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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1178)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017

RESULTS

The board (the "Board") of directors (the "Director(s)") of Share Economy Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2017, together with the comparative figures for 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	4	**53,524**	105,893
Cost of sales		**(36,900)**	(71,213)
Gross profit		**16,624**	34,680
Other income	4	**4,391**	1,786
Selling and distribution costs		**(3,862)**	(5,737)
Administrative expenses		**(57,090)**	(58,025)
Other operating expenses		**(32,347)**	(85,504)
Loss from operations	5	**(72,284)**	(112,800)
Finance costs	6	**(604)**	(464)
Loss before income tax		**(72,888)**	(113,264)
Income tax credit	7	**1,925**	458
Loss for the year		**(70,963)**	(112,806)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(4,770)**	(4,197)
		(4,770)	(4,197)
Total comprehensive expense for the year		**(75,733)**	(117,003)

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(70,505)**	(112,641)
Non-controlling interests		**(458)**	(165)
		(70,963)	(112,806)
Total comprehensive expense attributable to:			
Owners of the Company		**(75,262)**	(116,794)
Non-controlling interests		**(471)**	(209)
		(75,733)	(117,003)
Loss per share attributable to owners of the Company			
Basic	*9*	**HK$(1.44) cents**	HK$(3.59) cents
Diluted	*9*	**HK$(1.44) cents**	HK$(3.59) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**2,578**	2,465
Investment properties	*10*	**30,287**	38,721
Intangible assets		**14,021**	25,725
Goodwill		**3,703**	8,541
Other receivables		**30,550**	–
Other assets	*11*	**110,039**	–
		191,178	75,452
Current assets			
Inventories		**19,153**	23,951
Trade receivables	*12*	**37,446**	42,508
Trade deposits paid		**–**	50,963
Deposit, prepayments and other receivables		**82,466**	73,805
Cash and bank balances		**18,069**	39,680
		157,134	230,907
Current liabilities			
Trade payables	*13*	**13,181**	12,840
Trade deposits received		**8,366**	8,451
Accrued liabilities and other payables		**5,700**	4,246
Amounts due to directors		**4,728**	–
Borrowings		**16,000**	5,814
Tax payables		**70**	22
		48,045	31,373
Net current assets		**109,089**	199,534
Total assets less current liabilities		**300,267**	274,986
Non-current liabilities			
Deferred tax liabilities		**2,302**	4,227
Net assets		**297,965**	270,759
Capital and reserves			
Share capital	*14*	**124,107**	111,407
Reserves		**173,078**	158,101
		297,185	269,508
Non-controlling interests		**780**	1,251
Total equity		**297,965**	270,759

NOTES:

1. BASIS OF PREPARATION

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

2.1 Application of new and revised HKFRSs

The Company has applied the following new and revised HKFRSs, for the first time in the current year.

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

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

(a) Segment revenue, results, assets and liabilities

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

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

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

The five reportable operating segments are listed as follows:

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

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

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

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

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

Business segments

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

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

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

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

(b) Geographical segments

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

(c) Information about major customers

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

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

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

4. REVENUE AND OTHER INCOME

(a) Revenue

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

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

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

(b) Other Income

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

5. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration		
Audit services	**780**	740
Non-audit services	**100**	10
Cost of inventories sold	**36,900**	71,213
Staff costs (including directors' remuneration)		
Wages and salaries	**19,661**	23,465
Pension scheme contributions	**530**	923
	20,191	24,388
Depreciation of property, plant and equipment#	**437**	386
Amortisation of intangible assets*	**5,347**	3,227
Operating lease charges in respect of land and buildings#	**5,189**	3,540
Share-based payment expenses#	**–**	14,664
Impairment loss recognised in respect of other receivables*	**3,163**	1,866
Impairment loss recognised in respect of trade receivables*	**1,925**	244
Impairment loss recognised in respect of available-for-sale investments*	**–**	21,700
Impairment loss recognised in respect of intangible assets*	**6,357**	–
Impairment loss recognised in respect of goodwill*	**4,838**	–
Fair value loss on investment properties*	**7,991**	13,623
Loss on disposal of property, plant and equipment*	**21**	–
Provision for obsolete and slow moving inventories*	**304**	40,881
Cost of sales of component materials*	**2,107**	–
Other tax expense*	**294**	575

* included in other operating expenses
# included in administrative expenses

6. FINANCE COSTS

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

7. INCOME TAX CREDIT

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

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

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

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

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

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

8. DIVIDENDS

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

9. LOSS PER SHARE

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

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

10. INVESTMENT PROPERTIES

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

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

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

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

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

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

Information about level 3 fair value measurements

	Valuation Technique(s)	**Unobservable input(s)**	**Range**
Investment properties	Direct comparison	Discount on characteristic of the properties	–50.3% to –6.6%

