NET CASH USED IN INVESTING ACTIVITIES	投資活動所用的現金淨額	(14,559)	(616)
FINANCING ACTIVITIES	融資活動		
Repayments of bank borrowings	償還銀行借款	(9,435)	—
Interest paid	已付利息	(495)	—
Proceed from issue of new shares	發行新股所得款項	—	65,635
Proceeds from loans from controlling shareholders	控股股東借款所得款項	—	33,566
New bank borrowings raised	新增銀行借款	3,825	5,610
Repayments of loans from controlling shareholders	償還控股股東借款	—	(91,396)
Share issue expenses	股票發行費用	—	(181)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	融資活動(所用)/產生的現金淨額	(6,105)	13,234
NET INCREASE IN CASH AND CASH EQUIVALENTS	現金及現金等價物增加淨額	23,157	11,458
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	於年初之現金及現金等價物	22,312	9,604
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	匯率變動影響	581	1,250
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	於年終之現金及現金等價物		
representing bank balances and cash	即指銀行結存及現金	46,050	22,312

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

1. General and Basis of Preparation of Consolidated Financial Statements

BaWang International (Group) Holding Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company is Fortune Station Limited, which is incorporated in the British Virgin Islands (the “BVI”) and is owned as to: (1) 49.57% by Heroic Hour Limited, a company that is beneficially owned as to 22.00% by Mr. CHEN Zheng He, the chief executive officer and an executive director of the Company, and 78.00% by Mr. CHEN Zheng He’s six brothers and sisters; (2) 25.72% by Mr. CHEN Qiyuan, the Chairman of the board of directors of the Company (the “Directors”); and (3) 24.71% by Ms. WAN Yuhua, a former director and the former chief executive officer of the Company (collectively referred to as the “Controlling Shareholders”).

The address of the registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is at Bawang Industrial Complex, 468 Guanghua 3rd Road, Baiyun District, Guangzhou, 510450, the People’s Republic of China (the “PRC”).

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are manufacturing and sales of the household and personal care products.

The functional currency of the Company is Hong Kong dollars (“HK\$”). The consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the primary economic environment in which the principal subsidiaries of the Group operate in the PRC.

1. 一般資料及綜合財務報表之編製基準

本公司於開曼群島註冊成立為獲豁免的有限公司並且在香港聯合交易所有限公司(「聯交所」)上市。其直接母公司為在英屬處女群島(「英屬處女群島」)註冊的Fortune Station Limited，其股份之(1) 49.57%由Heroic Hour Limited擁有，Heroic Hour Limited的22.00%股權由本公司之首席執行官及執行董事陳正鶴先生實益持有，而餘下之78.00%則由陳正鶴先生之六位弟妹實益持有；(2) 25.72%由本公司的董事會主席陳啟源先生擁有；及(3) 24.71%由本公司前任董事和前任首席執行官萬玉華女士擁有(統稱「控股股東」)。

本公司註冊辦事處的地址為Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands，主要營業地點為中華人民共和國(「中國」)廣州市白雲區廣花三路468號霸王工業園，郵編510450。

本公司及其附屬公司(以下統稱為「本集團」)的主要從事生產及銷售家用及個人護理產品業務。

本公司的功能貨幣是港元(「港元」)綜合財務報表以人民幣(「人民幣」)列示，人民幣是本集團主要附屬公司在中國經營的主要經濟環境的功能貨幣。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”)

In the current year, the Group has applied the following new and revised IFRSs, which include IFRSs, International Accounting Standards (“IAS(s)”), amendments and interpretations (“Int(s)”) issued by the International Accounting Standards Board (the “IASB”) and the IFRS Interpretations Committee (“IFRIC”) of the IASB.

Amendments to IFRSs	Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of other new and revised IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to IAS 7 has resulted in additional disclosures on the Group’s financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in note 33. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in note 33, the Directors considered that these amendments have had no material impact on the Group’s consolidated financial statements.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)

於本年度，本集團已採納下列新訂及經修訂國際財務報告準則，包括由國際會計準則理事會及國際會計準則理事會之國際財務報告詮釋委員會頒佈的國際財務報告準則、國際會計準則修訂及新詮釋(「詮釋」)。

國際財務報告 準則之修訂本	國際財務報告準則 之年度改進 (二零一四年至 二零一六年週期)
國際會計準則 第7號之修訂本	披露措施
國際會計準則 第12號之修訂本	未變現虧損確認遞 延稅項資產

除下文所述者，於本年度應用其他新訂及經修訂的國際財務報告準則對本集團於本年度及過往年度的財務表現及狀況及/或綜合財務報表當中所載披露並無重大影響。

國際會計準則第7號披露計劃之修訂

該等修訂要求實體提供使財務報表使用者能夠評估融資活動所產生負債變動(包括現金流量產生之變動及非現金變動)之披露資料。該等修訂並無限定達成新披露規定之指定方法。然而，該等修訂指出其中一個方法為提供融資活動產生的負債之期初及期末結餘的對賬。

應用國際會計準則第7號之修訂可能導致須額外披露有關本集團融資活動之資料，尤其是已在綜合財務狀況表附註33中因融資活動而產生負債項目之期初及期末結餘對賬。於初始應用該等修訂時，本集團毋須就過往期間提供比較資料。除附註33所作出之額外披露外，本公司董事認為，應用該等修訂將不會對本集團之綜合財務報表造成重大影響。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”) (Continued)

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9 (2014)	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ³
Amendments to IFRSs	Annual Improvements to IFRSs 2014–2016 Cycle ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle ²
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

已頒佈但尚未生效的新訂及經修訂國際財務報告準則

本集團並未提前應用下列已頒佈但尚未生效的新訂及經修訂國際財務報告準則。

國際財務報告準則第9號 (二零一四年)	金融工具 ¹
國際財務報告準則第15號	來自客戶合約之收益 ¹
國際財務報告準則第16號	租賃 ²
國際財務報告準則第17號	保險合同 ³
國際財務報告準則之修訂本	國際財務報告準則之年度改進 (二零一四年至二零一六年週期) ¹
國際財務報告準則之修訂本	國際財務報告準則之年度改進 (二零一五年至二零一七年週期) ²
國際財務報告準則第2號之修訂本	股份支付交易的分類和計量 ¹
國際財務報告準則第4號之修訂本	適用國際財務報告準則第9號金融工具跟國際財務報告準則第4號保險合同 ¹
國際財務報告準則第9號之修訂本	預付特性與負補償 ²

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to IAS 40	Transfer of Investment Property ¹
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

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

⁴ Effective date not yet been determined.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

已頒佈但尚未生效的新訂及經修訂國際財務報告準則(續)

國際財務報告準則第10號之修訂本	投資者與其合夥人或合資企業之間的資產出售或捐贈 ⁴
國際會計準則第19號之修訂本	計劃修改·縮減或結算 ²
國際會計準則第28號之修訂本	聯營公司和合資企業的長期權益 ²
國際會計準則第40號之修訂本	投資性房地產轉讓 ¹
國際財務報告準則詮釋委員會第22號	外匯交易和預付考慮 ¹
國際財務報告準則詮釋委員會第23號	所得稅處理的不確定性 ²

¹ 2018年1月1日或之後開始之年度期間生效

² 2019年1月1日或之後開始之年度期間生效

³ 2021年1月1日或之後開始之年度期間生效

⁴ 生效日期尚未確定

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

The Directors anticipate that, except as described below, the application of other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

IFRS 9 (2014) Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the consolidated financial statements. A finalised version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of IFRS 9 also introduces an “expected credit loss” model for impairment assessments.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

已頒佈但尚未生效的新訂及經修訂國際財務報告準則(續)

本公司董事預計，除下文所述者外，應用其他新訂及經修訂國際財務報告準則將不會對本集團業績及財務狀況造成重大影響。

國際財務報告準則第9號(二零一四年)金融工具

於二零零九年頒佈之國際財務報告準則第9號引入金融資產分類及計量之新規定。國際財務報告準則第9號於二零一零年經修訂，並包括有關分類及計量金融負債及終止確認之規定。於二零一三年，國際財務報告準則第9號獲進一步修訂，以落實對沖會計法之實質性修訂，從而將使實體於財務報表中更能反映風險管理活動。國際財務報告準則第9號之最終版本於二零一四年頒佈，藉就若干金融資產引入「按公平值計入其他全面收益(「按公平值計入其他全面收益」)之計量類別，以納入過往年度所頒佈國際財務報告準則第9號之全部規定，且對有關分類及計量作出有限修訂。國際財務報告準則第9號之最終版本亦就減值評估引入「預期信貸虧損」模式。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 (2014) Financial Instruments (Continued)

Key requirements of IFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of IFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

已頒佈但尚未生效的新訂及經修訂國際財務報告準則(續)

國際財務報告準則第9號(二零一四年)金融工具(續)

國際財務報告準則第9號(二零一四年)之主要規定載述如下:

- 所有屬國際財務報告準則第9號(二零一四年)範圍內之已確認金融資產其後均須按攤銷成本或公平值計量。具體而言，目的是收取合約現金流量之業務模式內持有之債務投資，及合約現金流量僅為償還本金及尚未償還本金利息之債務投資，般於其後會計期末按攤銷成本計量。於目的皆以收集合約現金流量及出售金融資產而達成之業務模式內持有之債務工具，及金融資產之合約條款致令於指定日期產生之現金流僅為支付尚未償還本金及其利息，其計量乃按公平值計入其他全面收益。所有其他債務投資及權益投資均於其後報告期末按公平值計量。此外，根據國際財務報告準則第9號(二零一四年)，實體可作出不可撤回之選擇，以於其他全面收益呈列權益投資(並非持作買賣者)公平值之其後變動，只有股息收入一般於損益內確認。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 (2014) Financial Instruments (Continued)

Key requirements of IFRS 9 (2014) are described as follows: (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity’s expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

已頒佈但尚未生效的新訂及經修訂國際財務報告準則(續)

國際財務報告準則第9號(二零一四年)金融工具(續)

國際財務報告準則第9號(二零一四年)之主要規定載述如下:(續)

- 就指定為按公平值計入損益處理之金融負債之計量而言，國際財務報告準則第9號(二零一四年)規定該負債之信貸風險變動以致該金融負債公平值變動之金額於其他全面收益內呈列，除非於其他全面收益中確認該負債信貸風險變動之影響會導致或擴大損益之會計錯配。金融負債之信貸風險變動引致之金融負債公平值變動其後不會重新分類至損益。根據國際會計準則第39號，指定為按公平值計入損益之金融負債之公平值變動全數金額於損益內呈列。
- 減值評估方面，已加入關於實體對其金融資產及提供延伸信貸承擔之預期信貸虧損之會計減值規定。此等要求消除國際會計準則第39號內確認信貸虧損之上限。根據國際財務報告準則第9號(二零一四年)之減值方法，毋須先發生信貸事件方可確認信貸虧損。反之，預期信貸虧損及該等預期信貸虧損之變動應一直入賬。預期信貸虧損之金額於每報告日期更新，以反映自初始確認以來之信貸風險變動，因此提供更適時之預期信貸虧損資料。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 (2014) Financial Instruments (Continued)

Key requirements of IFRS 9 (2014) are described as follows: (Continued)

- IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

已頒佈但尚未生效的新訂及經修訂國際財務報告準則(續)

國際財務報告準則第9號(二零一四年)金融工具(續)

國際財務報告準則第9號(二零一四年)之主要規定載述如下:(續)

- 國際財務報告準則第9號(二零一四年)引入新模式,更切合公司於對沖財務及非財務風險時就風險管理活動進行之對沖會計。作為以原則為基準之方法,國際財務報告準則第9號(二零一四年)關注風險部分是否可識別及計量,而並不區分金融項目及非金融項目。有關新模式亦讓實體可使用就風險管理目的於內部編製之資料作為對沖會計之基礎。根據國際會計準則第39號,為符合及遵守國際會計準則第39號之規定,應用僅為會計目的而設計之計量,乃屬必要。新模式亦包括合資格條件,惟有關條件乃基於有關對沖關係強度之經濟評估。有關條件可以風險管理數據釐定。由於該模式可減少僅就會計目的須進行之分析量,故相比國際會計準則第39號之對沖會計而言,其可減少執行成本。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 (2014) Financial Instruments (Continued)

Key requirements of IFRS 9 (2014) are described as follows: (Continued)

IFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors has performed a preliminary analysis of the Group’s financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The Directors have assessed the impact of adoption of IFRS 9 (2014) on the Group’s results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) *Classification and measurement*

The Directors expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The Directors anticipate that the adoption of IFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) *Impairment*

The Directors expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and increase the amount of impairment allowance recognised for these items.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

已頒佈但尚未生效的新訂及經修訂國際財務報告準則(續)

國際財務報告準則第9號(二零一四年)金融工具(續)

國際財務報告準則第9號(二零一四年)之主要規定載述如下:(續)

國際財務報告準則第9號(二零一四年)將於二零一八年一月一日或之後開始之年度期間生效,並獲准提前應用。

本公司董事已依據於二零一七年十二月三十一日存在之事實及情況,對本集團於當日之金融工具作出初步分析。本公司董事已評估採納國際財務報告準則第9號(二零一四年)對本集團業績及財務狀況造成的影響,當中包括金融資產分類類別與計量及披露各方面,茲載列如下:

(a) *分類與計量*

本公司董事預期繼續先以公平價值計量計量所有金融資產,然後再以攤餘成本計量。本公司董事預期,採納國際財務報告準則第9號(二零一四年)將不會對本集團金融資產的分類與計量造成其他重大影響。

(b) *減值*

本公司董事預期應用已精簡之模式,並將年期內之預期信貸虧損列賬,而該信貸虧損乃按照所有現金缺額於其所有業務應收款項的剩餘年期內之現值為基準估計得出。應用預期信貸虧損模式可能導致須提早確認業務及其他應收款項之信貸虧損,及增加此等項目之已確認減值撥備金額。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 (2014) Financial Instruments (Continued)

(b) Impairment (Continued)

The Directors will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of IFRS 9 (2014). Based on the preliminary assessment, the Directors expect that the adoption of IFRS 9 (2014) will not have other material impact on amounts reported in the Group’s consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

已頒佈但尚未生效的新訂及經修訂國際財務報告準則(續)

國際財務報告準則第9號(二零一四年)金融工具(續)

(b) 減值(續)

本公司董事將進行更加詳盡之分析，當中將考慮所有合理具支持性的資料，藉以估計採納國際財務報告準則第9號(二零一四年)之影響。基於初步評估，本公司董事預期，採納國際財務報告準則第9號(二零一四年)將不會對本集團綜合財務報表所匯報之金額造成其他重大影響。

國際財務報告準則第15號來自客戶合約之收益

國際財務報告準則第15號之核心原則為實體所確認描述向客戶轉讓承諾貨品或服務之收益金額，應能反映該實體預期就交換該等貨品或服務有權獲得之代價。因此，國際財務報告準則第15號引入適用於與客戶之合約之模式，而該模式以合約對交易作五個步驟之分析，以釐定是否需要確認收益、確認金額及確認時間。該五個步驟如下：

- (i) 識別與客戶訂立之合約；
- (ii) 識別合約中之履約責任；
- (iii) 釐定交易價；
- (iv) 將交易價分配至履約責任；及
- (v) 於實體完成履約責任時確認收益。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods. Under IFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The Directors have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under IAS 18 Revenue. Furthermore, IFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the Directors expect that the adoption of IFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 December 2017.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

已頒佈但尚未生效的新訂及經修訂國際財務報告準則(續)

國際財務報告準則第15號來自客戶合約之收益(續)

國際財務報告準則第15號亦引入定性及定量之詳盡披露規定，旨在讓財務報表使用者明白客戶合約所產生之收益及現金流量之性質、金額、時間及不確定因素。

國際財務報告準則第15號生效後，將取代現時之收益確認指引，包括國際會計準則第18號收益、國際會計準則第11號建築合約及相關詮釋。

國際財務報告準則第15號將於二零一八年一月一日或之後開始之年度期間生效，並獲准提前應用。

本集團收益之主要來源為貨品銷售。根據國際財務報告準則第15號，會於商品或服務之控制權轉移予客戶時，就每項表現責任確認收益。本公司董事已對每項表現責任作出初步評估，並認為該等表現責任與根據國際會計準則第18號收益現時所識別的個別收益項目相類似。此外，國際財務報告準則第15號規定按照相對獨立之售價基準，將交易價分配至每項表現責任，而此舉可能會影響收益確認之時間及金額，並引致須於綜合財務報表內披露更多資料。然而，本公司董事預期，採納國際財務報告準則第15號將不會對依照本集團於二零一七年十二月三十一日之現行業務模式確認收益之時間及金額造成重大影響。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

已頒佈但尚未生效的新訂及經修訂國際財務報告準則(續)

國際財務報告準則第16號租賃

國際財務報告準則第16號為租賃安排之識別以及其於出租人及承租人財務報表之處理方式提供一個綜合模型。

就承租人會計處理而言，該準則引入單一承租人會計處理模式，規定承租人就租賃期超過十二個月之所有租賃確認資產及負債，惟相關資產價值較低則除外。

於租賃開始日期，承租人須按成本確認使用權資產，包括租賃負債之初始計量金額，加上於開始日期或之前向出租人作出之任何租賃付款，扣除任何已收取之租賃優惠、初始估計修復成本及承租人所產生之任何初始直接成本。租賃負債初步按於租賃付款尚未支付當日之現值確認。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 16 Leases (Continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 *Leases* and the related Interpretations when it becomes effective.

IFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

已頒佈但尚未生效的新訂及經修訂國際財務報告準則(續)

國際財務報告準則第16號租賃(續)

其後，使用權資產按成本減任何累計折舊及任何累計減值虧損計量，並就任何租賃負債之重新計量作出調整。租賃負債之其後計量方式為透過增加賬面值以反映租賃負債之利息、透過削減賬面值以反映所作出之租賃付款，以及透過重新計量賬面值以反映任何重新評估或租賃修訂或反映經修訂之實質固定租賃付款。使用權資產之折舊及減值費用(如有)將按照國際會計準則第16號物業、廠房及設備之規定計入損益，而租賃負債之應計利息將於損益內扣除。

就出租人會計處理而言，國際財務報告準則第16號實質上沿用國際會計準則第17號租賃之出租人會計規定。因此，出租人繼續將其租賃分類為經營租賃或融資租賃，並以不同方式將該兩類租賃入賬。

國際財務報告準則第16號生效後，將取代現有租賃準則，包括國際會計準則第17號租賃及相關詮釋。

國際財務報告準則第16號將於二零一九年一月一日或之後開始之年度期間生效，並獲准提前應用，前提是有關實體於首次應用國際財務報告準則第16號當日或之前已應用國際財務報告準則第15號來自客戶合約之收益。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. Application of New and Revised International Financial Reporting Standards (“IFRS(s)”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 16 Leases (Continued)

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB25,823,000 as disclosed in note 29. Out of this balance, an amount of RMB17,142,000 represents operating leases with original lease terms of over one year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under IFRS 16. The Directors expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of IFRS 16 will not have other material impact on amounts reported in the Group’s consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for biological assets that are 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.

