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# WINTO GROUP (HOLDINGS) LIMITED
# 惠陶集團（控股）有限公司

*(Incorporated in Cayman Islands with limited liability)*

**(stock code: 8238)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the "**Directors**") of Winto Group (Holdings) Limited (the "**Company**") collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*For the year ended 31 December 2016*

| | Notes | 2016 HK$ | 2015 HK$ |
|---|---|---|---|
| **Revenue** | 3 | **128,562,534** | 20,824,027 |
| Cost of sales | | **(129,075,400)** | (2,406,898) |
| **Gross (loss) profit** | | **(512,866)** | 18,417,129 |
| Other income | 5 | **37,400** | 10,385 |
| Operating expenses | | **(19,325,200)** | (16,689,862) |
| Share of losses of associates | | **(200,000)** | (612,659) |
| Impairment loss on interests in associates | | **—** | (4,187,341) |
| Other gains or losses | 6 | **(4,702,423)** | — |
| Finance costs | 7 | **(2,034,530)** | (588,623) |
| **Loss before tax** | 8 | **(26,737,619)** | (3,650,971) |
| Income tax expenses | 9 | **(669,127)** | (2,110,677) |
| **Loss for the year** | | **(27,406,746)** | (5,761,648) |
| Other comprehensive expenses: | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operation | | **3,110** | — |
| **Total comprehensive expenses for the year** | | **(27,403,636)** | (5,761,648) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(26,293,024)** | (5,761,648) |
| Non-controlling interests | | **(1,113,722)** | — |
| | | **(27,406,746)** | (5,761,648) |
| **Total comprehensive expenses attributable to:** | | | |
| Owners of the Company | | **(26,294,868)** | (5,761,648) |
| Non-controlling interests | | **(1,108,768)** | — |
| | | **(27,403,636)** | (5,761,648) |
| **Loss per share** | | | |
| Basic *(HK Cents)* | 11 | **(0.36)** | (0.08) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2016*

| | Notes | 2016 HK$ | 2015 HK$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | | **1,758,158** | 267,492 |
| Interests in associates | | **—** | 200,000 |
| Investment property | | **11,962,800** | — |
| Goodwill | | **33,051,369** | — |
| Intangible assets | | **1,718,014** | — |
| | | **48,490,341** | 467,492 |
| **Current assets** | | | |
| Inventories | | **391,504** | — |
| Amount due from a former shareholder | | **2,510** | 2,510 |
| Trade and other receivables | 12 | **36,461,852** | 28,390,380 |
| Tax recoverable | | **890,162** | 449,729 |
| Bank balances and cash | | **44,335,818** | 41,174,973 |
| | | **82,081,846** | 70,017,592 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **25,174,522** | 3,984,118 |
| Bank borrowings | | **2,640,525** | 2,497,763 |
| Tax payable | | **39,599** | — |
| Amounts due to non-controlling shareholders of subsidiaries | | **2,305,097** | — |
| | | **30,159,743** | 6,481,881 |
| **Net current assets** | | **51,922,103** | 63,535,711 |
| **Total assets less current liabilities** | | **100,412,444** | 64,003,203 |
| **Non-current liabilities** | | | |
| Promissory notes payable | | **25,528,410** | — |
| Bank borrowings | | **78,127** | — |
| | | **25,606,537** | — |
| **Net assets** | | **74,805,907** | 64,003,203 |
| **Capital and reserves** | | | |
| Share capital | | **8,640,000** | 7,200,000 |
| Reserves | | **67,369,231** | 56,803,203 |
| **Total Equity attributable to owners of the Company** | | **76,009,231** | 64,003,203 |
| Non-controlling interests | | **(1,203,324)** | — |
| **Total Equity** | | **74,805,907** | 64,003,203 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2016*