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

11. OTHER ASSETS

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

ECrent Group

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

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

YSK Group

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

12. TRADE RECEIVABLES

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

An aging analysis of trade receivables based on the due date, is as follows:

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

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

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

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

Movement in the allowance for doubtful debts

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

13. TRADE PAYABLES

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

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

14. SHARE CAPITAL

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

Notes:

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

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

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

(d) On 16 August 2016, the Company issued 487,992,111 shares as consideration to acquire entire equity interests in ECrent (Hong Kong) Limited and 0.45% equity interests in YSK 1860 Investment Company Limited. The total consideration for the acquisition was approximately HK$110,039,000, which of HK$10,000,000 was settled by cash and approximately HK$100,039,000 was settled by issuing new shares.

(e) The share option holder, Mr. Chow Kin Ming, exercised a total number of 20,000,000 ordinary shares at the exercised price of HK$0.145 each on 1 December 2016.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the report from the independent auditors, Elite Partners CPA Limited, on the Group's annual audited consolidated financial statements for the year ended 30 June 2017.

DISCLAIMER OF OPINION

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

BASIS FOR DISCLAIMER OF OPINION

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

ECrent Group

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

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

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

YSK Group

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

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

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

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

FINANCIAL REVIEW

Revenue

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

Gross profit

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

Selling and distribution expenses

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

Administrative expenses

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

Other operating expenses

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

Finance costs

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

Loss for the year

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

CHANGE OF COMPANY NAME

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

EMPLOYEES AND REMUNERATION POLICIES

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

FOREIGN EXCHANGE RISK AND MANAGEMENT

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2017, the Group's current ratio and quick ratio were 3.27 (30 June 2016: 7.36) and 2.87 (30 June 2016: 6.60) respectively. The decrease in these ratios were mainly due to the increase in liquid working capital through fund raising exercise completed during the year.

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

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

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

CAPITAL COMMITMENT

During the year, the Group had no material capital commitments or investment commitments.

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

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for this reporting year (2016: Nil).

CONTINGENT LIABILITIES

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

LITIGATION

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

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

Except for the acquisition of ECrent (Hong Kong) Limited ("ECrent HK", together with its subsidiary, "ECrent Group") and YSK 1860 Investment Company Limited ("YSK 1860", together with its subsidiary, "YSK Group") as disclosed in Note 11 to the consolidated financial statement, the Group had not completed any other material acquisition or disposal of subsidiaries and affiliated companies during the year ended 30 June 2017. Please refer to the Company's announcements dated 3 May 2016, 31 May 2016, 20 July 2016, 30 July 2016 and 12 August 2016 for details.

CAPITAL STRUCTURE

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

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

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

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

EVENT AFTER REPORTING PERIOD

Placing of new shares under general mandate

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

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

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

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

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

Formation of the special investigation committee of the Company

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

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

PROSPECTS

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

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

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

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

Following the establishment of the Nomination Committee, the Company has complied with Code provisions A.5.1 and A.5.2.

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

(i) Mr. Su Rujia, being the independent non-executive Director, did not attend the Company's extraordinary general meeting held on 16 December 2016;

(ii) Dr. Wang Edward Xu, being the independent non-executive Director, did not attend the Company's extraordinary and annual general meetings held on 16 December 2016 and 29 December 2016 respectively;

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

(iv) Mr. Zhu Yanzhou, being the independent non-executive Director, did not attend the Company's extraordinary general meeting held on 27 October 2016.

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

Details of the Company's corporate governance practices shall be set out in the Corporate Governance Report, contained in the 2017 annual report.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry of all Directors that they have fully complied with the required standard set out in the Model Code for the year ended 30 June 2017.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the audited annual results of the Group for the year ended 30 June 2017.

PUBLIC FLOAT

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

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial positions, consolidated statement of profit or loss and other comprehensive income and the related notes for the year ended 30 June 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statement for the year. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website and the website of the Company. The Company's 2017 Annual Report will be available at the same websites and will be dispatched to the Company's shareholders in due course.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Mr. Zhou Guohua (Chairman), Mr. Wong Kui Shing, Danny, Ms. Meng Xiaoqian (Chief Executive Officer) and Ms. Christina Chan (Chief Financial Officer) as executive Director; Mr. Zhou Jian as non-executive Director; and Mr. Ng Kwok Kei Sammy and Mr. Chen Zhihua as independent non-executive Directors.

By Order of the Board
SHARE ECONOMY GROUP LIMITED
Zhou Guohua
Executive Director

Hong Kong, 27 September 2017