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

已頒佈但尚未生效的新訂及經修訂國際財務報告準則(續)

國際財務報告準則第16號租賃(續)

本集團於二零一七年十二月三十一日有不可撤銷經營租賃承擔人民幣25,823,000元於附註29中披露。而於該結餘當中，人民幣17,142,000元指原租期超過一年之經營租賃，其中本集團將會確認使用權利資產及相應租賃負債，除非根據國際財務報告準則第16號有關租賃獲豁免申報責任則作別論。本公司董事預料，除上述關於計量、呈列及披露之變動外，採納國際財務報告準則第16號將不會對本集團綜合財務報表所匯報之金額造成其他重大影響。

3. 主要會計政策

本綜合財務報表乃根據國際會計準則委員會發佈的國際財務報告準則編製。此外，本綜合財務報表包括了聯交所證券上市規則(「上市規則」)和香港公司條例要求的適用披露事項。

如下文載列之會計政策所說明，綜合財務報表於各報告期末按歷史成本基準而編製，以公允價值計量之生物資產除外。

歷史成本通常基於就交換貨品而支付代價的公允價值。

公允價值是於計量日期市場參與者間在主要市場(或最有利的市場)按照現行市況(即平倉價)進行的有序交易所出售資產所收取或轉讓負債須支付的價格，不論該價格是否直接可觀察或使用另一估值技術估計所得。有關公允價值計量的詳情於下文所載會計政策中解釋。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

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

3. 主要會計政策(續)

主要會計政策載列如下：

綜合賬目之基準

綜合財務報表包括本公司及受其控制實體(即其子公司)的財務報表。

控制乃指本集團擁有：(i)權力支配被投資方；(ii)藉對被投資方的參與而有權改變由其獲取的回報；及(iii)藉對該被投資方行使權力而有能力影響本集團回報。

倘有事實及情況顯示上述三項控制因素中有一項或以上出現變化，本集團將重新評估其是否對投資對象擁有控制權。

當本集團取得附屬公司之控制權時，該等附屬公司之賬目開始合併，而當本集團失去附屬公司之控制權時終止合併。

附屬公司之收入及開支自本集團取得控制權之日起至本集團失去控制權之日計入綜合損益表的其他全面收益中。

損益及其他全面收益之各項目歸屬於本公司擁有人附屬公司之全面收益總額易歸屬於本公司擁有人。

集團內部各實體之間之資產及負債、所有者權益、收入、開支以及現金流量，將於綜合賬目時悉數對消。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts allowed, estimated customer returns, rebates and other similar allowances.

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 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.

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.

3. 主要會計政策(續)

收入確認

收入按已收或應收代價的公允價值計算，乃經扣除預計客戶退貨、返利及其他類似撥備。

銷售貨品之收入於貨品付運及擁有權轉移時，並符合下列所有條件時確認入賬：

- 本集團已將貨物的重大風險及回報轉嫁至買方；
- 本集團並無保留一般與擁有權有關之已出售貨品持續管理權或實際控制權；
- 收入金額能可靠計量；
- 交易涉及之經濟利益很可能流向本集團；及
- 就交易所引致或將引致之成本能可靠計量。

財務資產之利息收入於經濟利益有可能流入本集團且收入金額能可靠計量時確認。利息收入乃按時間基準，參考未償還本金及適用實際利率，即初次確認時按該財務資產估計未來現金在預期可使用期內實切地折現至資產賬面淨值之利率累計。

租賃

凡租約條款規定擁有權附帶的一切風險及回報轉移至承租人者，均分類為融資租賃。所有其他租約則分類為經營租賃。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Leasing (Continued)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

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 exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences 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, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

3. 主要會計政策(續)

租賃(續)

本集團作為承租人

經營租賃款項按相關租賃年期以直線法確認為支出。對於經營租約中獲得的租金減免應記為負債。而合共的租金減免之收益會以直線法於有關租金扣除確認。

外幣

於編製個別集團實體之財務報表時，以該實體之功能貨幣以外貨幣(外幣)進行之交易乃按交易當日之通行匯率折算確認。於呈報期末，以外幣列值之貨幣項目按該日之通行匯率重新換算。以外幣列值按公允價值入賬之非貨幣項目按釐定公允價值當日之通行匯率換算。以外幣列值按歷史成本計量之非貨幣項目不予重新換算。

結算貨幣項目及貨幣兌換項目所產生之匯兌差異於其產生期間內在損益中確認，除了公司一項境外業務淨投資所產生之匯兌差異，在這種情況下，這些匯兌差異都計入其他綜合收益並在權益中累計，並將境外業務處置從權益重分類至損益。以外幣列值按公允價值入賬之非貨幣項目所產生之匯兌差異直接計入其他綜合收益，在這種情況下，匯兌差異也直接計入其他綜合收益。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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.

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

3. 主要會計政策(續)

外幣(續)

就呈列綜合財務報表而言，本集團之海外業務資產及負債採用呈報期末之通行匯率換算為本集團之呈列貨幣(即人民幣)。除非採用交易日之匯率，而當期匯率變動明顯，否則收入及開支項目會按年內之平均匯率換算。所產生之匯兌差額(如有)於其他全面收益內確認並累計入權益項下之匯兌儲備中。

借款成本

可直接歸屬於購建或者生產符合條件的資產的借款成本，指需要經過相當長的時間週期來達到他們的預定可使用狀態或者可銷售狀態的資產。直至達到他們的預定可使用狀態或者可銷售狀態時作為資產增加到這些資產的成本中。

借款成本於產生期間會於損益中確認。

政府補助

在合理地保證本集團會遵守政府補助的附帶條件以及將會得到資助後，政府補助方會予以確認。

用作補償本集團已產生開支或虧損或旨在為本集團提供即時財務資助(而無未來相關成本)之應收政府補助，乃於其成為可收取之期間於損益確認。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Retirement benefit costs and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation 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.

3. 主要會計政策(續)

退休福利成本和辭退福利

支付給國家管理的退休福利計劃及強制性公積金計劃被認為是當僱員提供使其有權獲得有關供款的服務時在損益中確認為開支，惟已計入尚未確認為開支的存貨成本內則除外。

短期和其他長期僱員福利

僱員就工資、薪金、年假及病假應計之福利，於提供服務期間按預期就服務所支付的福利未折現金額而確認為負債。

短期僱員福利按相關服務換取的未折現預期福利金額計量，確認為負債。

就其他長期僱員福利確認的負債按預計本集團就僱員直至報告日期提供的服務而估計的未來現金流出的現值計量。

稅項

所得稅支出指應繳即期稅項及遞延稅項之總和。

應繳即期稅項根據本年度之應課稅溢利計算。應課稅溢利與綜合損益表中其他全面收益呈報的稅前溢利不同，乃基於其並無計入其他年度應課稅收入或可扣稅開支以及無需課稅及不獲扣稅之項目所致。本集團之即期稅項負債乃按呈報期末已訂定或大致訂定之稅率計算。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

3. 主要會計政策(續)

稅項(續)

遞延稅項乃於綜合財務報表內資產及負債賬面值與用於計算應課稅溢利之相應稅基兩者間之暫時性差異確認。遞延稅項負債一般按所有應課稅暫時性差異確認。遞延稅項資產一般按可能會出現可用作抵銷可扣稅暫時性差異之應課稅溢利就所有可扣稅的暫時性差異確認。倘暫時性差異乃初始確認(業務合併中的除外)一項交易中的資產及負債所產生但不影響應課稅溢利或會計溢利，則不會確認該等遞延資產及負債。此外，倘商譽的初始確認引起暫時性差異，則不會確認遞延稅項負債。

遞延稅項負債乃按附屬公司投資有關之應課稅臨時差額確認，惟若本集團可控制臨時差額之回撥及臨時差額很有可能不會於可見將來回撥之情況除外。有關該等投資及權益之可扣除暫時差額所產生之遞延稅項資產僅於可能有足夠應課稅溢利可動用暫時差額利益且預計於可見將來撥回時確認。

遞延稅項資產之賬面值於每一呈報期末進行檢討，並於不可能再有足夠應課稅溢利可用以收回所有或部份遞延稅項資產時作出相應的賬面值扣減。

遞延稅項資產及負債乃根據於呈報期末時已頒佈或實際已頒佈之稅率(及稅法)，按預期於清償負債或變現資產期間適用之稅率計算。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Taxation (Continued)

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

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes and bearer plants, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment other than construction in progress and immature bearer plants 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.

Properties in the course of construction for production, supply or administrative purposes are 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 properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. 主要會計政策(續)

稅項(續)

遞延稅項負債及資產之計算反映本集團預期於呈報期末時收回或償還其資產及負債之賬面值所產生之稅務後果。

即期及遞延稅項於損益中確認，惟倘關於在其他全面收益內或直接在權益中確認之項目有關，在此情況下，即期及遞延稅項亦分別於其他全面收益內或直接在權益中確認。

物業、廠房及設備

物業、廠房及設備包括持作生產或供應貨品或服務或作行政用途的樓宇，乃以成本值減隨後累計折舊及隨後累計減值損失(如有)於綜合財務狀況表列賬。

折舊於其估計可使用年期內撤銷廠房及設備之成本減其估計剩餘價值後以直線法確認。估計可使用年期、剩餘價值及折舊方法於每個呈報期末作出檢討，其估計變動之影響按未來適用基準入賬。

物業指用作生產、供應或行政用途乃按成本值減任何已確認減值虧損列賬。成本包括專業費用，符合條件之資產需根據本集團會計政策將貸款成本資本化。該等物業需在完工後合適地分類至物業、廠房及設備。相關的折舊亦應根據其他物業資產的基準，在該等物業可供其擬定用途時入賬。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Bearer plants are classified as immature until the produce can be commercially harvested. At that point, immature bearer plants are reclassified to bearer plants and depreciation commences. Immature bearer plants are measured at accumulated costs.

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.

Biological assets

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or into additional biological assets. Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period while agricultural produce harvested from the biological assets are measured at fair value less costs to sell at the point of harvest, which is deemed as the cost at that date when the agricultural produce becomes inventory or additional biological assets.

A gain or loss arising on the initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises. A gain or loss arising on the initial recognition of agricultural produce at fair value less costs to sell is included in profit or loss for the period in which it arises.

3. 主要會計政策(續)

物業、廠房及設備(續)

生產性植物被歸類為不成熟，直到能產生商業收穫。這一點上，不成熟的生產性植物被重新分類為生產性植物並開始計提折舊。不成熟的生產性植物以累計投入的成本計量。

一項物業廠房和設備報廢或者將來預期繼續使用該項資產不會帶來經濟效益時被終止確認。任何有報廢或者設備的退出所帶來的收入或者損失于銷售收入和該項資產的賬面價值之間的差異被確認為利潤或者損失。

生物資產

生物資產乃有生命之植物，涉及將生物資產轉化為待售農產品或轉化為更多生物資產。生物資產於初步確認及各呈報期末按公允價值減銷售成本計量，而農產品按公允價值減收成時的銷售成本計量，這被視為農產品轉至存貨或更多生物資產之成本。

初步確認與其後公允價值變動產生之盈虧減生物資產之銷售成本乃於產生期間於損益表確認。初步確認與其後公允價值變動產生之盈虧減農業產品之銷售成本及於產生期間於損益表確認。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Biological assets (Continued)

If an active market exists for a biological asset or agricultural produce with reference to comparable species, growing condition and expected yield of the crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers.

Subsequent expenditure relating to producing and harvesting biological assets are charged to expense when incurred and costs that increase the number of units of biological assets owned or controlled by the Group are capitalised in the carrying amount of the biological assets

Research and development expenditure

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method, and include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In case of manufactured inventories and work in progress, cost includes an appropriate share of the production overheads based on normal operating capacity. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. 主要會計政策(續)

生物資產(續)

倘生物資產或農產品經參考可比較農作物之品種、生長狀況及預期收穫後存在活躍市場，則採納市場上所報價格釐定該資產之公允價值。倘並不存在活躍市場，本集團則採用最近之市場交易價計算，惟交易日與報告期末之間並無出現重大經濟情況變動或同類資產之市價已經調整至反映差額以釐定公允價值或由獨立專業估值師釐定。

後續有關生產和收割生物資產所產生的支出在發生時計入費用，而那些增加了集團擁有或者控制的生物資產數量的成本按照賬面價值資本化。

研究及開發費用

研究活動之開支於其產生期間確認為費用。

存貨

存貨以成本與可變現淨值的較低者計量。存貨成本按加權平均成本原則決定，並包括購入存貨及將其運送至現有地點及狀況所產生的開支。就製成品及在製品而言，成本包括按正常產能計算，按照適當比例分配的生產製造費用。可變現淨值指存貨的估計售價減估計全部完工成本及必要的銷售開支。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Inventories (Continued)

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash and short-term deposits as defined above.

Deposits with a maturity over three months that are not readily convertible into known amounts of cash are defined as deposit with bank in the consolidated financial statements.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. 主要會計政策(續)

存貨(續)

存貨撇減至可變現淨值之減幅及所有存貨損失均於撇減或損失產生期間確認為開支。任何已撇減存貨之撥回金額，在作為撥回期間內確認為減少已確認為開支的存貨金額。

現金及現金等價物

綜合財務狀況表之銀行結餘及現金包括銀行現金及手頭現金以及三個月或以內到期之短期存款。

就綜合現金流量表而言，現金及現金等價物由上文所定義之現金及銀行結餘組成。

在三個月內到期且不易隨時轉換為大量現金的存款在合併財務報表中被界定為銀行存款。

對附屬公司的投資

對附屬公司的投資按成本扣除累計減值損失列示於本公司財務狀況表。

金融工具

當一間集團實體成為金融工具合約條款的一方時，金融資產及金融負債須於綜合財務狀況表中進行確認。

金融資產及金融負債初步按公允價值計量。初步確認時，直接歸於收購或發行金融資產及金融負債的交易成本須加入該等金融資產或金融負債的公允價值或從中扣除(如適用)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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.

Loans 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 trade and other receivables, amounts due from related parties, pledged bank deposits, deposit with bank and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss of financial assets below).

3. 主要會計政策(續)

金融工具(續)

金融資產

本集團金融資產分類為貸款及應收款項。分類乃根據金融資產的性質及目的進行，並初步確認時予以釐定。所有常規買賣之金融資產乃按交易日期確認及終止確認。以常規方式買賣指須根據市場規則或慣例所規定之限期內交付資產之金融資產買賣。

實際利率法

實際利率法乃計算相關期間內債務工具之攤銷成本及分配利息收入之方法。實際利率指確切折現金融資產之預計可使用年期或較短期間(如適用)內估計未來現金收入(包括構成實際利率不可或缺部分之已付或已收之一切費用及利率差價、交易成本及其他溢價或折讓)至初步確認賬面淨值之利率。

利息收入按債務工具的實際利率確認。

貸款及應收款項

貸款及應收款項為並無於活躍市場報價但具有固定或可釐定付款之非衍生金融資產。經初步確認後，貸款及應收款項(包括貿易及其他應收款項、銀行存款及銀行結存及現金)以實際利率法按攤銷成本減任何已識別減值虧損計算(請參閱下文金融資產減值之會計政策)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets

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

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

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

For certain categories of financial assets, such as trade and other receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

3. 主要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值損失

金融資產於各呈報期末評估是否有減值跡象。倘有客觀證據初步確認金融資產後發生之一項或多項事件令金融資產的估計未來現金流量受到影響，則視該金融資產已減值。

就所有金融資產而言，減值之客觀證據可包括：

- 發行人或對方有重大財政困難；或
- 違約，如逾期或拖欠利息或本金還款；或
- 借款人有可能破產或財務重組；或
- 因財務困境而使金融資產喪失活躍市場。

就若干類別之金融資產(如貿易及其他應收款項)而言，不會單獨進行額外減值評估的資產會於其後一併進行評估。應收款項組合出現減值的客觀證據包括本集團收回款項的過往經組合中超過平均信貸期30至90天的滯延付款數量增加，及與欠款有關的國家或地區經濟狀況的顯著變動。

就以攤銷成本列賬之金融資產而言，所確認之減值虧損金額為該資產賬面金額與按該金融資產原實際利率折現之估計未來現金流量現值之差額。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

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 losses 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.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either 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.

The Group's financial liabilities are classified into other financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. 主要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值損失(續)

所有金融資產之減值虧損會直接於金融資產之賬面金額中作出扣減，惟貿易及其他應收款項除外，其賬面金額會透過撥備賬扣減。撥備賬內之賬面金額變動會於損益中確認。當貿易及其他應收款項被視為不可收回時，其將於撥備賬內撤銷。先前已撤銷之款項如於其後收回，將計入損益。

就以攤銷成本計量之金融資產而言，倘於期後期間，減值虧損金額減少且能客觀地證明與確認減值損失後所發生之事件有關，則先前確認之減值虧損會透過損益撥回，惟減值撥回當日之資產賬面金額不得超過如無確認減值時之攤銷成本。

金融負債及股權工具

集團實體發行之債務及股權工具按所訂立之合約安排性質，以及金融負債及股權工具之定義分類為金融負債及股權。

本集團的金融負債被劃分為其他金融負債。

其他金融負債

其他金融負債(包括貿易及其他應付款項、應付關連方款項於期後使用實際利率法按攤銷成本計算。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

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.

Equity instruments

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

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the assets 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.

A financial liability is derecognised 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. 主要會計政策(續)

金融工具(續)

金融負債及股權工具(續)

實際利率法

實際利率法為計算有關期間金融負債之攤銷成本及分配利息開支之方法。實際利率乃準確將金融負債預計年期或較短期間(如適用)內產生之估計未來現金付款(包括所支付或所收取構成實際利率一部份之所有費用及息差、交易成本及其他溢價或折現)折現至初步確認時之賬面淨額之利率。

利息開支按實際利息確認。

股權工具

股權工具為證明一間實體的資產經扣除其所有負債後之剩餘權益的任何合約。本集團發行之股權工具以扣除直接發行成本後之已收所得款項確認。

終止確認

當從金融資產收取現金流之合約權利已屆滿，或當本集團向另一實體轉移金融資產及其擁有權之絕大部份風險及回報時，方會終止確認金融資產。

於全面終止確認金融資產時，資產賬面金額與已收及應收代價及已於其他全面收益確認並於權益累計之累積盈虧之總和之差額，會於損益中確認。

當本集團之債務獲解除、撇銷或屆滿時，本集團方會終止確認金融負債。終止確認之金融負債賬面金額與已付及應付代價之差額會於損益中確認。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Provisions

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

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (capital 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 during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital reserve.