| | Attributable to owner of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Convertible bonds reserve** | **Exchange reserve** | **Retained profits (accumulated losses)** | **Total** | **Non-controlling interests** | **Total** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| At 1 January 2015 | 10,000 | — | 1,239,824 | — | 9,094,937 | 10,344,761 | — | 10,344,761 |
| Total comprehensive expense for the year | — | — | — | — | (5,761,648) | (5,761,648) | — | (5,761,648) |
| Issue of new shares | 2,510 | — | — | — | — | 2,510 | — | 2,510 |
| Issue of shares upon conversion of convertible bonds | 2,490 | 22,492,401 | — | — | — | 22,494,891 | — | 22,494,891 |
| Issue of new shares by way of placing | 1,200,000 | 43,200,000 | — | — | — | 44,400,000 | — | 44,400,000 |
| Transfer of convertible bonds reserves upon conversion of convertible bonds | — | 1,239,824 | (1,239,824) | — | — | — | — | — |
| Share issue expenses | — | (3,477,311) | — | — | — | (3,477,311) | — | (3,477,311) |
| Capitalisation issue | 5,985,000 | (5,985,000) | — | — | — | — | — | — |
| Dividend paid *(note 10)* | — | — | — | — | (4,000,000) | (4,000,000) | — | (4,000,000) |
| At 31 December 2015 | **7,200,000** | **57,469,914** | **—** | **—** | **(666,711)** | **64,003,203** | **—** | **64,003,203** |
| Loss for the year | **—** | **—** | **—** | **—** | **(26,293,024)** | **(26,293,024)** | **(1,113,722)** | **(27,406,746)** |
| Other comprehensive (expenses) income for the year | **—** | **—** | **—** | **(1,844)** | **—** | **(1,844)** | **4,954** | **3,110** |
| Total comprehensive expenses for the year | **—** | **—** | **—** | **(1,844)** | **(26,293,024)** | **(26,294,868)** | **(1,108,768)** | **(27,403,636)** |
| Issue of new shares by way of placing | **1,440,000** | **38,880,000** | **—** | **—** | **—** | **40,320,000** | **—** | **40,320,000** |
| Share issue expenses | **—** | **(2,019,104)** | **—** | **—** | **—** | **(2,019,104)** | **—** | **(2,019,104)** |
| Arising from acquisition of businesses | **—** | **—** | **—** | **—** | **—** | **—** | **(94,556)** | **(94,556)** |
| At 31 December 2016 | **8,640,000** | **94,330,810** | **—** | **(1,844)** | **(26,959,735)** | **76,009,231** | **(1,203,324)** | **74,805,907** |

# NOTES TO THE FINANCIAL STATEMENTS
*For the year ended 31 December 2016*

## 1. GENERAL

Winto Group (Holdings) Limited (the "Company") is a public limited company incorporated in the Cayman Islands on 7 December 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidation and revised) of the Cayman Islands and its shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Room 1001, 10th Floor, Grandmark, 10 Granville Road, Tsim Sha Tsui, Kowloon respectively.

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

**Amendments to HKFRSs that are mandatorily effective for the current year**

The Company and its subsidiaries (collectively referred as the "Group") have applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

| | |
|---|---|
| Amendments to HKFRS 11 | Accounting for acquisitions of interest in joint operations |
| Amendments to HKAS 1 | Disclosure initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer plants |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidation exception |
| Amendments to 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 these consolidated financial statements.

**New and amendments to HKFRSs in issue but not yet effective**

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

| | |
|---|---|
| HKFRS 9 | Financial instruments[1] |
| HKFRS 15 | Revenue from contracts with customers and the related amendments[1] |
| HKFRS 16 | Leases[2] |
| Amendments to HKFRS 2 | Classification and measurement of share-based payment transactions[1] |
| Amendments to HKFRS 4 | Apply HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[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] |

[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.

**HKFRS 9 Financial instruments**

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9, which applicable to the Group, is described below:

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

**HKFRS 15 Revenue from contracts with customers**

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

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

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported (service income from provision of mobile app development services, rental income from outdoor advertising business and advertisement income on magazines) as the timing of revenue recognition may be affected/and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

The directors of the Company consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

**HKFRS 16 Leases**

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

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

Furthermore, extensive disclosure are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$11,368,033. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the Group's financial performance and positions and/or the disclosure to the consolidated financial statements of the Group.

## 3. REVENUE

An analysis of the Group's revenue for the year is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Print media advertising income | **10,905,400** | 20,441,097 |
| Outdoor advertising income | **23,250,990** | 121,650 |
| Sales of magazines | **200,467** | 261,280 |
| Trading of LNG and related products | **93,003,592** | — |
| Provision of mobile app development service | **1,202,085** | — |
| | **128,562,534** | 20,824,027 |

## 4. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines in a manner consistent with the way in which information is reported internally to the Group's Chief Operating Decision Maker ("CODM"), being the executive directors of the Company for the purposes of resource allocation and performance assessment. No operating segments have been aggregated to form the following reportable segments.

The Group's reportable segments under HKFRS 8 are as follows:

1. Print media business, including advertising income and sales of magazines

2. Outdoor advertising business

3. LNG and related products trading business

4. Mobile app development business

For the purpose of assessing segment performance and allocating resources between segments:

Segment assets include all tangible and intangible assets and current assets with the exception of investment property, interests in associates, unallocated bank balances and cash and other corporate assets. Segment liabilities include provisions and trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

The measurement of segment results for the year ended 31 December 2015 have been revised as a result of the change in the way in which information is reported to the CODM in the current year.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

**Segment revenues and results**

The following is an analysis of the Group's revenue and result by reportable and operating segments.