3. 主要會計政策(續)

計提準備

倘本集團因過往事件而須承擔現有法律責任或推定責任，且本集團極有可能須履行該責任，並能可靠地估計所須承擔之金額，則須確認計提準備。

確認為計提準備之金額乃呈報期間未履行現時責任所需代價之最佳估計，並計及有關責任之風險及不確定因素。當計提準備按履行現時責任估計所需之現金流量計量時，其賬面值為有關現金流量之現值(當貨幣時間價值之影響為顯著)。當結算計提準備所需部分或全部經濟利益預期可自第三方收回時，倘大致確定將可獲償付及應收款項可作可靠計量，則將應收款項確認為資產。

以股份為基礎的支付交易

以股權結算並以股份為基礎的交易

授予僱員的購股權

接受業務的公允價值參照股票期權交易的授予日之公允價值以直線基準在歸屬期間費用化，並於權益(資本儲備)作出相應增加。

在呈報期末，本集團會修訂預期最終歸屬的估計購股權數量。更改最初預計歸屬期內的影響會於損益中確認並相應地調整資本儲備，以使累計費用反映經修訂估計。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

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

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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 unit, 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 of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. 主要會計政策(續)

以股份為基礎的支付交易(續)

以股權結算並以股份為基礎的交易(續)

授予僱員的購股權(續)

購股權獲行使時，先前在資本儲備確認的金額將轉入股份溢價。倘歸屬日後被沒收或於屆滿日仍未行使，之前在資本儲備確認的金額會轉入累計損失。

有形資產之減值損失

於呈報期末，本集團審閱其有形資產之賬面值以釐定是否有任何跡象顯示該等資產已蒙受減值損失。倘存在任何該等跡象，將對資產之可收回金額作出估計以確定減值損失(如有)之程度。倘無法估計個別資產之可收回金額，本集團將估計該資產所屬之現金產生單位之可收回金額。倘可辨識到合理及一致之分配基準，企業資產亦分配到個別現金產生單位或彼等獲分配到可辨識合理及一致之分配基準之現金產生單位最小之組別。

可收回金額乃公允價值減銷售成本及使用價值兩者中之較高者。評估使用價值時，估計之未來現金流量在未作出調整時應按當時市場對貨幣時間值及該資產特定風險之估計之稅前折現率折現至其現值。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Impairment losses on tangible assets (Continued)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised 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 (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories and value in use of property, plant and equipment for the purpose of impairment assessment, 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.

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.

3. 主要會計政策(續)

以股份為基礎的支付交易(續)

倘估計一項資產(或現金產生單位)之可收回金額低於其賬面值,該資產(或該現金產生單位)之賬面值將減少至其可收回金額。減值損失將即時於損益確認。

倘減值損失於其後撥回,其資產之賬面值將增加至其經修訂之估計可收回金額,惟所增加賬面值不得超過倘於過往年度該資產沒有減值損失情況下所釐定之賬面值。減值損失撥回即時被確認為收入。

公允價值計量

計量公允價值(除本集團以股份為基礎的支付交易,租賃交易,存貨的可變現淨值和物業,廠房及設備使用價值的減值評估外)而言,倘市場參與者於計量日期對資產或負債定價時考慮其特徵,則本集團亦會考慮該等特徵。

非金融資產的公允價值計量計及市場參與者透過使用其資產的最高及最佳用途或透過將資產出售予將使用其最高及最佳用途的另一名市場參與者而能夠產生經濟利益的能力。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. Significant Accounting Policies (Continued)

Fair value measurement (Continued)

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. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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.

3. 主要會計政策(續)

公允價值計量(續)

本集團採用估值技術，在適當的情況下為其提供足夠的數據衡量公允價值，最大限度地利用相關的可觀察輸入值，並盡量減少使用不可觀察輸入值。具體而言，該集團分類的公允價值計量根據投入的特徵分為如下三層級：

- 第一級 — 同類資產或負債於活躍市場的報價(未經調整)。
- 第二級 — 估值技術(對公允價值計量而言屬重要輸入數據的最低層級直接或間接可觀察)。
- 第三級 — 估值技術(對公允價值計量而言屬重要輸入數據的最低層級不可觀察)。

於報告期末，本集團釐定資產及負債的公允價值層級是否已發生轉移，公允價值層級乃通過審閱其各自的公允價值計量按經常性基準以公允價值計量。

4. 估計不確定因素之主要來源

本集團於應用附註3所述之會計政策時，本公司董事須就該等資產、負債、收入和支出報告及合併財務報表作出的披露作出判斷、估計及假設。該等估計及相關假設乃根據董事過往經驗及其認為相關之其他因素而作出。實際結果與估計可能出現誤差。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

4. Key Sources of Estimation Uncertainty (Continued)

The estimates and underlying assumptions are reviewed on an on-going 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.

The followings 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 resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful life of property, plant and equipment

The Group depreciates the property, plant and equipment on a straight-line basis between the rates of 4% to 50% per annum, commencing from the date the property, plant and equipment are available for use. The estimated useful lives that the Group places the property, plant and equipment into productive use reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. As at 31 December 2017, the carrying amount of property, plant and equipment was approximately RMB132,403,000 (2016: RMB137,237,000). Depreciation of approximately RMB17,159,000 (2016: RMB11,898,000) has been recognised for the year.

Impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of trade and other receivables was approximately RMB45,458,000 (2016: RMB65,584,000), net of accumulated impairment losses of approximately RMB6,810,000 (2016: RMB11,946,000).

4. 估計不確定因素之主要來源(續)

該等估計及相關假設按持續基準進行審閱。會計估計之修訂乃於作出修訂估計之期間內確認(倘修訂僅影響該期間)，或於修訂期間及未來期間確認(倘修訂影響本期及未來期間)。

於呈報期末就未來和其他估計的不明朗因素的主要來源所作出的主要假設，此等假設足以致使下一個財政年度的資產及負債賬面值發生重大調整的風險，列載如下。

物業、廠房及設備的預計可使用年限

本集團由物業、廠房及設備開始可供使用當日起使用直線法按5%至50%之年率就物業、廠房及設備計算折舊。本集團作生產用途之物業、廠房及設備之估計可用年期反映董事估計本集團擬藉使用其物業、廠房及設備取得未來經濟利益之期間。截至二零一七年十二月三十一日，物業、廠房及設備的賬面價值約為人民幣132,403,000(二零一六年度：人民幣137,237,000)。年內已確認折舊約人民幣17,159,000(二零一六年度：人民幣11,898,000)。

貿易及其他應收款項減值

當存在減值損失的客觀證據，集團會考慮未來現金流的估計。減值損失的金額以資產的賬面金額與預計未來現金流量(不包括尚未發生的未來信用損失)，按照該金融資產原實際利率折現(即實際利率的現值之間的差額利率在初始確認時計算)。當實際現金流量少於預期，將導致減值虧損。於二零一七年十二月三十一日，貿易及其他應收款項之賬面價值約為人民幣45,458,000(二零一六年度：人民幣65,584,000)，已扣除累計減值虧損約人民幣6,810,000(二零一六年度：人民幣11,946,000)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

4. Key Sources of Estimation Uncertainty (Continued)

Allowance of inventories

Inventories are carried at the lower of cost and net realisable value. Any excess of the cost over the net realisable value of each class of inventories is recognised as a provision for diminution in the value of inventories.

Net realisable value is the estimated selling price in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale. For inventories with committed sales orders or active market, the Group estimates the net realisable value with reference to the selling prices set out in the committed sales orders or in the active market. For inventories without committed sales orders or active market, the Group carefully estimates the net realisable value based on available information and reasonable and supportive assumptions on expected selling prices, manufacturing costs, selling expenses, sales tax and etc. As at 31 December 2017, the carrying amount of inventories was approximately RMB47,581,000 (2016: RMB41,827,000), net of accumulated allowance of approximately RMB2,615,000 (2016: RMB2,503,000).

Impairment on property, plant and equipment

In considering the impairment losses that may be required for certain property, plant and equipment, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of revenue and amount of operating costs and discount rate. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs. As at 31 December 2017, the carrying amount of property, plant and equipment was approximately RMB132,403,000 (2016: RMB137,237,000), net of accumulated impairment losses of approximately RMB113,622,000 (2016: RMB113,622,000).

4. 估計不確定因素之主要來源(續)

存貨撥備

存貨是按成本與可變現淨值兩者較低者入賬。任何超過可變現淨值的存貨成本將計入存貨撥備以抵減存貨價值。

可變現淨值為日常業務中以存貨的估計售價減去至完工估計將要發生的成本及銷售所需的估計費用及相關稅項。就有已確認銷售訂單或活躍市場的存貨而言，本集團參考其售價估計可變現淨值。就並無已確認銷售訂單或活躍市場的存貨而言，本集團根據現有資料及對預期售價、製造成本、銷售費用及銷售税金等的合理及有理據的假設，慎重估計可變現淨值。於二零一七年十二月三十一日，存貨的賬面值約為人民幣47,581,000(二零一六年度：人民幣41,827,000)，已扣除累計撥備淨值約為人民幣2,615,000(二零一六年度：人民幣2,503,000)。

物業、廠房及設備減值

考慮物業、廠房及設備減值時應釐定該資產的可收回金額。可收回金額，乃公允價值減去處置費用及使用價值之較高者。鑒於此類資產可能沒有及時的市場報價，難以準確估計其公允價值。釐定使用價值時，有關資產預期產生的現金流量會折現至其現值，此舉須對營業額及營運成本等項目作出重大判斷。本集團會運用一切可得資料，以釐定可收回金額的合理約數，包括根據對營業額及營運成本和折扣率等項目的合理及有理據的假設及預測作出的估計。於二零一七年十二月三十一日，物業、廠房及設備之賬面值約為人民幣132,403,000(二零一六年度：人民幣137,237,000)，已扣除累計減值虧損約為人民幣113,622,000(二零一六年度：人民幣113,622,000)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

4. Key Sources of Estimation Uncertainty (Continued)

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Fair value measurements and valuation processes of biological assets

The Group's biological assets are measured at fair value less costs to sell for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements.

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 Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The financial controller reports the valuers' findings to the Directors to explain the cause of fluctuations in the fair value of the assets.

4. 估計不確定因素之主要來源(續)

所得稅

釐定所得稅撥備涉及對若干交易日後稅務處理之判斷。本集團謹慎評估交易之稅務影響並據此製訂稅務撥備。本集團定期重新審議上述交易之稅務處理以便將所有稅法變動考慮在內，並就未動用之稅務虧損及可抵扣暫時差額確認遞延稅項資產。由於遞延稅項資產只限極可能抵扣之未來應課稅溢利時才會確認，因此需要管理層判斷獲得未來應課稅溢利之可能性。本集團定期審閱管理層之評估，倘若極可能獲得能利用遞延稅項資產之未來應課稅溢利，便會確認額外之遞延稅項資產。

公允價值計量及估值流程

本集團生物資產價值乃按公允價值減銷售成本計量用於財務申報目的。管理層釐定有關公允價值計量之適用估值方法及輸入數據。

在估計資產的公允價值時，本集團可能使用可觀察市場數據。在並非第1級的輸入數據的情況下，本集團委聘合資格第三方估值師進行估值。管理層與合資格外聘估值師緊密合作設立適用之估值方法及模型輸入數據。財務總監定期將估值團隊之調查結果向本公司董事匯報，解釋資產之公允價值波動之原因。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

4. Key Sources of Estimation Uncertainty (Continued)

Fair value measurements and valuation processes of biological assets (Continued)

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of the assets. Note 18 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of biological assets. As at 31 December 2016, the carrying amount of biological assets was approximately RMB457,000 (2017: Nil).

Provision in respect of litigation

Provision for the expected cost of legal obligations is recognised at the Directors' best estimate and with reference to legal advice of the expenditure required to settle the Group's legal obligations. As at 31 December 2017, the carrying amount of provision was approximately RMB338,000 (2016: RMB2,503,000). Details are set out in note 23.

5. Capital Risk Management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings, net of pledged bank deposits, deposit with bank and bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

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

4. 關鍵會計判斷及估計不確定因素之主要來源(續)

公允價值計量及估值流程(續)

於估計該資產的公允價值時，本集團採用包括並非根據可見市場數據之資料的估值技術。有關估值技術、輸入數據及用於釐定生物資產之公允價值使用之主要假設的詳細資料載於附註18。截至二零一六年十二月三十一日，生物資產的賬面價值約為人民幣457,000(二零一七年度：無)。

相關法律訴訟撥備

預計法律訴訟責任之計提費用已在參考了相關可能需要支付費用的法律意見後，根據董事對其最準確之預計確認。於二零一七年十二月三十一日，該撥備賬面值約為人民幣338,000(二零一六年度：人民幣2,503,000)。詳情於附註23列明。

5. 資本風險管理

本集團的政策旨在維持穩健資本基礎，以保持債權人及市場信心，以及支持日後的業務發展。本集團整體策略與去年維持不變。

本集團的資本結構包括債務淨額(包括扣除銀行結存及現金)及本公司權益持有人應佔權益(包括股本和儲備)。

本公司及其任何附屬公司概不受外界資本規定限制。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

5. Capital Risk Management (Continued)

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

5. 資本風險管理(續)

本公司董事每半年會審閱資本結構。就有關審閱，董事考慮資本成本及與各級別資本相關之風險。根據本公司董事建議，本集團將透過發行新股份、發行新債務或贖回現有債務，以平衡其整體資本架構。

6. Financial Instruments

(a) Categories of financial instruments

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Financial assets	金融資產		
Loans and receivables (including cash and cash equivalents)	貸款及應收款項(包括現金及現金等價物)	109,152	112,680
Financial liabilities	金融負債		
Other financial liabilities at amortised cost	以攤銷成本列賬之其他金融負債	93,533	119,085

(b) Financial risk management objective and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, pledged bank deposits, deposit with bank, bank balances and cash, trade and other payables, amounts due to related parties and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. 金融工具

(a) 金融工具類別

(b) 金融風險管理目標及政策

本集團之主要金融工具包括貿易及其他應收款項、應收關聯方款項，抵押銀行存款、銀行存款及銀行結存及現金、貿易及其他應付款項、應付關連方款項及銀行貸款。該等金融工具之詳情於各附註內披露。與該等金融工具有關之風險包括市場風險(貨幣風險和利率風險)、信貸風險及流動性風險。下文載列如何降低該等風險之政策。管理層管理及監控該等風險，以確保適時及有效地採取適當措施。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

6. Financial Instruments (Continued)

(b) Financial risk management objective and policies (Continued)

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. Approximately 5% (2016: 5%) of the Group's sales is denominated in currencies other than the functional currency of the Group entity making the sale. The Group currently does not have a foreign currency hedging policy. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

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

6. 金融工具(續)

(b) 金融風險管理目標及政策(續)

市場風險

貨幣風險

本公司旗下多間附屬公司之銷售是外幣計價，本集團因而面對外匯風險。本集團約5% (二零一六年度：5%) 之銷售以集團實體功能貨幣以外之貨幣計價。本集團目前並無任何外幣對沖政策。本集團會監控外匯風險，如有必要時，亦會考慮對沖重大外匯風險。

本集團以外幣計價之貨幣資產及貨幣負債於呈報期末之賬面值如下：

		Assets 資產		Liabilities 負債	
		2017	2016	2017	2016
		二零一七年	二零一六年	二零一七年	二零一六年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
RMB	人民幣	426	63	10,079	9,014
HK\$	港元	1	5	—	—
United States dollars ("USD")	美元(「美元」)	819	618	—	—

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

6. Financial Instruments (Continued)

(b) Financial risk management objective and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency of RMB, HK\$ and USD.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in exchange rates of the relevant foreign currencies against the respective entity's functional currency. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the respective functional currencies of the reporting entity weaken 5% (2016: 5%) against the relevant foreign currencies. For a 5% (2016: 5%) strengthening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

6. 金融工具(續)

(b) 金融風險管理目標及政策(續)

市場風險(續)

貨幣風險(續)

敏感度分析

本集團主要面對人民幣、港元及美元貨幣風險。

下表詳列本集團於相關外幣兌各匯報實體功能貨幣之匯率上升及下跌5%(二零一六年度:5%)之敏感度。乃於內部向主要管理人員匯報外匯風險時採用,並為管理層對外幣匯率可能出現之合理變動之評估。敏感度分析僅包括未兌換以外幣計值之貨幣項目,並於呈報期末按5%(二零一六年度:5%)之匯率變動調整其換算。下表列示之正數顯示倘各匯報實體功能貨幣兌相關外幣貶值5%(二零一六年度:5%)時稅後盈利增加之數額。倘相關功能貨幣兌相關外幣升值5%(二零一六年度:5%),將會對虧損造成等額但相反之影響,而下表之結餘將為負數。

		RMB 人民幣		HK\$ 港元		USD 美元	
		2017 二零一七年	2016 二零一六年	2017 二零一七年	2016 二零一六年	2017 二零一七年	2016 二零一六年
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
		(note (a)) (附註(a))	(note (a)) (附註(a))	(note (b)) (附註(b))	(note (b)) (附註(b))	(note (b)) (附註(b))	(note (b)) (附註(b))
Profit or (loss)	溢利或(虧損)	(397)	(373)	—	—	34	26

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

6. Financial Instruments (Continued)

(b) Financial risk management objective and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

Notes:

- (a) This is mainly attributable to the exposure outstanding on bank balances and cash denominated in RMB at the end of the reporting period.
- (b) This is mainly attributable to the exposure outstanding on bank balances and cash denominated in HK\$ at the end of the reporting period.

Interest rate risk

As at 31 December 2017 and 2016, the Group is exposed to cash flow interest rate risk in relation to bank balances and cash (see note 21). No sensitivity analysis is presented because the risk is considered insignificant.

As at 31 December 2017 and 2016, the Group is also exposed to fair value interest rate risk in relation to fixed rate deposit with bank (see note 21) and fixed rate bank borrowings (see note 25). No sensitivity analysis is presented because the risk is considered insignificant.

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

6. 金融工具(續)

(b) 金融風險管理目標及政策(續)

市場風險(續)

貨幣風險(續)

敏感度分析(續)

附註：

- (a) 此乃主要由於在呈報期末以人民幣計值的銀行結存及現金所承受之風險所致。
- (b) 此乃主要由於在呈報期末以港元計值的銀行結存及現金所承受的風險所致。

利率風險

於二零一六年及二零一七年十二月三十一日，本集團面對之現金流利率風險關於銀行結存及現金(附註21)。鑒於該風險較小，故無呈列敏感度分析。

於二零一六年和二零一七年十二月三十一日，本集團面對公允價值利率風險關於銀行存款(附註21)以及固定利率銀行貸款(附註25)。鑒於該風險較小，故概無呈列敏感度分析。

信貸風險

於二零一七年十二月三十一日，本集團之最高信貸風險(因交易方未能履行責任及本集團提供之財務擔保而令本集團蒙受財務損失)來自各項金融資產於綜合財務狀況表所列之賬面值。

為儘可能減低信貸風險，本集團之管理層已委派一支隊伍負責釐定信貸限額、審批信貸及進行其他監察程序，確保採取跟進行動以收回逾期債務。此外，本集團亦於呈報期末檢討各個別貿易債務之可收回金額，以確保就不可收回款項作出足夠之減值虧損。就此而言，本公司董事認為已大幅減低本集團有關貿易債務之信貸風險。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

6. Financial Instruments (Continued)

(b) Financial risk management objective and policies (Continued)

Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 98% (2016: 99%) of the total trade receivable as at 31 December 2017.

As at 31 December 2017, the Group has no concentration of credit risk, as 0% (2016: 15%) and 26% (2016: 42%) of the total trade receivables, which was due from the Group's largest customer and the five largest customers respectively.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it maintains sufficient reserves of cash on demand to meet its liquidity requirement in the short and longer term; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

6. 金融工具(續)

(b) 金融風險管理目標及政策(續)

信貸風險(續)

由於交易方為具有高信貸評級之銀行及其他金融機構，故流動資金之信貸風險有限。

本集團按地理位置劃分，信貸風險主要集中於中國，截至二零一七年十二月三十一日，應收賬款總額佔98%(二零一六年：99%)。

於二零一七年十二月三十一日，本集團最大客戶及五大客戶信貸風險集中情況分別佔全部貿易應收款項之0%(二零一六年度：15%)及26%(二零一六年度：42%)。

本集團之金融資產概無抵押或其他信貸提升。

流動性風險

流動性風險指本集團無法履行到期的財務責任的風險。本集團管理流動資金風險的方法，為盡量確保在一般及緊急情況下備有足夠的流動資金應付到期的負債，使本集團毋須承擔不能接受的虧損或聲譽受損的風險。

本集團確保在需要時保持足夠現金儲備，以滿足其短期及長期流動資金需求，惟不包括無法合理預計的特殊情況，如自然災害的潛在影響。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

6. Financial Instruments (Continued)

(b) Financial risk management objective and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. 金融工具(續)

(b) 金融風險管理目標及政策(續)

流動性風險(續)

下表詳列本集團之非衍生金融負債之剩餘合約期限。該表乃基於本集團須作出支付之最早日期並根據金融負債之未折現現金流量制定。其他非衍生金融負債之到期日以協定償還日期為基礎。表中包括利息及本金現金流量。倘利率流以浮息計量，未折現金額乃於呈報期末從利率圖表得出。

		Total undiscounted cash flows due on demand or within one year 未折現現金或 一年內按要求 償還流量總計 RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元
At 31 December 2017			
Non-derivative financial liabilities	於二零一七年十二月三十一日 非衍生金融負債		
Trade and other payables	貿易及其他應付款項	92,187	92,187
Amounts due to related parties	應付關連方款項	1,346	1,346
		93,533	93,533
At 31 December 2016			
Non-derivative financial liabilities	於二零一六年十二月三十一日 非衍生金融負債		
Trade and other payables	貿易及其他應付款項	112,815	112,815
Amounts due to related parties	應付關連方款項	660	660
Bank borrowings	銀行貸款	5,927	5,610
		119,402	119,085

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

6. Financial Instruments (Continued)

(c) Fair value measurements of financial instruments

The Directors consider that the carrying amounts of current financial assets and current financial liabilities recognised at amortised cost in the consolidated financial statements as at 31 December 2017 and 2016 approximate their fair values due to the short maturities.

7. Revenue and Segment Information

Revenue represents the net amounts received and receivable of the goods sold to customers, net of discounts allowed, sales return, rebates and sales related taxes where applicable.

Information reported to the Executive Directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on a mixture of product lines and geography. The Directors have chosen to organise the Group around differences in products. The segments are managed separately as each operating segment offers different products which require different production information to formulate different strategies. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- Hair-care products
- Skin-care products
- Other household and personal care products

Also, the CODM is provided with segment information concerning segment revenue and result. Segment assets and liabilities are not reported to the CODM regularly.

6. 金融工具(續)

(c) 以公允價值計量之金融工具

本公司董事認為，由於綜合財務報表內流動金融資產及流動金融負債會於二零一六年及二零一七年十二月三十一日短期內到期，故其賬面值近似於公允價值。

7. 營業額及分部資料

營業額指本集團出售與客戶的貨物並扣除折扣，銷售返利及相關銷售稅(如適用)後的已收款及應收款淨額。

為分配資源及評估分部表現，向主要經營決策者，即本公司之執行董事報告之訊息，着重於產品線及地域之分佈組合。主要運營決策者選擇圍繞產品差異來組織本集團。各分部是根據其獨特的產品特點和戰略作為單獨經營分部來管理的。本集團之主要運營決策者認為本集團沒有可以合併呈報的經營分部。

本集團之可報告的經營分部為：

- 護髮產品
- 護膚產品
- 其他家用及個人護理產品

主要運營決策者獲提供有關分部收入和分部業績的信息，而分部資產和負債的信息則不會定期向主要運營決策者報告。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

7. Revenue and Segment Information (Continued)

7. 營業額及分部資料(續)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

分部營業額及業績

以下是本集團按可報告分部收入及業績分析：

		Hair-care products		Skin-care products		Other household and personal care products		Total	
		護髮產品		護膚產品		其他家用及個人護理產品		合計	
		2017	2016	2017	2016	2017	2016	2017	2016
		二零一七年	二零一六年	二零一七年	二零一六年	二零一七年	二零一六年	二零一七年	二零一六年
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Sales to external customers	銷售予外部客戶	233,067	215,638	5,197	13,276	25,951	35,315	264,215	264,229
Segment profit/(loss)	分部盈利/(虧損)	21,200	30,571	645	2,430	(5,941)	(8,489)	15,904	24,512
Changes in fair value less costs to sell in respect of biological assets	生物資產公允價值減銷售成本的變動損益							—	29
Bank interest income	銀行利息收入							379	406
Other income	其他收入							8,647	23,512
Corporate and other unallocated expenses	未分配之總部與其他開支							(5,204)	(5,892)
Finance costs	財務費用							(495)	(1,473)
Profit before taxation	稅前利潤							19,231	41,094

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit (loss) from each segment without allocation of changes in fair value less costs to sell in respect of biological assets, bank interest income, recovery from litigation claims, gain on sales of scrap materials, government grants, write-back of trade and other payables, net foreign exchange (losses) gains, provision for litigation recognised, central administration cost, directors' emoluments and finance costs. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

經營分部的會計政策與附註3所述之本集團的會計政策一致。分部業績指各分部所錄得之盈利(虧損)，當中並無分配生物資產的公允價值減銷售成本的變動損益、銀行利息收入、訴訟索賠收取、售賣廢料收益、政府補助、貿易及其他應收款項撥回、匯兌收益/(虧損)淨額、訴訟計提費用確認、中央管理成本、董事薪酬以及融資成本。此乃為資源分配及表現評估而向本公司之執行董事報告之計量方式。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

7. Revenue and Segment Information (Continued)

7. 營業額及分部資料(續)

Other segment information

其他分部資料

		Hair-care products		Skin-care products		Other household and personal care products		Unallocated		Total	
		護髮產品		護膚產品		其他家用及個人護理產品		未分配的		合計	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		二零一七年	二零一六年	二零一七年	二零一六年	二零一七年	二零一六年	二零一七年	二零一六年	二零一七年	二零一六年
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Amounts included in the measure of segment results	計算分部結果時已計入款項										
Additions to non-current assets	非流動資產增加	10,971	1,287	249	78	1,247	204	—	—	12,467	1,569
Depreciation of property, plant and equipment	物業、廠房及設備折舊	14,887	8,470	338	612	1,692	2,656	242	160	17,159	11,898
Loss on disposals of property, plant and equipment	處置物業、廠房及設備的損失	34	396	—	24	—	65	—	970	34	1,455
(Reversal of)/impairment loss recognised in respect of trade receivables	確認貿易應收款項(撥回)/減值損失	(4,520)	1,979	(102)	122	(514)	324	—	—	(5,136)	2,425
Reversal of allowance for inventories	存貨跌價準備撥回	—	(202)	—	(17)	—	(24)	—	—	—	(243)
Allowance for inventories	存貨跌價準備	99	1,016	2	75	11	336	—	—	112	1,427
Obsolete inventories written-off	逾期存貨報廢	1,059	860	247	463	2,064	1,170	—	—	3,370	2,493

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

7. Revenue and Segment Information (Continued)

Geographical information

The Group's operations are mainly located in the PRC (country of domicile) and Hong Kong.

The geographical location of customers is based on the location at which the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets, in the case of property, plant and equipment.

7. 營業額及分部資料(續)

地區資料

本集團經營業務主要集中在中國(所在國家)和香港。

客戶的所在地區乃根據交付貨品的位置釐定。非流動資產的地理位置乃根據資產實際所在位置(如屬物業、廠房及設備)而釐定。

		Revenue from external customers		Non-current assets	
		來自外部客戶的收入		非流動資產	
		2017	2016	2017	2016
		二零一七年	二零一六年	二零一七年	二零一六年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
PRC (country of domicile)	中國(所在國家)	255,634	257,263	131,751	136,247
Hong Kong	香港	4,395	4,813	652	990
Singapore	新加坡	635	505	—	—
Thailand	泰國	1,862	551	—	—
Malaysia	馬來西亞	1,021	1,097	—	—
Venezuela	委內瑞拉	668	—	—	—
Total	總計	264,215	264,229	132,403	137,237

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's revenue is as follows:

主要客戶訊息

於相關年度為本集團總營業額貢獻10%以上的客戶如下：

		2017	2016
		二零一七年	二零一六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Customer A	客戶A	N/A ²	28,889 ¹

¹ Revenue was derived from hair-care products and other household and personal care products.

附註1 收入來自於護髮產品及其他家用及個人護理產品。

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

附註2 相應的營業額並無為本集團總營業額貢獻10%以上。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

8. Other Income

4. 其他收入

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Bank interest income	銀行利息收入	379	406
Gain on sales of scrap materials	處置廢料收益	959	598
Government grants (note a)	政府補助金(附註a)	2,741	2,811
Net foreign exchange gains	匯兌收益淨額	—	810
Recovery from litigation claims (note b)	訴訟索賠彌償(附註b)	—	18,815
Reversal of impairment loss recognised in respect of trade receivables	貿易及其他應收款項的資產減值損失之回撥	5,136	—
Write-back of trade and other payables	貿易及其他應付賬款之回撥	4,947	—
Write-back of payables for property, plant and equipment	應付物業、廠房及設備之回撥	—	4,083
Others	其他	—	478
		14,162	28,001

Notes:

- (a) Included in the amount of government grants recognised during the year ended 31 December 2017 of approximately RMB2,741,000 (2016: approximately RMB2,811,000) were received from the PRC government in respect of certain research projects, electronic shopping platform projects and export encourage scheme, the relevant granting criteria for which have been fulfilled and were immediately recognised as other income for both years.
- (b) During the year ended 31 December 2016, claims against other parties in respect of malicious falsehood by a media company and unsatisfactory performance of plant and machineries by a supplier were settled and amounts of approximately RMB18,646,000 and RMB169,000 were recovered by the Group respectively.

附註：

- (a) 截至二零一七年十二月三十一日，錄得政府補助金額約為人民幣2,741,000元(二零一六年：人民幣2,811,000元)，該金額是中國政府就關於某些研究項目、電商平台項目和出口鼓勵計劃達到發放標準而發放的，並於當年確認為其他收入。
- (b) 截至二零一六年十二月三十一日止年度內，針對一家媒體公司對其他方面提出的惡意虛假陳述以及供應商提供的廠房和機器設備性能不佳，結算金額約人民幣18,646,000元和人民幣169,000元分別由本集團追回。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

9. Finance Costs

9. 財務費用

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Imputed interest on non-interest bearing loans from controlling shareholders	控股股東無息借款之 估算利息	—	1,473
Interest on bank borrowings	銀行貸款利息	495	—
		495	1,473

10. Taxation

10. 稅項

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
PRC Enterprise Income Tax ("EIT")	中國企業所得稅 (「企業所得稅」)		
— Current year	— 本年度	4	—
Hong Kong Profits Tax	香港利得稅		
— Over provision in prior years	— 以往年度超額撥備	—	(579)
		4	(579)
Deferred tax (note 24):	遞延稅項(附註24):		
Current year	— 本年度	—	(2,031)
Income tax expense (credit)	所得稅開支(撥回)	4	(2,610)

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

10. Taxation (Continued)

- (a) Under the Law of the PRC on Enterprise Income Tax (the “PRC EIT Law”) and Implementation Regulation of the PRC EIT Law, the tax rate of the subsidiaries is 25% from 1 January 2008 onwards.

The PRC EIT Law allows enterprises to apply for the certificates of “High and New Technology Enterprise” (“HNTE”) which entitles the qualified companies to a preferential income tax rate of 15%. Bawang (Guangzhou) Co., Ltd. (“Bawang Guangzhou”), a PRC subsidiary of the Group, was qualified as a HNTE in 2009 and the qualification was renewed and valid until 2018. However, Bawang Guangzhou did not have any assessable profits subject to EIT for the years ended 31 December 2017 and 2016.

- (b) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been provided for the years ended 31 December 2017 and 2016 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for 2017 and 2016.
- (c) Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI for the current and previous years.

10. 稅項

- (a) 根據中國企業所得稅法(「企業所得稅法」)及企業所得稅法實施條例，本集團附屬公司的稅率自二零零八年一月一日起為25%。

中國企業所得稅法允許企業申請高新技術企業(「高新技術企業」)證書，而獲得該資格的企業可以享有15%的優惠稅率。霸王(廣州)有限公司(「霸王廣州」)於二零零九年被認定為高新技術企業，並再次被認定及該資格有效至二零一八年。然而，截至二零一七年及二零一六年十二月三十一日止年度，霸王廣州並沒有任何須繳納企業所得稅之應課稅溢利。

- (b) 二零一七年及二零一六年度之香港利得稅按應課稅溢利的16.5%來計算。截至二零一七年及二零一六年十二月三十一日止年度，本集團並沒有任何須繳納香港所得稅之應課稅溢利，所以並無計提香港利得稅。
- (c) 根據開曼群島及英屬處女群島的規則及條例，本集團無須為以前及本年度繳納開曼群島及英屬處女群島的任何稅項。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

10. Taxation (Continued)

Taxation for the years can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

10. 稅項

年內稅項與綜合損益表之稅前虧損對賬如下：

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Profit before taxation	稅前盈利	19,231	41,094
Tax calculated at the domestic income tax rate of 25% (2016: 25%)	按本地所得稅稅率25% 計算之稅項 (二零一六年：25%)	4,809	10,274
Effect of different tax rates of entities operating in other jurisdictions	於其他司法權區經營之 不同稅率之稅務影響	(1,709)	(6,501)
Tax effect of expenses not deductible for tax purpose	不可扣減費用之稅務影響	1,516	1,534
Tax effect of income not taxable for tax purpose	毋須課稅收入之稅務影響	(413)	(5,288)
Tax effect of tax losses not recognised	未確認稅務虧損之稅務 影響	9	603
Utilisation of other deductible temporary differences not recognised	動用其他可抵扣的 未確認的暫時性差異	(3,022)	(622)
Utilisation of tax losses previously not recognised	動用先前未確認之 稅項虧損	(1,186)	—
Over provision in prior years	以前年度超額計提	—	(579)
Reversal of temporary differences recognised in prior years	撥回以前年度遞延所得稅	—	(2,031)
Income tax expense (credit)	稅項	4	(2,610)

Details of deferred tax are set out in note 24.

遞延稅項詳見附註24。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

11. Profit for the Year

11. 年內利潤

Profit for the year has been arrived at after charging (crediting):

稅前年內利潤已扣除/(計入)下列項目：

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Auditor's remuneration	核數師酬金	1,025	938
Allowance for inventories (included in cost of inventories recognised as an expense above)	存貨跌價準備(計入以上確認為開支之存貨成本)	112	1,427
Cost of inventories recognised as an expense (note (a))	確認為開支之存貨成本(附註(a))	136,902	137,699
Depreciation of property, plant and equipment	物業、廠房及設備折舊	17,159	11,898
(Reversal of)/impairment loss recognised in respect of trade receivables	確認貿易應收款項減值(撥回)/損失	(5,136)	2,425
Loss on disposals of property, plant and equipment	處置物業、廠房及設備的損失	34	1,455
Net foreign exchange losses	匯兌虧損淨額	1,679	—
Provision for litigation (included in administrative expenses)	訴訟計提費用(計入行政費用)	—	722
Research and development costs recognised as an expense	確認為開支之研發成本	10,794	10,130
Reversal of allowance for inventories (included in cost of inventories recognised as an expense above)	存貨跌價準備撥回(計入以上確認為開支之存貨成本)	—	(243)
Staff costs (note (b))	員工成本(附註(b))	53,013	48,133
Obsolete inventories written-off (included in cost of inventories recognised as an expense above)	逾期存貨報廢(計入以上確認為開支之存貨成本)	3,370	2,493

Notes:

附註：

(a) Cost of inventories recognised as an expense included depreciation of property, plant and equipment and staff costs of approximately RMB14,898,000 (2016: approximately RMB10,695,000) and RMB15,637,000 (2016: approximately RMB13,675,000) respectively. The amounts were also included in the respective amounts disclosed above.

(a) 確認為開支之存貨成本包括物業、廠房及設備折舊及員工成本分別約為人民幣14,898,000元(二零一六年：約人民幣10,695,000元)及約人民幣15,637,000元(二零一六年：約人民幣13,675,000元)。以上金額均已分別包含在以上披露金額中。

(b) Staff costs included redundancy cost of approximately RMB377,000 for the year ended 31 December 2016 (2017: Nil).

(b) 截至二零一六年十二月三十一日止年度，員工成本包括遣散費用約人民幣377,000元(二零一七年：無)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

12. Staff Costs

12. 員工成本

	2017	2016
	二零一七年	二零一六年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Staff costs (including directors' emoluments) 員工成本(包括董事酬金): comprise:		
Salaries, allowances and benefits 薪金、津貼及福利	50,886	45,558
Contributions to retirement benefits schemes 退休福利計劃供款	2,127	2,198
Termination benefits 辭退福利	—	377
	53,013	48,133

13. Dividends

No dividend was paid or proposed for the year ended 31 December 2017 (2016: Nil), nor has any dividend been proposed since the end of the reporting period (2016: Nil).

13. 股息

截至二零一七年十二月三十一日止年度並無派付或擬派任何股息(二零一六年:無),自呈報期間後亦無擬派任何股息(二零一六年:無)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

14. Earnings Per Share

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

14. 每股盈利

本公司擁有人應佔之每股基本及攤薄盈利根據以下數據計算。

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Earnings	盈利		
Earnings for the purpose of basic and diluted earnings per share	以每股基本及攤薄盈利為目的的盈利	19,227	43,704
		2017 二零一七年 '000 千股	2016 二零一六年 '000 千股
Number of shares	股份數目		
Weighted average number of ordinary shares for the purpose of basic earnings per share	以每股基本盈虧為目的的加權平均普通股數量	3,161,811	3,057,986
Effect of dilutive potential ordinary shares: Share options	攤薄潛在普通股的影響：期權	445	499
Weighted average number of ordinary shares for the purpose of diluted earnings per share	以每股攤薄盈虧為目的的加權平均普通股數	3,162,256	3,058,485

The numerators used are the same as those detailed above for both basic and diluted earnings per share.