***For the year ended 31 December 2016***

| | Print media business HK$ | Outdoor advertising business HK$ | LNG and related products trading business HK$ | Mobile app development business HK$ | Total HK$ |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Segment revenue | **11,115,867** | **24,441,781** | **93,003,592** | **2,115,713** | **130,676,953** |
| Inter-segment sales | **(10,000)** | **(1,190,791)** | **—** | **(913,628)** | **(2,114,419)** |
| External sales | **11,105,867** | **23,250,990** | **93,003,592** | **1,202,085** | **128,562,534** |
| Segment results | **7,350,783** | **(8,930,604)** | **521,399** | **545,556** | **(512,866)** |
| Other income | | | | | **36,167** |
| Interest income | | | | | **1,233** |
| Operating expenses | | | | | **(19,325,200)** |
| Share of losses of associates | | | | | **(200,000)** |
| Other gains or losses | | | | | **(4,702,423)** |
| Finance costs | | | | | **(2,034,530)** |
| Loss before tax | | | | | **(26,737,619)** |

***For the year ended 31 December 2015***

| | Print media business *HK$* | Outdoor advertising business *HK$* | Total *HK$* |
|---|---|---|---|
| Revenue from external sales | 20,702,377 | 121,650 | 20,824,027 |
| Segment results | 18,431,111 | (13,982) | 18,417,129 |
| Other income | | | 8,496 |
| Interest income | | | 1,889 |
| Operating expenses | | | (16,689,862) |
| Share of losses of associates | | | (612,659) |
| Impairment loss on interests in associates | | | (4,187,341) |
| Finance costs | | | (588,623) |
| Loss before tax | | | (3,650,971) |

The following is an analysis of the Group's asset and liabilities by reportable and operating segments.

| | 2016 | 2015 |
|---|---|---|
| | *HK$* | *HK$* |
| **Segment assets** | | |
| Print media business | **9,750,680** | 53,539,074 |
| Outdoor advertising business | **10,542,456** | 7,990,770 |
| LNG and related products trading business | **48,227,697** | — |
| Mobile app development business | **9,454,905** | — |
| Total segment assets | **77,975,738** | 61,529,844 |
| Investment property | **11,962,800** | — |
| Interests in associates | **—** | 200,000 |
| Bank balances and cash | **39,327,170** | 3,532,353 |
| Unallocated assets | **1,306,479** | 5,222,887 |
| Consolidated assets | **130,572,187** | 70,485,084 |
| **Segment liabilities** | | |
| Print media business | **1,227,669** | 4,223,292 |
| Outdoor advertising business | **1,205,699** | 1,125,370 |
| LNG and related products trading business | **24,287,368** | — |
| Mobile app development business | **1,527,904** | — |
| Total segment liabilities | **28,248,640** | 5,348,662 |
| Promissory note payable | **25,528,410** | — |
| Unallocated liabilities | **1,989,230** | 1,133,219 |
| Consolidated liabilities | **55,766,280** | 6,481,881 |

**Geographical information**

The Group's operations are located in Hong Kong are Mainland China. Information about the Group's revenue from external customers is presented based on location of delivery destination of the goods or place of receiving services. Information about the Group's non-current assets (excluding interests in associates) are based on geographical location of the assets.

| | **Revenue from external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | ***HK$*** | *HK$* | ***HK$*** | *HK$* |
| Hong Kong | **34,356,857** | 20,824,027 | **13,063,279** | 267,492 |
| Mainland China | **94,205,677** | — | **35,427,062** | — |
| | **128,562,534** | 20,824,027 | **48,490,341** | 267,492 |

**Information about major customers**

Revenue from customers of the corresponding years contributing over 10% of total sales of the Group are as follows:

| | 2016<br>*HK$* | 2015<br>*HK$* |
|---|---|---|
| Customer A[1] | **16,530,248** | — |
| Customer B[2] | **N/A[3]** | 5,370,000 |
| Customer C[2] | **N/A[3]** | 3,470,000 |
| Customer D[2] | **N/A[3]** | 4,018,223 |
| Customer E[2] | **N/A[3]** | 2,617,472 |

[1] Revenue from LNG and related products trading business

[2] Revenue from print media business

[3] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 5. OTHER INCOME

| | 2016<br>*HK$* | 2015<br>*HK$* |
|---|---|---|
| Bank interest income | **1,233** | 1,889 |
| Rental income | **16,000** | — |
| Sundry income | **20,167** | 8,496 |
| | **37,400** | 10,385 |

## 6. OTHER GAINS OR LOSSES

| | 2016<br>*HK$* | 2015<br>*HK$* |
|---|---|---|
| Net foreign exchange losses | **29,226** | — |
| Change in fair value of financial assets at fair value through profit or loss *(note)* | **4,673,197** | — |
| | **4,702,423** | — |

*Note:* The loss represented the Group's investment in an entity listed on the Stock Exchange which was acquired and disposed of during the year ended 31 December 2016.