運用在計算上述詳列的基本的和攤薄每股盈利都採用相同份子。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

15. Directors' and Chief Executive Officer's Emoluments

The emoluments paid or payable to each of the six (2016: Six) directors and the chief executive were as follows:

For the year ended 31 December 2017

	Executive directors 執行董事		Independent non-executive directors 非執行董事				Total 合計	
	Mr. CHEN Qiyuan (Chairman) 陳啟源先生 (主席) RMB'000 人民幣千元	Mr. CHEN Zheng He (Chief Executive Officer) 陳正鶴先生 (首席 執行官) RMB'000 人民幣千元	Mr. WONG Sin Yung 黃善榕先生 RMB'000 人民幣千元	Dr. NGAI Wai Fung 魏偉峰博士 RMB'000 人民幣千元	Mr. CHEUNG Kin Wing 張建榮先生 RMB'000 人民幣千元	Mr. LI Bida 李必達先生 RMB'000 (note a) (附註a)		
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries	本公司或其附屬公司的董事就其服務支付或應收的酬金							
Fees	袍金	—	—	—	260	173	148	581
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries	本公司或其附屬公司的董事就其管理其他事務服務支付或應收的酬金							
Other emoluments	其他酬金							
Salaries	薪金、津貼	—	125	1,038	—	—	—	1,163
Contributions to retirement benefits scheme	退休福利計劃供款	—	6	16	—	—	—	22
Total emoluments	合計酬金	—	131	1,054	260	173	148	1,766

15. 董事及主要行政人員酬金

已付或應付六名(二零一六年: 六名)董事及主要行政人員之酬金如下:

截至二零一七年十二月三十一日止年度

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

15. Directors' and Chief Executive Officer's Emoluments (Continued)

For the year ended 31 December 2016

	Executive directors			Independent non-executive directors				Total
	執行董事			非執行董事				
	Mr. CHEN	Mr. CHEN Zheng He (Chief Executive Officer)	Mr. WONG Sin Yung	Dr. NGAI Wai Fung	Mr. CHEUNG Kin Wing	Mr. LI Bida		
	陳啟源先生 (主席)	陳正鶴先生 (首席執行官)	黃善榕先生	魏偉峰博士	張建榮先生	李必達先生	合計	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	

15. 董事及主要行政人員酬金 (續)

截至二零一六年十二月三十一日止年度

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries	本公司或其附屬公司的董事就其服務支付或應收的酬金							
Fees	袍金	—	—	—	257	171	171	599
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries	本公司或其附屬公司的董事就其管理其他事務服務支付或應收的酬金							
Other emoluments	其他酬金							
Salaries	薪金、津貼	—	124	1,029	—	—	—	1,153
Contributions to retirement benefits scheme	退休福利計劃供款	—	6	15	—	—	—	21
Total emoluments	合計酬金	—	130	1,044	257	171	171	1,773

Note (a): Passed away on 22 November 2017.

附註(a): 該董事於二零一七年十一月二十二日逝世。

There was no discretionary bonus provided to the Directors for the years ended 31 December 2017 and 2016.

於二零一七年和二零一六年十二月三十一日董事無自由裁量的分紅。

Mr. CHEN Zheng He is also the chief executive officer of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.

陳正鶴先生擔任本公司首席執行官，上述披露之薪酬包括其擔任首席執行官的服務酬金。

Neither the chief executive nor any of the Directors waived or agreed to waive any emoluments in the year ended 31 December 2017 (2016: Nil).

截至二零一七年十二月三十一日止年度，本集團無董事及執行董事放棄或同意放棄任何酬金(二零一六年：無)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

16. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2016: Four) were Directors whose emoluments are included in the disclosures in note 15 above. The emolument of the one (2016: One) individual was as follows:

		2017	2016
		二零一七年	二零一六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Salaries, allowances and benefits	薪金、津貼及福利	166	165
Retirement benefits scheme contributions	退休員工福利計劃供款	8	8
		174	173

Their emoluments were all within nil to HK\$1,000,000 (equivalent to approximately RMB865,000 (2016: Equivalent to approximately RMB857,000)).

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to the five highest paid individuals (including Directors and employees) or other Directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

16. 員工薪酬

五位最高薪酬人士中，四位(二零一六年：四位)為董事，彼等薪酬於以上附註15披露。有關其他一名(二零一六年：一位)最高薪酬人士的薪酬詳情如下：

其薪酬全部介乎零至人民幣865,000，相等於港元1,000,000(二零一六年：大約等於人民幣857,000)。

於截至二零一七年及二零一六年十二月三十一日止年度期間，本集團並無支付酬金予本集團五名最高薪酬人士(包括董事及員工)或其他董事，作為邀請加入或於加盟本集團時之獎勵或作為離職補償。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

17. Property, Plant and Equipment

17. 物業、廠房及設備

		Buildings	Machinery	Leasehold improvements	Motor vehicles	Office equipment and others	Display furniture	Bearer plants	Immature bearer plants	Construction in progress	Total
		房屋	機器	經營租賃改良支出	運輸工具	辦公室設備及其他	展示專櫃	生產性植物	不成熟的生產性植物	在建工程	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
COST	成本										
At 1 January 2016	於二零一六年一月一日	5,494	118,244	144,777	11,346	22,920	937	47	256	72,971	376,992
Exchange realignment	匯兌調整	—	—	—	462	67	—	—	—	—	529
Additions	添置	—	3	16	769	87	—	—	150	544	1,569
Disposals	出售	—	(2,602)	—	(465)	(2,975)	—	(2)	—	—	(6,044)
Write-off	報廢	—	—	(10,200)	—	—	—	—	—	—	(10,200)
Transfer from construction in progress	轉撥自在建工程	—	60	320	—	55	—	—	—	(435)	—
At 31 December 2016 and 1 January 2017	於二零一六年十二月三十一日及二零一七年一月一日	5,494	115,705	134,913	12,112	20,154	937	45	406	73,080	362,846
Exchange realignment	匯兌調整	—	—	—	(515)	—	—	—	—	—	(515)
Additions	添置	—	17	68	286	230	—	—	126	11,740	12,467
Disposals	出售	—	—	—	(96)	(282)	—	(2)	—	—	(380)
Transfer from construction in progress	轉撥自在建工程	—	—	45,100	—	—	—	—	—	(45,100)	—
At 31 December 2017	於二零一七年十二月三十一日	5,494	115,722	180,081	11,787	20,102	937	43	532	39,720	374,418
ACCUMULATED DEPRECIATION AND IMPAIRMENT	累計折舊										
At 1 January 2016	於二零一六年一月一日	1,320	73,208	80,668	11,095	19,561	855	18	—	34,983	221,708
Exchange realignment	匯率調整	—	—	—	397	42	—	—	—	—	439
Depreciation provided for the year	年內折舊撥備	247	3,077	8,184	163	224	1	2	—	—	11,898
Eliminated on disposals	出售時對銷	—	(1,812)	—	(428)	(2,113)	—	—	—	—	(4,353)
Write-off	報廢	—	—	(4,083)	—	—	—	—	—	—	(4,083)
At 31 December 2016 and 1 January 2017	於二零一六年十二月三十一日及二零一七年一月一日	1,567	74,473	84,769	11,227	17,714	856	20	—	34,983	225,609
Exchange realignment	匯率調整	—	—	—	(411)	—	—	—	—	—	(411)
Depreciation provided for the year	年內折舊撥備	247	2,567	13,749	258	336	—	2	—	—	17,159
Eliminated on disposals	出售時對銷	—	—	—	(87)	(254)	—	(1)	—	—	(342)
At 31 December 2017	於二零一七年十二月三十一日	1,814	77,040	98,518	10,987	17,796	856	21	—	34,983	242,015
CARRYING VALUES	賬面值										
At 31 December 2017	於二零一七年十二月三十一日	3,680	38,682	81,563	800	2,306	81	22	532	4,737	132,403
At 31 December 2016	於二零一六年十二月三十一日	3,927	41,232	50,144	885	2,440	81	25	406	38,097	137,237

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

17. Property, Plant and Equipment (Continued)

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

Buildings	房屋	20 years	20年
Machinery	機器	15 years	15年
Leasehold improvements	經營租賃改良支出	10 years	10年
Motor vehicles	運輸工具	5-8 years	5-8年
Office equipment and others	辦公室設備及其他	5 years	5年
Display furniture	展示專櫃	2 years	2年
Bearer plants	生產性植物	3-25 years	3-25年

No depreciation is provided in respect of construction in progress and immature bearer plants until it is substantially completed and ready for its intended use. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified above.

As at 31 December 2016, buildings with carrying values of approximately RMB3,927,000 (2017: Nil) were pledged to secure banking facilities granted to the Group.

17. 物業、廠房及設備(續)

折舊是基於物業、廠房及設備的成本金額減去其預計剩餘價值後以下列預計可使用年期按直線法計算。

在建工程及不成熟的生物資產不計提折舊，直至當資產實質上完工，並達到可使用狀態。當其完工及投入運作時，將按上文所載適當比率開始計提折舊。

於二零一六年十二月三十一日，本集團抵押賬面價值約人民幣3,927,000元的建築物(二零一七年：無)以確保銀行給予的授信額度。

18. Biological Assets

Biological assets represent the growing herbs in the cultivation base located in the PRC.

18 生物資產

生物資產是指位於中國大陸的種植基地裡種植的中草藥。

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
At 1 January	於一月一日	457	426
Changes in fair value less costs to sell	公允價值減銷售成本的 變動損益	—	29
Plantation expenditure	種植支出	—	14
Herbs harvested during the year	年內收穫的中草藥	(457)	(12)
At 31 December	於十二月三十一日	—	457

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

18. Biological Assets (Continued)

Plantation expenditure comprises those costs that are directly attributable to the cultivation of herbs including seeds, fertilisers, pesticides, direct labour, operating lease charges on farmland and other direct costs.

Consumable biological assets which only have one harvest in each planting are classified as current asset. Bearer plants providing multiple harvests over years are classified as non-current asset.

As at 31 December 2016, the Group had 24 (2017: Nil) hectares of growing herbs.

Biological assets are stated at fair value less costs to sell at the end of the reporting period as estimated by an independent appraiser using the net present value approach whereby projected future net cash flows were discounted to provide a current market value of the biological assets. The fair value measurements of biological assets are categorised within Level 3 of the fair value hierarchy. There were no transfers among any levels of the fair value hierarchy for both years.

18 生物資產(續)

種植支出包括可直接歸屬於種植中草藥的成本包括種子、肥料、農藥、直接人工、農田的經營租賃費用以及其他直接成本。

每次種植只發生一次收成之消耗性生物資產歸類為流動資產。多年間提供多次收成之生產性植物歸類為非流動資產。

於二零一六年十二月三十一日，本集團擁有24公頃(二零一七年：無)種植的中草藥。

於呈報期末的生物資產以公允價值減銷售成本進行計量，其價值是由獨立的評估師以淨現值方法進行評估，對預測未來淨現金流量進行折現，以計算該生物資產的現行市場價值。生物資產之公允價值計量界定為第3級公允價值等級。於兩個年度，公允價值等級之間並無任何轉撥。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

18. Biological Assets (Continued)

The following unobservable inputs were used in Level 3 fair value measurements of the Group's biological assets as at 31 December 2016:

Unobservable inputs 不可觀察資料	Range of unobservable inputs (weighted average) 不可觀察資料範圍(加權平均值)	Relations of unobservable inputs to fair value 不可觀察資料與公允價值之關係
Growing herbs yield — kg per hectare 種植之中草藥收成 — 每公頃千克	750–850 (769) per year 每年750–850 (769)	The higher the growing herbs yield, the higher the fair value 種植之中草藥收成越多， 公允價值越高
Growing herbs price 種植之中草藥價格	RMB31 per kg 每千克人民幣31元	The higher the market price, the higher the fair value 種植之中草藥市值越高， 公允價值越高
Discount rate 折現率	11% per annum 每年11% (11%)	The higher the discount rate, the lower the fair value 種植之中草藥折現率越高， 公允價值越低

The discount rate used in the valuation of the biological assets in the PRC at the end of the reporting period was based on the market-determined pre-tax rate.

In estimating the fair value of the biological assets, the highest and best use of the biological assets is their current use.

18 生物資產(續)

以下為於二零一六年十二月三十一日有關生物資產第3級公允價值計量之不可觀察資料：

於呈報期末，為於中國種植的生物資產估值使用之折現率是基於市場釐定之稅前利率。

就計量生物資產之公允價值而言，生物資產之最有效使用值為其現時之使用值。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

18. Biological Assets (Continued)

Reconciliation of Level 3 fair value measurements of biological assets on recurring basis:

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
At 1 January	於一月一日	457	426
Additions	添置	—	14
Changes in fair value due to transformation	因性能轉變而產生之 公允價值變動	—	29
Transfer to inventories	轉至存貨	(457)	(12)
At 31 December	於十二月三十一日	—	457

The above changes in fair value for the year ended 31 December 2016 recognised in profit or loss of approximately RMB29,000 (2017: Nil) was presented as a separate line item on the consolidated statement of profit or loss and other comprehensive income and wholly attributable to the change in unrealised gains or losses relating to biological assets held at the end of the reporting period.

The Group is exposed to demand risks arising from environmental and climatic changes. To mitigate these risks, the Group does not rely on the self-supply of herbs, but also sources herbs from a number of external suppliers.

18 生物資產(續)

生物資產之循環性第3級公允價值計量對賬：

	2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
At 1 January	457	426
Additions	—	14
Changes in fair value due to transformation	—	29
Transfer to inventories	(457)	(12)
At 31 December	—	457

截至二零一六年十二月三十一日止年度，以上於損益中確認之公允價值變動約人民幣29,000(二零一七年度：無)。歸於與報告期末持有生物資產相關之未實現利潤或虧損之變動。

本集團面對環境和氣候變化帶來的需求風險。為降低此風險，本集團不單單依賴自給的中草藥，同時亦會向一定數量之外部供應商外購。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

19. Inventories

19 存貨

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Raw materials	原材料	15,255	13,057
Work-in-progress	在製品	2,335	929
Finished goods	製成品	16,409	15,354
Packing materials and consumable goods	包裝材料及消耗品	13,582	12,487
		47,581	41,827

During the year ended 31 December 2016, there was an increase in the net realisable value following a decrease in selling expenses. As a result, a reversal of allowance for inventories of approximately RMB243,000 (2017: Nil) had been recognised and included in cost of sales in 2016.

於截至二零一六年十二月三十一日止年度內，可變現淨值因銷售開支下跌而上升。因此，約人民幣243,000(二零一七年度：無)之存貨跌價準備撥回已被確認及於本年度包括於銷售成本中。

20. Trade and Other Receivables

20. 貿易及其他應收款項

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Trade receivables	貿易應收款項	48,321	56,288
Less: allowance for impairment of trade receivables	減：貿易應收款項減值準備	(6,810)	(11,946)
		41,511	44,342
Prepayment for purchase of raw materials	購買原材料預付款項	1,628	1,516
Short-term prepaid advertising fee	短期待攤廣告費用	392	212
Litigation costs receivable (note 34 (a))	訴訟費用應收款項(附註34(a))	—	16,101
Other receivables	其他應收款項	1,927	3,413
		45,458	65,584

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

20. Trade and Other Receivables (Continued)

The Group allows an average credit period of 30 to 90 days to its trade customers.

- (a) The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Less than 3 months	少於3個月	29,920	23,952
More than 3 months but less than 6 months	多於3個月但少於6個月	10,438	11,203
More than 6 months but less than 12 months	多於6個月但少於12個月	1,153	2,249
More than 12 months	多於12個月	—	6,938
		41,511	44,342

- (b) The following is an aged analysis of trade receivables, net of impairment, presented based on the due date at the end of the reporting period:

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Neither past due nor impaired	即期	25,284	26,380
Less than 3 months past due	逾期少於3個月	15,323	14,973
More than 3 months but less than 6 months past due	逾期3至6個月	904	1,797
More than 6 months but less than 12 months past due	逾期6至12個月	—	290
More than 12 months past due	逾期多於12個月	—	902
		16,227	17,962
		41,511	44,342

20. 貿易及其他應收款項(續)

本集團允許貿易客戶平均信貸期限為30至90天。

- (a) 根據發票日亦大約是收入確認日呈列之扣除減值貿易應收款項於呈報期末的賬齡分析如下：

- (b) 根據到期日呈列扣除減值之貿易應收款項於呈報期末的賬齡分析如下：

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

20. Trade and Other Receivables (Continued)

(b) (Continued)

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

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB20,163,000 (2016: RMB17,962,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. 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 management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group does not hold any collateral over the trade and other receivables.

(c) Movement in the allowance for impairment for trade receivables:

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
At 1 January	於一月一日	11,946	9,521
Impairment loss/(reversed) recognised	已確認之減值損失/ (撥回)	(5,136)	2,425
At 31 December	於十二月三十一日	6,810	11,946

At 31 December 2017, the Group's trade receivables of approximately RMB6,810,000 (2016: RMB11,946,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and the management assessed that full amount of these receivables is unlikely to be recovered. Consequently full provision for these doubtful debts was recognised. The Group does not hold any collateral over these balances.

20. 貿易及其他應收款項(續)

(b) (續)

並無逾期及減值的應收款項屬於眾多之客戶，彼等近期並無逾期付款記錄。

於呈報期末，本集團的已逾期但無作出減值撥備之貿易應收款項結餘賬面總值約人民幣20,163,000(二零一六年：人民幣17,962,000)。逾期但無減值的應收款項與若干獨立客戶有關，該等客戶與本集團的交易記錄良好。由於信用質素並無重大變化，且該等結餘仍被認為可以全數收回，根據以往經驗，管理層相信無需就該等結餘作出減值撥備。本集團並無就該等應收及其他應收款項持有任何抵押品。

(c) 貿易應收款項的減值撥備變動：

於二零一七年十二月三十一日，本集團有約人民幣6,810,000(二零一六年：人民幣11,946,000)的貿易應收款項經個別確認後進行減值損失。該等出現個別減值的應收款項為客戶陷入財務困難，而且管理層評估認為不能全數收回的應收款項。因此本集團已對該等呆賬做出全數撥備。本集團並無就該等結餘持有任何抵押品。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

21. Pledged Bank Deposits/Deposit with Bank/ Bank Balances and Cash

Pledged bank deposits

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. As at 31 December 2016, deposits amounting to approximately RMB10,000 (2017: Nil) had been pledged to secure bank borrowings and were therefore classified as current assets.

The pledged deposits carry fixed interest rate of 1.10% per annum during the years ended 31 December 2017 and 2016.

Deposit with bank

As at 31 December 2017, deposit with bank of RMB20,000,000, with maturity in May 2018 (2016: RMB20,000,000, with maturity in May 2017), carries interest at fixed rate of 1.75% (2016: 1.75%) per annum.