## 7. FINANCE COSTS

| | 2016<br>*HK$* | 2015<br>*HK$* |
|---|---|---|
| Effective interest on promissory notes payables | **1,855,410** | — |
| Interest on bank borrowings | **179,120** | 287,944 |
| Interest on convertible bonds | **—** | 295,059 |
| Interest on bank overdraft | **—** | 5,620 |
| | **2,034,530** | 588,623 |

## 8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Staff costs | | |
| Directors' emoluments | **2,716,442** | 2,260,232 |
| Other staff costs | | |
| — Salaries and other benefits | **2,901,030** | 3,105,375 |
| — Contributions to defined contribution retirement plan | **138,641** | 102,748 |
| | **5,756,113** | 5,468,355 |
| Allowance for doubtful debts | **—** | 778,000 |
| Depreciation | **371,961** | 36,552 |
| Amortisation of intangible assets, included in operating expenses | **43,284** | — |
| Auditor's remuneration | **850,000** | 460,000 |
| Operating lease expense in respect of | | |
| — Office premises | **1,277,997** | 550,518 |
| — Outdoor media resources, included in cost of sales | **28,560,182** | 91,219 |
| Cost of inventory recognised as expenses | **92,482,192** | 2,183,520 |
| Gross rental income from an investment property | **(16,000)** | — |
| Less: direct operating expenses incurred for an investment property that generated rental income during the year | **5,754** | — |
| | **(10,246)** | — |
| Listing expenses | **—** | 4,090,726 |

## 9. INCOME TAX EXPENSES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Current tax: | | |
| Hong Kong | **680,889** | 2,130,258 |
| People's Republic of China ("PRC") | **43,759** | — |
| | **724,648** | 2,130,258 |
| Overprovision in prior years: | | |
| Hong Kong | **(55,521)** | (19,581) |
| | **669,127** | 2,110,677 |

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for both years taking into account the reduction granted by the Hong Kong SAR Government of 75% of the tax payable subject to a maximum deduction of HK$20,000 for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

## 10. DIVIDENDS

Dividends recognised as distribution during the year:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Dividends recognised as distribution during the year: | | |
| Interim dividends of Nil (2015: HK$4) per share | **—** | 4,000,000 |

No dividend was paid or proposed for ordinary shareholders of the Company during 2016, nor has any dividend been proposed since the end of the reporting period (2015: HK$4,000,000).

## 11. LOSS PER SHARE

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Loss attributable to owners of the Company for the purpose of calculation of loss per share | **26,293,024** | 5,761,648 |

| | **2016** | 2015 |
|---|---|---|
| | ***Numbers of shares*** | *Numbers of shares* |
| Weighted average number of ordinary shares for the purpose of calculation of loss per share | **7,207,868,852** | 7,048,383,562 |

No diluted loss per share for both 2016 and 2015 were presented as there were no potential ordinary shares in issue for both years.

## 12. TRADE AND OTHER RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Trade receivables | **27,187,305** | 22,321,488 |
| Less: allowance for doubtful debts | **(778,000)** | (778,000) |
| | **26,409,305** | 21,543,488 |
| Deposits | **4,980,226** | 4,331,134 |
| Prepayment | **3,181,807** | 2,456,718 |
| Other receivables | **1,890,514** | 59,040 |
| | **36,461,852** | 28,390,380 |

During the year ended 31 December 2016 and 2015, the Group provided customers with credit period ranging from 0 to 90 and 0 to 180 days respectively, from the date on which invoice was issued. The credit terms of each customer of the Group were determined by the Group's sales team and were subject to review and approval of the Group's management based on the customers' payment history, transaction volume and length of business relationship with the Group.

All outstanding trade receivables balances were being reviewed by the Group's sales department on a regular basis to ensure that any overdue receivable was promptly monitored and appropriate collection actions were taken. The Group's sales department would follow up on the collections and the Group's accounting department would monitor the progress of the collection. For those material long outstanding balances, legal actions would be taken for debt collection. During the year ended 31 December 2016 and 2015, no legal actions were taken by the Group for debt collection.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on overdue days is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Current | **2,944,100** | 10,837,678 |
| 1–30 days | **14,587,570** | 994,180 |
| 31–90 days | **2,694,239** | 2,069,450 |
| Over 90 days | **6,183,396** | 7,642,180 |
| | **26,409,305** | 21,543,488 |

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$23,465,205 (31 December 2015: HK$10,705,810) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Trade receivables that are past due but not impaired related 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 fully recoverable. The Group does not hold any collateral over these balances.

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| 1–30 days | **14,587,570** | 994,180 |
| 31–90 days | **2,694,239** | 2,069,450 |
| Over 90 days | **6,183,396** | 7,642,180 |
| | **23,465,205** | 10,705,810 |

Movement in the allowance for doubtful debts:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| 1 January | **778,000** | — |
| Provision made | **—** | 778,000 |
| 31 December | **778,000** | 778,000 |

## 13. TRADE AND OTHER PAYABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Trade payables | **9,875,106** | 789,665 |
| Other payables and accrued expenses | **6,503,350** | 2,152,838 |
| Receipt in advance | **8,796,066** | 1,041,615 |
| | **25,174,522** | 3,984,118 |

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice date:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| 0–60 days | **9,164,618** | 392,856 |
| 61–90 days | **613,298** | 212,340 |
| 91–180 days | **97,190** | 184,469 |
| | **9,875,106** | 789,665 |

During the year, the credit period granted by the suppliers are generally ranging from 0 to 120 days (2015: 30 to 120 days).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

The Group recorded total turnover of approximately HK$128,563,000 for the year ended 31 December 2016, representing an increase of approximately 517.4% or HK$107,739,000 from approximately HK$20,824,000 for the year ended 31 December 2015. The total gross loss of the Group was approximately HK$513,000 for the year ended 31 December 2016, representing a decrease of approximately 102.8% as compared to gross profit of the year ended 31 December 2015. The Group's net loss increase to approximately HK$27,407,000 for the year ended 31 December 2016 from approximately HK$5,762,000 for the year ended 31 December 2015. Loss per share of the Group for the year ended 31 December 2016 was approximately HK0.36 cents. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

### Business Review

The Group is principally engaged in (i) sales and free distribution of Chinese language lifestyle magazines, the sales of advertising space in the magazines; (ii) provision of outdoor advertising services; (iii) development and operating e-commerce trading platform; (iv) trade of LNG and related products; and (v) mobile phone apps development, provision of apps solutions and provision of online marketing planning and production.

**Print media business:**

The Group owns and publishes six magazines, including Motoz Trader, Motoz Trader (Free), Motoz Xpress/Shopping Monthly (a 2-in-1 dual cover magazine), Motoz Xpress/Shopping Monthly (Free) (a 2-in-1 dual cover magazine), Pets Buyer and Bplus. The magazines of the Group cover readership of different market segments and age groups by focusing on different areas of interests in lifestyle, including automotive, pets, beauty and fashion, property, dining and electronic products.

- Motoz Trader is a fortnightly magazine that focuses on new car models, second-hand car market and properties while also provides lifestyle information including dinning, fashion and beauty.
- Motoz Xpress/Shopping Monthly is a 2-in-1 monthly magazine that mainly focuses on new car models and second-hand car market in Hong Kong. It also covers car installment and parts, as well as a consumer guide of updated information on consumer products.
- Pets Buyer is a bi-monthly magazine that focuses on pets related information such as pet caring tips and knowledge.
- Bplus is a quarterly magazine that focuses on cosmetic and fashion related contents and most current beauty topics.
- Motoz Trader (Free) is a free fortnightly magazine that is extracted from Motoz Trader.
- Motoz Xpress/Shopping Monthly (Free) is a free monthly magazine extracted from Motoz Xpress/Shopping Monthly.

During the year under review, the Group continued the sales and free distribution of its magazines. In addition, the Group has been actively expanding its advertising customers and distribution network with a view to obtaining steady income.

*Advertising*

For the year ended 31 December 2016, the income from print media advertising of the Group amounted to approximately HK$10,905,000, representing a decrease of approximately 46.7% as compared to last year. This was mainly attributable to (i) the reduction in numbers of clients; and (ii) the decrease in placement of orders from our existing clients.

The main source of revenue of the Group was derived from the sales of advertising spaces in its magazines. The Group possesses outstanding sales and marketing staff who sell advertising spaces directly to customers. In addition, it adopts diversified strategies for expanding its networks of sales and marketing. As the advertising selling strategy of the Group focuses on the distribution network of magazines, it is dedicated to expand its network of free reading sites for increasing the exposure of its magazines to readers. With the on-going expansion of distribution network and a wider range of magazines for distribution, we have launched advertising packages for catering the marketing needs of customers, in order to expand our advertising customer base and increase the attractiveness to our target print media advertising customers.

*Sales of Magazines and Distribution of Free Magazines*

The paid version of the Group's magazines are mainly for sale at convenience stores, newsstands and book stores in Hong Kong. For the year ended 31 December 2016, the income from sales of magazines of the Group amounted to approximately HK$200,000, representing a decrease of approximately 23.3% as compared to last year primarily because a decrease of magazines sold during the year.