Bank balances and cash

As at 31 December 2017, cash at bank carries interest at floating rates based on daily bank deposits rates of 0.001% to 0.60% (2016: 0.001% to 1%) per annum.

21 抵押銀行存款/銀行存款/ 銀行結餘及現金

抵押銀行存款

抵押銀行存款指集團為獲得銀行的授信額度，將存款抵押於銀行的一種。截至二零一六年十二月三十一日止已經抵押給銀行獲得銀行的短期借款人民幣10,000(二零一七年：無)因此被劃分為流動資產。

抵押銀行存款固定年利率為1.10%截至二零一六年及二零一七年十二月三十一日止

銀行存款

於二零一七年十二月三十一日，銀行存款人民幣20,000,000(二零一六年：人民幣20,000,000，在二零一七年五月到期)將於二零一八年五月到期，固定年利率為1.75%(二零一六年：1.75%)。

銀行結存及現金

於二零一七年十二月三十一日，銀行現金按每日銀行存款浮動年利率0.001%至0.60%(二零一六年：0.001%至1%)計算利息。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

22. Trade and Other Payables

22. 貿易及其他應付款項

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Trade payables	貿易應付款項	30,527	33,646
Receipt in advance	預收款項	16,236	14,306
Payable for acquisition of property, plant and equipment	應付物業、廠房及設備 購置費用	1,802	4,287
Promotion fee payables	應付推廣費用	13,838	22,129
Accrued payroll	應付工資	4,429	3,768
Provision of sales returns	銷售返利撥備	16,746	14,821
Non-income tax payables	非所得稅應付款	9,016	9,157
Deposits received	存入保證金	5,993	5,778
Other payables and accruals	其他應付款項及預提費用	18,852	19,229
		117,439	127,121

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

根據發票日期之日呈列之貿易應付款項於呈報期末之賬齡分析如下：

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Within 1 month or on demand	1個月內到期或按通知償還	23,663	25,540
After 1 month but within 3 months	1個月後但於3個月內到期	6,864	8,106
		30,527	33,646

The average credit period on purchases is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

由供應商給予的信貸期介於30至90日。本集團有相應的財務風險管理策略保證所有應付款項及時償還。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

23. Provisions

23. 計提準備

		Provision for litigation 訴訟計提費用	
		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
At 1 January	於一月一日	2,503	3,826
Provision recognised	計提費用確認	—	722
Payment made	已支付款項	(2,165)	(2,045)
At 31 December	於十二月三十一日	338	2,503

Provision for litigation is made based on management best estimates and judgement, as described in note 4. Details of the litigations are set out in note 34.

如附註4所述，訴訟計提費用是基於管理層最好的估計和判斷。訴訟詳見附註34。

24. Deferred Tax

24. 遞延稅項

The following is the deferred tax liability recognised and movements thereon during the current and prior years:

主要遞延稅項負債年內及以前年度的變動如下：

		Undistributed profits of PRC subsidiary 中國附屬公司 未分配利潤 RMB'000 人民幣千元
At 1 January 2016	於二零一六年一月一日	2,031
Credit to profit or loss	沖減利潤或損失	(2,031)
At 31 December 2016, 1 January 2017 and 31 December 2017	於二零一六年十二月三十一日、二零一七年一月一日及二零一七年十二月三十一日	—

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

24. Deferred Tax (Continued)

As at 31 December 2017, the Group has unused estimated tax losses of approximately RMB277,795,000 (2016: RMB719,596,000) and RMB33,434,000 (2016: RMB33,358,000) for certain subsidiaries in the PRC and Hong Kong respectively. The tax losses incurred by the subsidiaries incorporated in the PRC will expire in five years from the year in which the loss originated, while the ones incurred by the subsidiaries in Hong Kong will not expire under current tax legislation in Hong Kong. Certain tax losses of approximately RMB433,781,000 expired during the year ended 31 December 2017.

As at 31 December 2017, the Group has deductible temporary differences of approximately RMB404,669,000 (2016: RMB424,810,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Pursuant to the Sino-Hong Kong Double Tax Arrangements, the investor established in Hong Kong which the beneficial owner is holding not less than 25% of the equity interests of its PRC subsidiaries can enjoy a reduced withholding tax rate of 5% on the dividend received from its PRC subsidiaries. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries in prior years amounted to approximately RMB2,031,000. During the year ended 31 December 2016, the Directors considered that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Accordingly, deferred tax liabilities of approximately RMB2,031,000 were reversed. As at 31 December 2017, no deferred tax liabilities have been recognised in respect of the temporary differences of approximately RMB17,000 (2016: Nil) associated with undistributed earnings of the PRC subsidiaries.

24. 遞延稅項(續)

於二零一七年十二月三十一日，本集團估計於中國及香港若干附屬公司並未就可扣減的稅務虧損分別約人民幣277,795,000(二零一六年度：人民幣719,596,000)和人民幣33,434,000(二零一六年度：人民幣33,358,000)。其中，由中國成立的附屬公司所產生之稅務虧損將於相關之業務虧損始源之五年內到期，而由香港的附屬公司產生的稅務虧損不會根據香港現行的稅務法例而屆滿。某些約人民幣433,781,000的稅務虧損截至二零一七年十二月三十一日止年度已屆滿。

於二零一七年十二月三十一日，本集團可扣減的暫時性差異約為人民幣404,669,000(二零一六年度：人民幣424,810,000)。並無任何因可扣減暫時性差異而確認之遞延稅項資產，因為極低可能有應課稅溢利可抵銷令其可抵扣暫時性差異能夠使用。

根據中華人民共和國稅法規定，自二零零八年一月一日起，對中國子公司未分配利潤分配的股利代扣代繳企業所得稅。依據中港雙重稅務安排，投資者於香港設立並持有不少於其中國子公司25%權益的實益擁有人可就來自其中國子公司已收股息享有5%的預扣稅率。遞延所得稅暫時性差異被反映在二零一六年十二月三十一日的綜合財務報表中的以前年度產生的累計金額約人民幣2,031,000元。本公司董事認為集團可以控制撥回上述暫時性差異的時間，而有關可暫時性差異在可預見的未來不會撥回，故此於二零一七年十二月三十一日將這筆約人民幣2,031,000元的遞延所得稅撥回。於二零一七年十二月三十一日止年度，並無就與中國子公司未分派盈利有關之暫時差額約人民幣17,000元(二零一六年度：無)確認遞延稅項負債。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

25. Bank Borrowings

25. 銀行借款

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Secured bank borrowings (note a)	擔保銀行貸款(附註a)	—	5,610
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		承付額度(根據貸款協議規定的計劃還款日期):	
Within one year	一年內	—	5,610

Notes:

- (a) As at 31 December 2016, bank borrowings with carrying amounts of approximately RMB5,600,000 (2017: Nil) bore interest at fixed rate and due within one year. The fixed rate borrowing carried interest rates at 5.66% per annum during the years ended 31 December 2017 and 2016.

As at 31 December 2016, bank borrowings with carrying amounts of approximately RMB10,000 (2017: Nil) bore interest at fixed rate and due within one year. The fixed rate borrowing carried interest rates at 4.35% per annum during the years ended 31 December 2017 and 2016.

- (b) The Group's bank borrowings at 31 December 2016 were secured or guaranteed by the followings:

As at 31 December 2016, a borrowing of the Group with outstanding balance of approximately RMB5,600,000 was guaranteed by Mr. Chen Qiyuan and a related party in which the party was wholly owned by the Controlling Shareholders and was secured by the property of a subsidiary as set out in note 17.

As at 31 December 2016, a borrowing of the Group with outstanding balance of approximately RMB10,000 was secured by the Group's pledged bank deposits as set out in note 21.

- (c) At the end of the reporting period, the Group has available unutilised bank loan facilities of approximately RMB80,000,000 (2016: RMB4,400,000).

附註:

- (a) 截至二零一六年十二月三十一日止，賬面金額約人民幣5,600,000元(二零一七年度：無)的銀行貸款利率為固定利率，並在一年內到期。截至二零一六年及二零一七年十二月三十一日止年度，固定利率借款年利率為5.66%。

截至二零一六年十二月三十一日止，賬面金額約人民幣10,000元(二零一七年度：無)的銀行貸款利率為固定利率，並在一年內到期。截至二零一六年及二零一七年十二月三十一日止年度，固定利率借款年利率為4.35%。

- (b) 本集團的借款截至二零一六年十二月三十一日均由以下做為擔保：

截至二零一六年十二月三十一日止，本集團待結款項約人民幣5,600,000元由陳啟源先生及其關聯方擔保，該方由控股股東全權擁有，並以附註17所示的附屬物業所擔保。

截至二零一六年十二月三十一日止，本集團待結款項約人民幣10,000元的借款由附註21所示的本集團銀行存款所擔保。

- (c) 於呈報期末，本集團未使用的銀行貸款額度約人民幣80,000,000元(二零一六年度：人民幣4,400,000元)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

26. Share Capital and Reserves

(a) Share capital

		Number of shares 股份數目 '000 千股	RMB'000 人民幣千元
Ordinary shares of HK\$0.1 each	每股港元0.1之普通股		
Authorised:	法定：		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	於二零一六年一月一日、二零一六年十二月三十一日、二零一七年一月一日及二零一七年十二月三十一日	10,000,000	880,500
Issued and fully paid ordinary shares:	已發行及繳足：		
At 1 January 2016	於二零一六年一月一日	2,911,811	256,705
Issue of shares by way of placing (note i)	以增發的方式發行股票(附註i)	250,000	21,173
At 31 December 2016, 1 January 2017 and 31 December 2017	於二零一六年十二月三十一日、二零一七年一月一日及二零一七年十二月三十一日	3,161,811	277,878

Note:

(i) Issue of shares by private placement under general mandate

On 11 May 2016, arrangements were made for a private placement to independent private investors of 250,000,000 shares of HK\$0.1 each in the Company, at a price of HK\$0.31 per share representing a discount of approximately 19.48% to the closing market price of the Company's shares on 11 May 2016.

Pursuant to subscription agreements of the same date, six subscribers subscribed for 250,000,000 new shares of HK\$0.1 each in the Company at a price of HK\$0.31 per share. The proceeds were used for repayment of the existing shareholders' loans and to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 29 May 2015 and rank pari passu with other shares in issue in all respects.

附註：

(i) 在一般授權條件下向私人配售股票

二零一六年五月十一日，本公司向私人投資者配售面值為0.1港幣的250,000,000股股票，配售價格為0.31港幣，這個配售價格是公司股票在二零一六年五月十一日收市價格折讓約19.48%。

依照相同日期的增發協議，這六位認購者以每股0.31元港幣的價格認購了面值為0.1港幣的250,000,000的新股。股款被公司用來支付大股東的借款和日常營運資金。這些於在二零一五年五月二十九日股東周年大會上就董事一般授權條件下發行的新股於其他股票在各方面享有同等的權益。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

26. Share Capital and Reserves (Continued)

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands. The funds in the share premium are distributable to the shareholders of the Company 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 they fall due in the ordinary course of business.

Pursuant to applicable statutory provisions of the Cayman Islands, the Company had no reserves available for distribution to the shareholders as at 31 December 2017 (2016: Nil).

(ii) Capital reserve

The capital reserve represents the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy set out in note 3.

(iii) PRC statutory reserves

PRC statutory reserves are established in accordance with the relevant PRC rules and regulations and the articles of association of the PRC subsidiary of the Group, Bawang Guangzhou. Transfers to the reserves are approved by the directors of Bawang Guangzhou.

Bawang Guangzhou and Bawang (China) Beverage Co., Ltd, which are wholly foreign owned enterprises established in the PRC, are required to transfer at least 10% of their net profit (after offsetting prior year losses), as determined under the PRC accounting rules and regulations, to statutory general reserve until the reserve balance reaches 50% of the registered capital under the PRC Company Law and the articles of association of the entity. The transfer to this reserve must be made before distribution of dividends to the equity shareholder.

26. 股本及儲備(續)

(b) 儲備性質及用途

(i) 股本溢價

本公司股本溢價的應用受開曼群島公司法(經修訂)所規管。除非緊隨建議派付股息的日期後，本公司有能力償還日常業務中到期的債務，否則本公司不得自股本溢價向股東分派股息。

根據開曼群島適用的法定條款，截至二零一七年十二月三十一日止，公司沒有任何可用儲備金分配給股東(二零一六年度：無)。

(ii) 資本儲備

授予本公司僱員的購股權未行駛的部份，將其於授予日期的公允價值按照附註3股份支付的會計政策於資本儲備中確認。

(iii) 中國法定儲備

中國法定儲備乃根據有關中國規則及規例以及本集團的中國附屬公司霸王廣州的公司章程設立。轉撥的儲備已獲霸王廣州董事會批准。

霸王廣州及霸王飲料乃於中國成立的外商獨資企業，其須根據中國會計規則及規例，轉撥其溢利最少10%的淨溢利(彌補以往年度的虧損後)至一般法定儲備，直至儲備結餘達到中國公司法及該實體的公司章程規定的註冊資本的50%為止。轉撥至該儲備須於向權益持有人分派股息前進行。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

26. Share Capital and Reserves (Continued)

(b) Nature and purpose of reserves (Continued)

(iii) PRC statutory reserves (Continued)

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into share capital by issuing new shares to equity shareholders proportionate to their existing percentage of equity interests provided that the balance after such issue is not less than 25% of the registered capital.

(iv) Merger reserve

On 20 December 2007, Bawang International Group Holding (HK) Limited, a wholly-owned subsidiary of the Company, acquired all the equity interest of Bawang Guangzhou amounting to USD12,500,000, which was previously held by a company owned by the Controlling Shareholders of the Group, at a consideration of the same amount. Accordingly, the share capital of Bawang Guangzhou was eliminated and a merger reserve arose due to foreign exchange differences.

(v) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the operations outside the PRC into the presentation currency of the Group (i.e. RMB).

(vi) Other reserve

The other reserve represents the deemed contribution by the Controlling Shareholders in the form of non-interest bearing loans to a subsidiary as detailed in note 32(c). The amounts are estimated by discounting the nominal value of the non-interest bearing loans to the subsidiary at an effective interest rate.

26. 股本及儲備(續)

(b) 儲備性質及用途(續)

(iii) 中國法定儲備(續)

一般法定儲備可用作彌補以往年度的虧損(如有),亦可透過按照權益持有人的現有的股權百分比向彼等發行新股,以將有關儲備轉換為股本,惟進行有關發行後的結餘不得少於註冊資本的25%。

(iv) 合併儲備

於二零零七年十二月二十日,本公司全資附屬公司霸王國際集團控股(香港)有限公司以同等價格收購美元12,500,000的霸王廣州全部權益(之前由控股股東擁有的一家公司持有)。因此霸王廣州的股本被抵銷,抵銷時的匯兌差額產生合併儲備。

(v) 匯兌儲備

匯兌儲備包括換算中國境外業務之財務報表(即人民幣)所產生的全部匯兌差額。

(vi) 其他儲備

其他儲備是指控股股東借給於附註32(c)所述之附屬公司的免息貸款所產生之視同注資。該數額由以實際利率折現的借給子公司之免息貸款的賬面價值來估算。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

27. Equity-Settled Share-Based Transactions

(a) Pre-IPO share option scheme

The Directors approved a Pre-IPO Share Option Scheme on 10 December 2008. On 8 June 2009, the Company conditionally granted certain Pre-IPO share options to the Directors, senior management and employees under this Pre-IPO Share Option Scheme. The exercise of these share options would entitle two of the Company's Directors to subscribe for an aggregate of 4,200,000 shares of the Company, and forty of senior management and employees for an aggregate of 10,332,000 shares. According to the grant letters signed by the Company and the beneficial individuals, the exercise price of each share under the Pre-IPO Share Option Scheme is either at par value of HK\$0.1 (four people under this tranche including two the then directors), or at HK\$1.19, representing a 50% discount to the offer price of HK\$2.38 under the global offering (thirty-eight people under this tranche). Each option granted under the Pre-IPO Share Option Scheme has a vesting period of one to five years, commencing from the listing date and the options are exercisable until 8 June 2019.

27. 以股權結算並以股份為基礎的交易

(a) 首次公開發售前購股權計劃

董事會於二零零八年十二月十日批准首次公開發售前購股權計劃。於二零零九年六月八日，本公司有條件地根據首次公開發售前購股權計劃向董事、高級管理層成員及僱員授予若干首次公開發售前購股權。行使此等購股權賦予本公司兩名董事認購本公司合共4,200,000股，以及40名高級管理層和僱員認購本公司股份合共10,332,000股的權利。根據本公司與每個受益人簽訂的授予函件，首次公開發售前購股權計劃項下的每股股份行權價為其面值港元0.1(4人在此列，其中包括兩名董事)或港元1.19，即按全球發售下發售價港元2.38折讓50%(38人在此列)。根據首次公開發售前購股權計劃授出的每份購股權的歸屬期為由上市日期起計一年至五年，所有購股權必須於二零一九年六月八日前行使。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

27. Equity-Settled Share-Based Transactions (Continued)

(a) Pre-IPO share option scheme (Continued)

Details of specific categories of Pre-IPO Share Options Scheme are as follows:

	Date of grant 授予日期	Number of instruments 購股權數目	Vesting period 歸屬期	Contractual life of options 購股權合約期
Options granted to directors 授予董事的購股權	8 June 2009 二零零九年六月八日	1,260,000	1 year from 3 July 2009 二零零九年七月三日起計一年	10 years 十年
	8 June 2009 二零零九年六月八日	735,000	2 years from 3 July 2009 二零零九年七月三日起計兩年	10 years 十年
	8 June 2009 二零零九年六月八日	735,000	3 years from 3 July 2009 二零零九年七月三日起計三年	10 years 十年
	8 June 2009 二零零九年六月八日	735,000	4 years from 3 July 2009 二零零九年七月三日起計四年	10 years 十年
	8 June 2009 二零零九年六月八日	735,000	5 years from 3 July 2009 二零零九年七月三日起計五年	10 years 十年
Options granted to employees 授予僱員的購股權	8 June 2009 二零零九年六月八日	1,669,920	1 year from 3 July 2009 二零零九年七月三日起計一年	10 years 十年
	8 June 2009 二零零九年六月八日	1,868,160	2 years from 3 July 2009 二零零九年七月三日起計兩年	10 years 十年
	8 June 2009 二零零九年六月八日	2,066,400	3 years from 3 July 2009 二零零九年七月三日起計三年	10 years 十年
	8 June 2009 二零零九年六月八日	2,264,640	4 years from 3 July 2009 二零零九年七月三日起計四年	10 years 十年
	8 June 2009 二零零九年六月八日	2,462,880	5 years from 3 July 2009 二零零九年七月三日起計五年	10 years 十年
Total share options granted 授予購股權總數		14,532,000		

27. 以股權結算並以股份為基礎的交易(續)

(a) 首次公開發售前購股權計劃(續)

首次公開發售前購股權計劃詳情如下：

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

27. Equity-Settled Share-Based Transactions (Continued)

- (b) The following table disclosed the movements of the Company's share options held by Directors and employees for the years ended 31 December 2017 and 2016:

Option type		Number of share options 購股權數目 Outstanding at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017 於二零一六年一月一日、 二零一六年十二月三十一日、 二零一七年一月一日及 二零一七年十二月三十一日 尚未行使
購股權類型		
Pre-IPO Share Option Scheme	首次公開發售前 購股權	1,654,000
Exercisable at the end of the reporting period	於呈報期末可行使 的購股權	1,654,000
Weighted average exercise price	加權平均行使價	HK\$0.77

The options outstanding at 31 December 2017 had a weighted average remaining contractual life of 1.43 years (2016: 2.43 years).

27. 以股權結算並以股份為基礎的交易(續)

- (b) 下表披露截至二零一七年及二零一六年十二月三十一日止年度董事及僱員持有股權之變動：

於二零一七年十二月三十一日，尚未行使購股權的加權平均剩餘合約期為1.43年(二零一六年度：2.43年)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

28. Statement of Financial Position of the Company

28. 本公司財務狀況表

		Notes 附註	2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Non-current assets	非流動資產			
Unlisted investments in subsidiaries	於非上市附屬公司的投資		—	—
Amounts due from subsidiaries	應收附屬公司款項	a	1,710	3,653
			1,710	3,653
Current assets	流動資產			
Other receivable	其他應收款		298	16,417
Amounts due from subsidiaries	應收附屬公司款項	b	13,579	—
Bank balances and cash	銀行結存及現金		2,939	399
			16,816	16,816
Current liability	流動負債			
Other payables	其他應付款項		4,085	3,915
Net current assets	流動資產淨額		12,731	12,901
Net assets	資產淨值		14,441	16,554
Capital and reserves	資本及儲備			
Share capital	股本		277,878	277,878
Reserves	儲備	c	(263,437)	(261,324)
Total equity	權益總額		14,441	16,554

Notes:

- (a) The amounts are unsecured, non-interest bearing and not expected to be recoverable within the next twelve months.
- (b) The amounts are unsecured, non-interest bearing and repayable on demand.

附註：

- (a) 該款項免息無抵押，預期未來十二個月內不會收回。
- (b) 該款項無抵押、免息並按要求償還。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

28. Statement of Financial Position of the Company (Continued)

Notes: (Continued)

(c) Movements in the reserves during the years are as follows:

		Share premium 股本溢價 RMB'000 人民幣千元 (note 26 (b)) (附註26(b))	Capital reserve 資本儲備 RMB'000 人民幣千元 (note 26 (b)) (附註26(b))	Translation reserve 匯兌儲備 RMB'000 人民幣千元 (note 26 (b)) (附註26(b))	Accumulated losses 累計虧損 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
At 1 January 2016	於二零一六年一月一日	1,356,369	2,814	(110,499)	(1,467,674)	(218,990)
Total comprehensive expense for the year	年內全面開支總額	—	—	(46)	(86,569)	(86,615)
Issue of shares by way of placing (note 26(a))	以增發方式發行股票 (附註26(a))	44,462	—	—	—	44,462
Share issue expenses	股票發行費用	(181)	—	—	—	(181)
At 31 December 2016 and 1 January 2017	於二零一六年十二月三十一日及二零一七年一月一日	1,400,650	2,814	(110,545)	(1,554,243)	(261,324)
Total comprehensive expense for the year	年內全面費用總額	—	—	48	(2,161)	(2,113)
At 31 December 2017	於二零一七年十二月三十一日	1,400,650	2,814	(110,497)	(1,556,404)	(263,437)

28. 本公司財務狀況表(續)

附註：(續)

(c) 儲備年內變動情況如下：

29. Lease Commitments

The Group as lessee

Minimum lease payments paid under operating leases during the year:

Production premises

Office premises

根據經營租約已付之最低租賃款項

生產場地

辦公場所

本集團作為承租人

2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
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10,596

7,599

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

29. Lease Commitments (Continued)

The Group as lessee (Continued)

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Within one year	一年以內	8,681	6,461
In the second to fifth year inclusive	第二至第五年 (包括首尾兩年在內)	16,677	10,380
Over five years	五年以上	465	495
		25,823	17,336

Operating lease payments represent rentals payable by the Group for certain of its production premises and office. Leases are negotiated for average terms ranging from 1 to 30 years (2016: 1 to 30 years). Rentals are fixed over the terms of respective leases.

29. 租約承擔(續)

本集團作為承租人(續)

於呈報期末，本集團不可撤銷的經營租約之未來最低租金承擔到期情況如下：

經營租金是指本集團支付租用其生產廠房及辦公場所的租賃費用。租期經協商之原租期介乎一年至三十年(二零一六年度：一年至三十年)。租金在各租約期內固定不變。

30. Capital Commitments

Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided in the consolidated financial statements	未在財務報表中反映的有關 購買物業、廠房及設備的 資本承擔	2,731	2,406
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30. 資本承擔

	2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
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Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

31. Retirement Benefit Scheme Contributions

(a) The PRC

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in a defined contribution retirement benefit scheme (the "Scheme") organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Scheme based on certain percentages of the eligible employee's salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

(b) Hong Kong

The Group also maintains the MPF Scheme for all qualifying employees in Hong Kong in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, of which the contribution was matched by employees and subject to a cap of HK\$1,500 per employee.

The Group has no other obligations for payment of retirement and other post-retirement benefits of employees other than the contribution described above.

The total expense recognised in profit or loss of approximately RMB2,127,000 (2016: RMB2,198,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

31. 退休福利計劃供款

(a) 中國大陸地區

根據中國有關勞動法規，中國附屬公司參與由中國有關當地政府機構組織之定額供款退休福利計劃(「該計劃」)。有關附屬公司須按照工資之一定百分比向該計劃供款。當地政府機構會負責支付退休僱員的全部退休金。

(b) 香港地區

根據強制性公積金計劃(「強積金計劃」)的相關條例及規定，本集團亦為所有符合條件的香港僱員設立強積金計劃。強積金計劃之資產與本集團其他資產分開，由受託人控制之基金持有。本集團按相關工資之5%向計劃供款。每名員工的供款上限為港元1,500。

本集團除了上述供款計劃，並無其他義務為員工支付退休及其他退休後福利。

損益表中之總開支約人民幣2,127,000(二零一六年度：人民幣2,198,000)，即本集團就該等計劃制定的一定百分比應付之供款。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

32. Related Party Transactions

(a) Related party balances

The following balances were outstanding at the end of the reporting period:

32. 關連方交易

(a) 關聯方餘額

於呈報期末尚未償付之結餘如下：

		Amounts due from/(to) related parties 應收/(付)關聯方款項	
		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Trade related	貿易相關		
Guangzhou Friend's Group Information Technology Company Limited ("Guangzhou Friend's Group") (note i)	廣州親友團科技信息有限公司 (「廣州親友團」)(附註i)	—	48
Non-trade related	非貿易相關		
Guangzhou Bawang International Hotel Co., Ltd. ("Guangzhou Bawang International") (note ii)	廣州霸王國際大酒店有限公司(「廣州霸王酒店」)(附註ii)	87	—
Guangzhou Bawang Cosmetics Co., Ltd. ("Guangzhou Bawang") (note iii)	廣州霸王化妝品有限公司 (「廣州霸王」)(附註iii)	6,860	8,027
		6,947	8,075
Non-trade related	非貿易相關		
Guangzhou Bawang International (note ii)	廣州霸王酒店(附註ii)	—	(54)
Trade related	貿易相關		
Guangzhou Chenming Paper Products Company Limited ("Guangzhou Chenming") (note iv)	廣州市晨明紙品有限公司(「廣州晨明」) (附註iv)	(1,264)	(310)
Guangzhou Qiancai Packaging Materials Co., Ltd. ("Guangzhou Qiancai") (note iv)	廣州市倩采包裝材料有限公司(「廣州倩采」) (附註iv)	(81)	(295)
Guangzhou Xiaoxiao Supply Chain Management Co. Ltd ("Guangzhou Xiaoxiao") (note v)	廣州小小供應鏈管理有限公司(「廣州小小」) (附註v)	(1)	(1)
		(1,346)	(660)

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

32. Related Party Transactions

(a) Related party balances (Continued)

Notes:

- (i) Guangzhou Friend's Group was under the control of the close family members of the Controlling Shareholders of the Company. The credit term granted to Guangzhou Friend's Group is 15 days. The balance was unsecured and interest-free.
- (ii) Guangzhou Bawang International was effectively 100% owned by the Controlling Shareholders of the Company. The balance with Guangzhou Bawang International mainly represented meeting and catering services payable. The balance was unsecured, interest-free and repayable on demand.
- (iii) Guangzhou Bawang was effectively 100% owned by the Controlling Shareholders of the Company. As at 31 December 2017 and 2016, the balance due from (to) Guangzhou Bawang mainly represented prepayment of rental expenses. The balance was unsecured, interest-free and repayable on demand.
- (iv) Guangzhou Chenming and Guangzhou Qiancai were under the control of the close family members of the Controlling Shareholders of the Company. The credit term granted by Guangzhou Chenming and Guangzhou Qiancai is 30 days, based on the invoice date. As at 31 December 2017 and 2016, the amounts due to Guangzhou Chenming and Guangzhou Qiancai were unsecured, interest-free and repayable within 30 days, based on the invoice date.
- (v) Guangzhou Xiaoxiao was under the control of the Controlling Shareholders of the Company. The credit term granted by Guangzhou Xiaoxiao is cash on delivery. The balance was unsecured and interest-free.

32. 關連方交易(續)

(a) 關聯方餘額(續)

附註：

- (i) 廣州親友團由本公司控股股東家庭成員緊密控制。授予廣州親友團的信用期限為15天。該餘額為無抵押免息。
- (ii) 廣州霸王酒店由本集團控股股東100%有效擁有。廣州霸王酒店的期末結餘主要是應付會議及餐飲服務費。有關結餘無抵押、免息並按要求償還。
- (iii) 廣州霸王由本公司控股股東100%有效擁有。於二零一七年和二零一六年十二月三十一日，廣州霸王的期末結餘主要為應付費用和應付租金。有關結餘無抵押、免息並按要求償還。
- (iv) 廣州晨明和廣州倩采是由與本公司控股股東關係密切的家庭成員控制的。由廣州晨明和廣州倩采給予的信貸期為發票日起30日。於二零一六年及二零一七年十二月三十一日，應付廣州晨明和廣州倩采款項。有關結餘無抵押及免息並按發票日30天內或按要償還。
- (v) 廣州小小供應鏈管理有限公司由本集團控股股東控制。授予廣州小小的信用期限為款到發貨。有關結餘無抵押、免息。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

32. Related Party Transactions (Continued)

(b) Related party transactions

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

Nature of transaction 交易性質		2017	2016
		二零一七年 RMB'000 人民幣千元	二零一六年 RMB'000 人民幣千元
Guangzhou Bawang International 廣州霸王酒店	Meeting and catering service expenses (notes i and v) 會議及餐飲服務費(附註i和v)	966	1,039
Guangzhou Chenming 廣州晨明	Purchase of materials (notes i and iv) 原材料採購款(附註i和iv)	9,875	5,124
Guangzhou Qiancai 廣州倩采	Purchase of materials (notes i and v) 原材料採購款(附註i和v)	234	597
Guangzhou Bawang 廣州霸王	Rental and management fee of production plant and office premises (notes i, iii and iv) 生產廠房和辦公場所的租金和管理費(附註i, iii和iv)	10,437	12,906
	Utility expenses paid and received on behalf (notes ii and v) 代為支付的水電費費用和收到的水電費收入(附註ii和v)	1,003	1,036
Guangzhou Xiaoxiao 廣州小小	Sales of finished goods (notes i and v) 產成品銷售(附註i和v)	—	36

Notes:

- (i) The Directors are of the opinion that the above transactions were conducted on normal commercial terms in the ordinary course of business and the basis of consideration for the transactions is the prevailing market price.
- (ii) The utility income was charged to Guangzhou Bawang in relation to the utility expenses paid on behalf of Guangzhou Bawang.

附註：

- (i) 董事認為，上述交易乃按一般商業條款於日常業務過程中進行，交易代價基準為現行市價。
- (ii) 水電費收入由廣州霸王代收，因此水電費費用也由廣州霸王代付。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

32. Related Party Transactions (Continued)

(b) Related party transactions (Continued)

Notes: (Continued)

- (iii) On 9 August 2013, Bawang Guangzhou and Guangzhou Bawang entered into two lease agreements, pursuant to which Bawang Guangzhou leased from Guangzhou Bawang the production plant and office premises at fixed monthly rental and management fee of RMB1,120,000 and RMB92,800, respectively. The terms of the lease under the agreements were 3 years from 9 August 2013. The lease agreement was renewed on 9 August 2016 and the new terms of the lease were 3 years from 9 August 2016. The renewed monthly rental fee for production premises and office premises were approximately RMB490,000 and RMB45,000 respectively. The renewed monthly management fee for production premises and office premises were approximately RMB310,000 and RMB39,000 respectively. The renewed contract was terminated and a new contract was signed on 1 December 2017 and the new terms of the lease were 3 years from 1 December 2017. The new monthly rental and management fee for the production premises, office premises and a staff dormitory are approximately RMB719,900. Details of which were set out in the Company's announcement dated 1 December 2017.
- (iv) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the "Report of the Directors" section to the annual report.
- (v) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

32. 關連方交易(續)

(b) 關連方交易(續)

附註：(續)

- (iii) 於二零一三年八月九日，霸王廣州與廣州霸王訂立兩份租賃協議。據此，霸王廣州向廣州霸王租賃生產廠房和辦公場地，每月固定租金及管理費用分別為人民幣1,120,000和人民幣92,800，租賃協議更新於二零一六年八月九日租期自二零一三年八月九日起有效期三年。新的租賃期限為自二零一六年八月九日起3年。生產場所和辦公樓的月租費分別約為人民幣490,000元和45,000元。生產場所和辦公樓每月管理費新增約310,000元和人民幣39,000元。重續合約已終止，並於二零一七年十二月一日簽訂新合約，而新租約條款則由二零一七年十二月一日起有效期三年。生產廠房、辦公室物業及職員宿舍的新的月租及管理費約為人民幣719,900元。詳情載於公司二零一七年十二月一日發佈的公告。
- (iv) 關聯方交易構成上市規則第14A章所界定的關連交易或持續關連交易。上市規則第14A章要求知披露會在年度報告「董事會報告」一章中呈列。
- (v) 關聯方交易符合上市規則第14A章所界定的關連交易或持續關連交易，彼等獲豁免遵守上市規則第14A章所需之披露。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

32. Related Party Transactions (Continued)

- (c) The Controlling Shareholders and Guangzhou Bawang undertook to provide a loan facility to the Group in an amount up to RMB140,000,000 for a period from 15 March 2013 to 31 December 2015 and were further extended to 22 January 2018. The long-term loans are unsecured, interest-free and repayable by 31 December 2017 or earlier as determined by the Group. During the year ended 31 December 2016, the Group had drawn down HK\$35,000,000 (equivalent to approximately RMB29,323,000) under the facility. On 3 June 2016, all the loans from the controlling shareholders were fully repaid. As at 31 December 2017, there was no loan from Controlling Shareholders (2016: nil). The effective interest rate of the loans from Controlling Shareholders was 5% per annum during the year ended 31 December 2016. As at 31 December 2017, the available facilities are approximately RMB140,000,000 (2016: RMB140,000,000) which expired on 22 January 2018.

(d) Compensation of key management personnel

The remuneration of key management personnel of the Group during the year was as follows:

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Short-term benefits	短期福利	1,967	1,995
Post-employment benefits	離職後福利	203	219
Termination benefits	辭退福利	—	111
		2,170	2,325

32. 關連方交易(續)

- (c) 控股股東及廣州霸王承諾向本集團提供一筆長期貸款融資，金額高達人民幣140,000,000，有效期自二零一三年三月十五日至二零一五年十二月三十一日，進一步延長至二零一八年一月二十二日。此長期借款為無抵押、免息及由本集團決定於二零一七年十二月三十一日或之前償還。截至二零一六年十二月三十一日止年度內，本集團獲得一筆金額為港元35,000,000(相當於人民幣29,323,000)的借款。在二零一六年六月三日，所有控股股東的借款已償還。截至二零一七年十二月三十一日，控股股東借款賬面價值為人民幣零元(二零一六年度：無)。控股股東借款的每年有效年利率為5%。截至二零一七年十二月三十一日，可供使用融資額度約為人民幣140,000,000(二零一六年度：人民幣140,000,000)，將於二零一八年一月二十二日失效。

(d) 主要管理人員報酬

本集團於年內主要管理人員的酬金載列如下：

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

32. Related Party Transactions (Continued)

(d) Compensation of key management personnel (Continued)

The remuneration of key management personnel of the Group was determined by the board of Directors, in consultation with the remuneration committee, having regard to the performance of individuals and market trends.

32. 關連方交易(續)

(d) 主要管理人員報酬(續)

本集團主要管理人員之報酬由董事諮詢薪酬委員會就彼等個人表現及市場趨勢釐定的。

33. 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 consolidated statement of cash flows as cash flows from financing activities.

33. 融資活動產生的負債調節

下表詳述本集團來自融資活動的負債變動，包括現金及非現金變動。融資活動產生的負債是現金流量或未來現金流量將在綜合現金流量表中分類為融資活動現金流量的負債。

		1 January 2017 於二零一七年 一月一日 RMB'000 人民幣千元	Financing cash flows 融資 現金流量 RMB'000 人民幣千元	Accrued interest 應計利息 RMB'000 人民幣千元	31 December 2017 於二零一七年 十二月三十一日 RMB'000 人民幣千元
Liabilities	負債				
Bank borrowings (note 25)	銀行借款 (附註25)	5,610	(6,105)	495	—

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

34. Litigations

- (a) The Directors considered that the contents of the relevant article published by a media company on 14 July 2010 were defamatory to the Group and/or amount to malicious falsehood. Therefore, the Group commenced legal proceedings in the High Court of Hong Kong in October 2010 against the media company seeking, inter alia, damages and an injunction to restrain the media company from publishing such contents or similar contents. The trial of the legal proceedings was completed on 29 August 2015. On 23 May 2016, the Group received the final judgment handed down by the Court of First Instance of the High Court of Hong Kong in respect of the legal proceedings and the Group won the Legal Proceedings. According to the final judgment the media company was ordered by the High Court of Hong Kong to pay the Group, general damages for libel in an aggregate amount of approximately HK\$3,005,000 (the "Damages"). The High Court of Hong Kong also made a costs order nisi that Next Magazine should pay to the Group 80% of the legal costs of the Company and Bawang Guangzhou in respect of the Legal Proceedings (the "Costs"). On 16 December 2016, the Court of First Instance made an order by consent of the parties that in lieu of taxation of the costs of the action, the Defendant do pay the Plaintiffs the sum of HK\$18,000,000 (inclusive of interest and the cost of taxation) (equivalent of approximately RMB16,101,000) in full and final settlement of the Costs payable by the Defendant to the Plaintiffs in the action pursuant to the above. The Damages was received by the Group during the year ended 31 December 2016. On 25 January 2017, the Group received the Costs of HK\$18,000,000 (equivalent to RMB16,101,000).