The Group extracted content from some of the paid versions of its magazines, namely Motoz Trader and Motoz Xpress/Shopping Monthly, and published as free versions at various despatching points in Hong Kong for free pick up by the public or for free reading at respective locations, with the objective to increase the sales of its advertisements and the paid versions of its magazines. Free distribution can increase the readers of magazines, and the widened exposure can attract more existing and potential advertising customers, such that the Group's advertising business can be increased. In addition, we select despatching points for capturing our target reader groups. For example, we distributed Pets Buyer to animal clinics in Hong Kong for free reading by customers and distributed Bplus to beauty salons. Currently, the Group has over 1,000 despatching and free distribution points throughout Hong Kong, including petrol filling stations, car parking lots, property agencies, foot massage shops, cafes, hair product companies and club houses. Readers can get the most updated information on automobiles, dinning, beauty and properties whilst filling petrol, taking breaks or having lunch.

**Outdoor advertising business:**

The Group's outdoor business is carried on by a professional outdoor media advertising company engaged in taxi advertising, minibuses advertising, ice cream vehicle advertising, roof top and exterior wall advertising, outdoor light box advertising, and LED screen advertising. The Group's outdoor business major customers include media agency and customers of jewelry. The Group's outdoor business major suppliers include billboard owners, taxi owners, minibus owners and truck owners for provision of outdoor media resources.

In order to seize some valuable media resources, the Group will enter into exclusive right agreements with certain media resources owners before the Group receives any customer orders. The exclusive right agreement may be of fixed licence fee or with minimum guarantee licence fee plus sharing of revenue based on agreed percentage. The Group will also enter into non-exclusive agreements with media resources owners after receiving customer orders.

During year ended 31 December 2015, in order to seize some valuable media resources, the Group entered into an exclusive right agreement with media resources owners with monthly fixed licence fee of approximately HK$2,000,000 before it received any customers order. The average advertising income received from the customers during the year ended 31 December 2016 turned out to be much lower than the fixed licence fee. As a result, the outdoor advertising business of the Group generated significant gross loss of approximately HK$8,931,000 during the year ended 31 December 2016.

**E-commerce trading platform and trade of LNG and related products business:**

On 28 June 2016, we acquired 100% equity interests of Lasermoon Limited for a total consideration with a face value of HK$35,000,000. Lasermoon Limited together with its subsidiaries (the "Lasermoon Group") is principally engaged in internet information technology development, LNG e-commerce trading, sale, installation, testing and maintenance of information system, and development of software in the PRC.

The e-commerce trading platform developed by Lasermoon Group focus on trading of LNG for vehicles, and the development of trading platforms involving the operation of "Ji Qi Mao platform" and "Jia Qi Mao platform" (collectively, the "Platforms").

The Platforms are expected to focus on consumer needs, adopting the integrated online and offline, virtual and reality approaches to connect the upstream, midstream and downstream of LNG industry chain. The Platforms aim to convert the traditional business models to "Ji Qi Mao LNG business model" to reduce the excessive transaction costs arising from the shortage of information, finance, and logistics by integrating the flows of information, logistics, and capital. The expected advantages of the Platforms are traceable LNG transactions, safer, fairer, and transparent supply chains, and effective integration and collaboration of industrial chains.

The LNG business model of the Platforms is expected to aim at connecting the upstream, midstream, and downstream of LNG industry chain and unifying the flows of information, capital, and logistics, especially in the liquefaction of LNG, delivery to consumers, transportation and logistics for industrial applications, transformation from offline traditional sales to online transactions, and the transformation from terminal consumption to process control.

The Platforms also target at improving the transaction efficiency in LNG industry by providing domestic coverage of information in LNG industry, involving tanker geographic information systems, global positioning system, integrated backhaul tanker resources, transactions reviews and approval. The business model is also expected to reduce the unloaded tankers ratio, by adopting five new ways of conducting transactions, through Web (Internet), Wap (mobile Internet), Apps (mobile client), WeChat (service account), and personal computer client, combined with value-added services involving the Internet of Things, cloud computing, big data, and supply chain finance.

In order to improve the Company's efficiency, we have speeded up the development progress in proprietary business platform. Through market resources integration, profit creation as well as our platform companies focus on business management and e-commerce trading platform optimisation, the Group has developed proprietary business for energy and chemical products through a non-wholly owned subsidiary since August 2016, with its extensive resources and channels, hoping to attract trades from upstream and downstream enterprises on the e-commerce trading platform.

During the year ended 31 December 2016, Lasermoon Group contributed revenue approximately HK$93,004,000 to the Group.

**Mobile apps development business:**

On 29 August 2016, we acquired 51% equity interests of Qihui Group (International) Limited (formerly known as Gold Upward Technology Limited) for a total consideration of RMB6,000,000. Qihui Group (International) Limited together with its subsidiaries (the "Qihui Group") is principally engaged in the mobile phone apps development and provision of app solutions for its clients. It is also involved in WeChat planning, production and promotion, as well as research in blending WeChat with corporate marketing and planning.

During the year ended 31 December 2016, Qihui Group contributed revenue approximately HK$1,202,000 to the Group.

**Other business:**

On 7 October 2016, the Group entered into a sale and purchase agreement to acquire an office premises situate at Office B on 7/F, Valiant Commercial Building, Nos. 22–24 Prat Avenue, Tsim Sha Tsui, Kowloon, Hong Kong (the "Property") for a consideration of HK$11,000,000. The acquisition was completed on 30 November 2016. The Property was purchased subject to a tenancy agreement which will expire in December 2017. The Company intends to use the Property as office premises of the Group after the expiry of the tenancy agreement and recovery of vacant possession of the Property. The Directors believe that this can save the rental expenses of the Group and provide stable working environment for the Group in the long run.

**Prospects**

As a result of facing the downward trend of both our printed media advertising and outdoor advertising business, the Group will regularly review the profile of our magazines and take appropriate cost control measures. The Group will continue to look for other business opportunities in an attempt to diversify its business areas in order to reduce its reliance upon the existing magazine and advertising business.

In 2016, the Group executed a number of strategic acquisitions to develop a diversified business profile. The Group will continue to integrate its business units and regularly review the profile of our business units to enhance return to shareholders.

## Financial Review

### *Revenue*

Total revenue increased by approximately 517.4% from approximately HK$20,824,000 for the year ended 31 December 2015 to approximately HK$128,563,000 for the year ended 31 December 2016. It was mainly attributable to the Group's new trading of LNG and related products business which generated approximately HK$93,004,000 revenue for the year ended 31 December 2016, and revenue from outdoor advertising business, which was set up in August 2015, increased from approximately HK$122,000 for the year ended 31 December 2015 to approximately HK$23,251,000 for the year ended 31 December 2016. However, due to reduction in number of clients in print media advertising business, revenue generated therefrom decreased from approximately HK$20,441,000 for the year ended 31 December 2015 to approximately HK$10,905,000 for the year ended 31 December 2016. Revenue from sales of magazines decreased from approximately HK$261,000 for the year ended 31 December 2015 to approximately HK$200,000 for the year ended 31 December 2016.

### *Cost of Sales*

The Group's major costs of sales included (i) costs of LNG and related products, and (ii) transportation and outdoor billboard rental and licence fee payable to the taxi owners, minibus owners, truck owners and billboard owners for provision of outdoor advertising services.

Cost of sales increased from approximately HK$2,407,000 for the year ended 31 December 2015 to approximately HK$129,075,000 for the year ended 31 December 2016, representing an increase of approximately 5,262.7%. The increase in cost of sales was mainly attributable to the cost derived from LNG and related products business, and outdoor advertising business.

### *Gross (Loss)/Profit*

The Group turned from a gross profit of approximately HK$18,417,000 for the year ended 31 December 2015 to a gross loss of approximately HK$513,000 for the year ended 31 December 2016. The Group's gross loss was mainly attributable to the gross loss derived from outdoor advertising business. During the year ended 31 December 2015, the Group's outdoor advertising business leases certain media resources with non-cancellable monthly lease payment which is higher than the average advertising income received from customers during the year ended 31 December 2016.

### *Operating expenses*

The operating expenses of the Group increased by approximately 15.8% from approximately HK$16,690,000 for the year ended 31 December 2015 to approximately HK$19,325,000 for the year ended 31 December 2016. The increase in the operating expenses was primarily attributable to (i) the increase in operating expenses from outdoor advertising business; (ii) the operating expenses derived from new acquired business; and (iii) the professional fees for acquisition of new business. The increment is partly offset by the absence of professional fees for Listing and donation incurred in the year ended 31 December 2015.

### *Fair value loss in financial assets held for trading*

During the year ended 31 December 2016, the Group acquired listed securities in Hong Kong with a view to better utilising the financial resources of the Group. The subsequent trading price of the listed securities suffered a significant drop due to unusual selling pressure. The Group recorded realised loss on investment securities of approximately HK$4,673,000 (2015: Nil).

***Finance Costs***

Finance costs of the Group amounted to approximately HK$2,035,000 for the year ended 31 December 2016 (2015: approximately HK$589,000). The increase in finance costs was mainly due to interest incurred on the promissory notes in relation to the acquisition of Lasermoon Group during the year.

***Income Tax***

Income tax for the Group was approximately HK$669,000 for the year ended 31 December 2016 (2015: approximately HK$2,111,000), decreased by approximately 68.3%. The decrease was mainly due to the decrease in taxable profit of the Group during the year.

***Loss Attributable to Owners of the Company***

During the year ended 31 December 2016, the Group's loss attributable to owners of the Company increased to approximately HK$26,293,000 from approximately HK$5,762,000 for the year ended 31 December 2015. This was mainly attributable to (i) the reduction in number of clients from printed media advertising business; (ii) the loss derived from outdoor advertising business; (iii) the realised loss in investment portfolio of listed shares; and (iv) the amortisation of promissory notes measured at amortised cost.