The Damages and the Costs were recognised as other income for the year ended 31 December 2016.

34. 法律訴訟

- (a) 董事認為一間傳媒公司於二零一零年七月十四日發表的相關雜誌文章內容均為對本集團的誹謗及/或惡意中傷。因此，本集團已於二零一零年十月在香港高等法院向該傳媒公司提起法律訴訟。其中，要求該傳媒公司賠償損失並且禁止出版該內容或類似內容。該法律訴訟已於二零一五年八月二十九日結束審訊。於二零一六年五月二十三日，本集團收到了香港高等法院原訟庭頒佈的判決結果即本集團法律訴訟獲勝。根據判決結果，該傳媒公司被高等法院下令支付本集團合共約3,005,000港元的誹謗「一般損害賠償」，並支付本集團有關法律訴訟的80%的法律費用。香港高等法院亦作出下列通知，即壹周刊應向本集團支付就本公司和霸王廣州涉及的法律訴訟費用（「訴訟費」）的80%。於二零一六年十二月十六日，原訟法庭以雙方當事人意願作出命令，代替訴訟費用徵稅，被告向原告支付港幣18,000,000元（含利息及訟費）（相當於人民幣161,101,000元），此事以被告須向原告依法支付以上費用圓滿解決。截至二零一六年十二月三十一日止年度，本集團收到誹謗一般損害賠償。最後在報告期末，本集團於二零一七年一月二十五日收到訴訟費港幣18,000,000元（折合人民幣16,101,000元）。

誹謗一般損害賠償和費用於二零一六年十二月三十一日年度被確認為其他收入。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

34. Litigations (Continued)

- (b) In prior years, a lawsuit was filed by a former subcontractor against Bawang (China) Beverage Co., Limited (“Bawang Beverage”) in People’s Court of Songjiang District of Shanghai (the “Shanghai Court”) in respect of a dispute in the material processing contract between the former subcontractor and Bawang Beverage. In 2013, Bawang Beverage received a civil order issued by the Shanghai Court, which accepted the application by the former subcontractor for property attachment prior to lawsuit to freeze Bawang Beverage’s bank accounts in the amount of approximately RMB873,000 or other assets under the name of Bawang Beverage. In connection with the lawsuit, one of Bawang Beverage’s bank accounts with an amount of approximately RMB309,000 was frozen. No accrual was recorded by the Group as at 31 December 2013 based on the opinion provided by the PRC legal counsel acting on behalf of Bawang Beverage.

On 20 June 2014, Shanghai No. 1 Intermediate People’s Court gave its final ruling that Bawang Beverage was liable to the former subcontractor for an amount of approximately RMB643,000 and a legal cost of approximately RMB19,000. Accordingly, provision for litigation in amount of approximately RMB662,000 was recognised as other expense in the consolidated statement of profit or loss and other comprehensive income and an amount of approximately RMB324,000 was settled during the year ended 31 December 2014. As at 31 December 2017 and 2016, the remaining provision of approximately RMB338,000 has not been settled.

34. 法律訴訟(續)

- (b) 早前，一名前分銷商在上海松江區人民法院(「上海法院」)就該前分銷商及霸王(中國)飲料有限公司(「霸王飲料」)之間的原料加工合同糾紛向霸王飲料提起訴訟。於二零一三年，霸王飲料收到了上海法院的民事判決書，上海法院受理了前分銷商的訴前財產保全申請，凍結了霸王飲料銀行賬戶約人民幣873,000元或霸王飲料名下的其他資產。在此訴訟中，霸王飲料其中一個銀行賬戶被凍結了約人民幣309,000元。於二零一三年十二月三十一日，根據中華人民共和國代表霸王飲料的法律顧問提供的意見，本集團尚未對此計提任何準備。

上海第一中級人民法院於二零一四年六月二十日作出最終裁決，霸王飲料須向前分銷商支付約人民幣643,000元的賠償金和約人民幣19,000元的訴訟費。此外，訴訟計提合計約人民幣662,000元已被確認於綜合損益及其他全面收益表中為其他費用，約人民幣324,000元已在截至二零一四年十二月三十一日止年度內償還。截至二零一六年和二零一七年十二月三十一日止年度，約人民幣338,000元的剩餘計提尚未結算。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

34. Litigations (Continued)

- (c) In prior years, a lawsuit was filed by Bawang Guangzhou against a supplier in the District Court for the incomplete construction and unsatisfactory performance of plant and machineries provided by the supplier. On 2 February 2015, the District Court issued a verdict for the lawsuit whereby (i) the purchase contracts for the plant and machineries were terminated; (ii) the supplier should pay Bawang Guangzhou a sum of approximately RMB22,518,000 representing purchase cost paid and liquidated damages in addition to interest; and (iii) the plant and machineries concerned should be dismantled and removed from the factory of Bawang Guangzhou.

In prior years, Bawang Guangzhou applied for an injunction against the supplier in the District Court to execute the court order handed down in 2014. On 14 October 2016, the Group received approximately RMB169,000 from the supplier through the execution by the court and the above amount has been recognised as other income for the year ended 31 December 2016. Upon further negotiation with the supplier, Bawang Guangzhou is willing to settle the case outside the court. During the year ended 31 December 2017, no agreement has been signed and no settlement has been received from the supplier except the above amount.

- (d) In prior years, a lawsuit was filed by a total of 14 former employees against Bawang Guangzhou in the District Court in respect of termination compensation for a total sum of approximately RMB2,891,000 representing related severance payments, salaries and social insurance expenses. Provision of litigation in the amount of RMB500,000 was recognised as administrative expenses in the consolidated statement of profit or loss and other comprehensive income in prior years.

34. 法律訴訟(續)

- (c) 於以往年度，霸王廣州就未完成之工程及所提供的廠房和機器設備性能不佳向地方法院起訴某供應商。於二零一五年二月二日，地區法院作出判決(i)終止機器設備的採購合同；(ii)供應商應支付霸王廣州購買成本、違約金及利息損失合計約人民幣22,518,000元；並(iii)從霸王廣州的廠房拆除該廠房和機器設備。

於以往年度，霸王廣州向地方法院申請向該供應商執行二零一四年作出的法院判決。於二零一六年十月十四日，本集團通過法院執程序從某供應商獲得執行收到大約人民幣169,000元並且上述金額已於二零一六年十二月三十一日止年度確認為其他收入。與供應商進一步談判，霸王廣州願意接受庭外和解。截至二零一七年十二月三十一日止年度直至本報告日，雙方尚未簽署任何協議，除以上金額外也並未收到供應商任何賠付。

- (d) 於以往年度，十四名公司前任僱員在地區法院訴請霸王廣州違法解除勞動合同賠償金、工資和社保費用約人民幣2,891,000元。於以往年度確認了人民幣500,000元的計提準備計入綜合損益及其他全面收益表的行政費用中。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

34. Litigations (Continued)

(d) (Continued)

During the year ended 31 December 2016, the District Court handed down the judgement for 12 out of 14 employees that the Group was liable to the former employees for a sum of approximately RMB652,000. The Group lodged an appeal against the decision to the Intermediate Court for 9 out of 12 employees and the other 3 employees appealed by themselves against the decision to the Intermediate Court. For the remaining 2 employees, the court handed down the judgment for one of them that the Group was liable to the former employee for a sum of approximately RMB208,000 and the appeal by the Group was rejected by the court. For another one, the court handed down the judgment that the Group was liable to the former employee for a sum of approximately RMB45,000 and the Group lodged an appeal against the decision. Accordingly, additional provision of approximately RMB453,000 was recognised as administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 based on the option provided by the PRC legal counsel acting on behalf of Bawang Guangzhou.

On 8 March 2017, the appeal by the Group was rejected by the court. During the year ended 31 December 2017, the Group has settled a sum of approximately RMB928,000.

(e) In prior years, a lawsuit was filed by a former employee against Bawang Guangzhou in the District Court in respect of termination compensation. On 8 October 2015, the District Court gave its first ruling that Bawang Guangzhou was liable to the former employee for a sum of approximately RMB149,000 representing related severance payments and salaries. Both the plaintiff and Bawang Guangzhou lodged an appeal against the decision. No hearing has yet been fixed for the appeal. Accordingly, provision of litigation in the amount of approximately RMB149,000 was recognised as administrative expenses in the consolidated statement of profit or loss and other comprehensive income in prior years.

34. 法律訴訟(續)

(d) (續)

截至二零一六年十二月三十一日止年度，地區法院對14名僱員中的12名作出了判決，本集團應付前任僱員約人民幣652,000元。本集團向中級法院對12名僱員中的9人判決提出上訴，另有3名僱員向中級法院的判決提出上訴。至於其他兩名僱員，法院對其中一人作出了判決，本集團應付前任僱員約人民幣208,000元，本集團上訴被法院駁回。對於另一人，法院判定本集團應付前任僱員約人民幣45,000元，本集團對該判決提出上訴。因此，在截至二零一六年十二月三十一日止年度的合併利潤表中，根據霸王廣州的中國代表律師的法律意見追加撥付人民幣453,000元確認為管理費用。

二零一七年三月八日，該集團的上訴被法院駁回。截至二零一七年十二月三十一日止年度，本集團已支付約人民幣928,000元。

(e) 於以往年度，一名公司前任僱員在地區法院訴請霸王廣州終止賠償。於二零一五年十月八日，地區法院作出一審判決，霸王廣州向原告支付遣散費和工資約人民幣149,000。原告和霸王廣州均表示不服判決要上訴。目前尚未收到上訴通知。因此，確認約人民幣149,000計提準備計入綜合損益及其他全面收益表中的管理費用。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

34. Litigations (Continued)

(e) (Continued)

During the year ended 31 December 2016, the Intermediate Court handed down the judgment that the Group was liable to the former employee for a sum of approximately RMB167,000 representing related severance payments and salaries and the Group settled the amount during the year. Accordingly, additional provision of approximately RMB18,000 was recognised as administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016. The whole amount has been settled in 2017 and no additional provision has been made as at 31 December 2017.

(f) In prior years, a total of 3 lawsuits were filed by the same supplier against Bawang Guangzhou in the District Court and Guangzhou Arbitration Commission for a total sum of approximately RMB1,810,000 and RMB859,000 respectively, representing outstanding retention fees and construction fees. Accordingly, provision of litigation in the amount of approximately RMB2,669,000 was recognised as administrative expenses in the consolidated statement of profit or loss and other comprehensive income based on the opinion provided by the PRC legal counsel acting on behalf of Bawang Guangzhou.

During the year ended 31 December 2016, the District Court and Guangzhou Arbitration Commission handed down the judgment that the Group was liable to settle the amount of approximately RMB1,810,000 and RMB928,000 respectively with corresponding legal cost and arbitration fee of approximately RMB23,000 and RMB23,000 respectively. Therefore, the Group entered into an agreement with the supplier that the Group will settle the above amounts by 8 times installments for the period from August 2016 to March 2017. The monthly installment is RMB350,000 and the remaining balance will be settled by the last time of installment. Additional provision of RMB115,000 was recognised as administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

34. 法律訴訟(續)

(e) (續)

截至二零一六年十二月三十一日止年度，中級法院作出判決，本集團應付前任僱員約人民幣167,000元的遣散費和薪金，並且集團應於年內結清金額。因此，截至二零一六年十二月三十一日止年度的綜合損益及其他全面收益表中，追加撥付約人民幣18,000元確認為管理費用。全部款項已於二零一七年結算，而於二零一七年十二月三十一日並無額外撥備。

(f) 於以往年度，一個供應商分別在地區法院和廣州市仲裁委員會向霸王廣州提起總共三項訴訟，要求支付金額分別為約人民幣1,810,000元和約人民幣859,000元。根據霸王廣州的中國代表律師的法律意見，確認了約人民幣2,669,000元計提準備計入綜合損益及其他全面收益表中的行政費用。

截至二零一六年十二月三十一日止年度，地區法院和廣州市仲裁委員會作出判決，本集團應付約人民幣1,810,000元和約人民幣928,000元以及相應的法律費用和仲裁費約人民幣23,000元和人民幣23,000元。因此，本集團與供應商達成協議，本集團將於二零一六年八月至二零一七年三月期間分八期付款，每期付款金額為人民幣35萬元，餘額將於最後一期結清。截至二零一六年十二月三十一日止年度，附加條款的人民幣115,000元已於綜合損益及其他全面收益表中確認為管理費用。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

34. Litigations (Continued)

(f) (Continued)

The Group has settled approximately RMB1,750,000 for the year ended 31 December 2016 and the remaining provision of approximately RMB1,034,000 has been settled for the year ended 31 December 2017.

- (g) During the year ended 31 December 2016, a lawsuit was filed by the Group against a former joint venture in the District Court for the outstanding receivable amount of rental deposit and goods sold. The Group requested for the following claim: (i) Repayment of the rental deposit of approximately RMB57,000; (ii) Repayment of the goods sold of approximately RMB232,000; and (iii) Repayment of the overdue penalty of goods sold of approximately RMB232,000. On 15 March 2017, the Group withdrew the lawsuit after receiving the claim.

34. 法律訴訟(續)

(f) (續)

截至二零一六年十二月三十一日止年度，本集團已結清約人民幣1,750,000元，其餘約人民幣1,034,000元截至二零一七年十二月三十一日尚未結清。

- (g) 截至二零一六年十二月三十一日止年度，本集團在地區法院就租賃保證金和貨款的應收賬款向前合資企業提出訴訟。本集團要求提出以下索賠：(i)償還約人民幣57,000元的租金；(ii)償還銷售貨款約人民幣232,000元；及(iii)償還已售商品的逾期費用約人民幣232,000元。本集團於二零一七年三月十五日收到索賠後撤銷訴訟。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

35. Principal Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2017 and 2016 are as follows:

35. 主要附屬公司

於二零一六年及二零一七年十二月三十一日本公司主要附屬公司詳情如下：

Name 名稱	Place of incorporation/ establishment and registered operation 成立及經營地點	Issued and paid-up/ registered capital 已發行及 繳足資本	Proportion ownership interest and voting power held by the Company 本公司持有的權益及 擁有的投票權比例				Principal activities 主要業務
			2017 二零一七年		2016 二零一六年		
			Direct 直接 %	Indirect 間接 %	Direct 直接 %	Indirect 間接 %	
Forever Giants Limited	BVI	USD1	100	—	100	—	Inactive
Forever Giants Limited	英屬處女群島	美元1					年內無業務
Bawang International Group Holding (HK) Limited	Hong Kong	HK\$1	—	100	—	100	Investment holding, advertising agency and trading of household and personal care products
霸王國際集團控股(香港)有限公司	香港	港元1					投資控股、廣告代理及營銷及推廣家用及個人護理產品
Hong Kong Bawang International Trading Limited	Hong Kong	HK\$1	—	100	—	100	Advertising agency and trading of household and personal care products
香港霸王國際貿易公司	香港	港元1					廣告代理及營銷及推廣家用及個人護理產品
Bawang Guangzhou (note a)	The PRC	USD67,500,000	—	100	—	100	Manufacturing and trading of household and personal care products
霸王廣州(附註(a))	中國	美元67,500,000					製造及營銷及推廣家用及個人護理產品
Bawang Beverage (note a)	The PRC	HK\$180,000,000	—	100	—	100	Inactive
霸王飲料(附註(a))	中國	港元180,000,000					年內無業務
Guangzhou Fanmei Electronic Business Company Limited*	The PRC	RMB1,000,000	—	100	—	100	e-Commerce and trading of household and personal care products
廣州梵魅電子商務有限公司	中國	人民幣1,000,000					電子商務及營銷及推廣家用及個人護理產品
Guangzhou Bawang Trading Company Limited*	The PRC	RMB1,000,000	—	100	—	100	Trading of household and personal care products
廣州霸王貿易有限公司	中國	人民幣1,000,000					營銷及推廣家用及個人護理產品

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

35. Principal Subsidiaries (Continued)

Note:

- (a) These entities are wholly foreign owned and limited liability companies established in the PRC.

* For identification purposes only

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of both years or at any time during the years.

At the end of the reporting period, the Company has other wholly-owned subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

35. 主要附屬公司(續)

附註：

- (a) 此等實體為於中國成立的外商全資擁有的有限責任公司。

* 僅供認別

上表僅列出本公司董事認為主要影響本集團業績或資產和負債之附屬公司。本公司董事認為提供其他附屬公司之詳情將令資料過於冗長而不在此列示。

於當年及上一年度期內，概無任何附屬公司發行任何債權債務。

於呈報期末，公司擁有其他就集團而言非重大的全資附屬公司。該等附屬公司之主要業務概述如下：

Principal activities 主要業務	Principal place of business 主要業務地點	Number of subsidiaries 附屬公司數目	
		2017 二零一七年	2016 二零一六年
Investment holding 投資控股	BVI 英屬處女群島	2	2
Investment holding 投資控股	Hong Kong 香港	1	1

Five Years Summary

五年財務概要

As at 31 December 2017 於二零一七年十二月三十一日

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元 (Restated) (經重列)	2014 二零一四年 RMB'000 人民幣千元	2013 二零一三年 RMB'000 人民幣千元
Results	業績					
Turnover	營業額	264,215	264,229	232,181	294,649	478,380
Profit/(loss) before taxation	稅前利潤/(虧損)	19,231	41,094	(110,422)	(116,457)	(143,502)
Taxation	稅項	(4)	2,610	—	—	—
Profit/(loss) for the year attributable to the owners of the Company	本公司擁有人應佔之年內利潤/(虧損)	19,227	43,704	(110,422)	(116,457)	(143,502)
Assets and liabilities	資產及負債					
Property, plant and equipment	物業、廠房及設備	132,403	137,237	155,284	225,340	294,256
Prepaid advertising fee	預付廣告費用	392	—	—	—	123
Biological assets	生物資產	—	457	426	175	170
Net current/(liabilities) assets	流動/(負債)資產淨值	37,843	13,305	(56,852)	(26,364)	(29,346)
Total assets less current liabilities	資產總值減流動負債	170,246	150,542	98,432	199,151	265,203
Loan from controlling shareholders	控股股東借款	—	—	54,946	44,069	—
Deferred tax liabilities	遞延稅項負債	—	—	2,031	2,031	2,031
Net assets	資產淨值	170,246	150,542	41,455	153,051	263,172
Capital and reserves	資本及儲備					
Share capital	股本	277,878	277,878	256,705	256,639	256,639
Reserves	儲備	(107,632)	(127,336)	(215,250)	(103,588)	6,533
Total equity	權益總額	170,246	150,542	41,455	153,051	263,172
Earning/(loss) per share Basic and diluted (RMB)	每股盈利/(虧損)基本及攤薄(人民幣)	0.006	0.01	(0.038)	(0.04)	(0.05)



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** for identification purposes only*
僅供識別