***Liquidity, Financial Resources and Capital Structure***

On 13 December 2016, the Company entered into a placing agreement pursuant to which the Company has agreed to issue 1,440,000,000 new ordinary shares of HK$0.001 each at the placing price of HK$0.028 per share by way of placing to not less than six independent placees (the "Placement"). As at the date of the placing agreement, the closing market price of the Company's shares as quoted on the Stock Exchange was HK$0.029 per share.

On 30 December 2016, the Placement was completed. The net proceeds from the issue of new shares after deducting related transaction costs was approximately HK$38,301,000 and will be used as general working capital of the Group and future business expansion.

| | **As at 31 December** | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$*** | *HK$* |
| Current assets | **82,081,846** | 70,017,592 |
| Current liabilities | **30,159,743** | 6,481,881 |
| Current ratio | **2.7** | 10.8 |

The current ratio of the Group as at 31 December 2016 was approximately 2.7 times as compared to approximately 10.8 times as at 31 December 2015. The decrease was mainly resulted from an increase in trade and other payables.

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$44,336,000 (2015: approximately HK$41,175,000).

As at 31 December 2016 and 2015, the Group had bank borrowings of approximately HK$2,719,000 and HK$2,498,000 respectively. The scheduled repayment date of the Group's bank borrowings, as set out in the loan agreements and without considering the effect of any repayment on demand clauses were as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Within 1 year | **2,640,525** | 2,458,720 |
| Between 1 and 2 years | **78,127** | 39,043 |

***Gearing Ratio***

The gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was approximately 3.6% as at 31 December 2016 (2015: approximately 3.9%).

***Trade Receivables Turnover Days***

The trade receivables increased from approximately HK$21,543,000 for the year ended 31 December 2015 to approximately HK$26,409,000 for the year ended 31 December 2016, but the trade receivable turnover days decreased from approximately 378 days for the year ended 31 December 2015 to approximately 75 days for the year ended 31 December 2016. The decrease in trade receivable turnover days was mainly due to the outdoor advertising business and trading of LNG and related products business with shorter trade receivable turnover days. All outstanding trade receivable balances are reviewed by the Group's sales and marketing department on a monthly basis to ensure that any overdue receivable is promptly monitored and appropriate collection actions are taken.

***Treasury policies***

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

***Significant Investments Held***

On 9 March 2016, the Group acquired 2,400,000 shares in Tech Pro Technology Development Limited, a company whose shares are listed on the Main Board of the Stock Exchange under stock code: 3823 (the "Tech Pro Shares") from the open market at a consideration of HK$5,154,471. All the Tech Pro Shares have been disposed of by 4 November 2016 and 7 November 2016 and a loss of approximately HK$4,673,000 has been recognised.

The Group acquire the Property for a consideration of HK$11,000,000 during the year. The Group intends to use the Property as its own office premises after the expiry of the existing tenancy agreement in December 2017.

***Future plans for material investments and capital assets***

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets.

***Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies***

As disclosed in the Company's announcement dated 26 June 2016, the Group and a vendor entered into an acquisition agreement on 24 June 2016 (the "Acquisition Agreement") to acquire 100% equity interests of Lasermoon Limited, a company incorporated in the British Virgin Islands (the "BVI") with limited liability at a total consideration of HK$35,000,000, to be paid by the Company to the vendor (or its nominees) in the following manner: (i) a sum of HK$2,000,000 shall be payable in cash within 30 days from the execution of the Acquisition Agreement; and (ii) an aggregate sum of HK$33,000,000 shall be payable by issue of promissory notes in two separate tranches upon completion.

Lasermoon Group is principally engaged in internet information technology development, e-commerce, sale, installation, testing and maintenance of information system, and development of software in PRC.

The Acquisition Agreement was completed on 28 June 2016, Lasermoon Limited has become a wholly-owned subsidiary of the Company and the financial results of Lasermoon Group is consolidated into the Group for the year ended 31 December 2016.

As disclosed in the Company's announcement dated 29 August 2016, we acquire 51% equity interests of Qihui Group (International) Limited (formerly known as Gold Upward Technology Limited) for a total consideration of RMB6,000,000. Qihui Group is principally engaged in the mobile phone apps development and provision of app solutions for its clients. It is also involved in WeChat planning, production and promotion, as well as research in blending WeChat with corporate marketing and planning.

In October 2016, the Group entered into a sale and purchase agreement to acquire for the Property. The acquisition was completed in November 2016. The Property was purchased subject to a tenancy agreement which will expire in December 2017. The Company intends to use the Property as office premises of the Group after the expiry of the tenancy agreement and recovery of vacant possession of the Property.

***Pledge of Assets***

As at 31 December 2016, the group has pledged certain plant and equipment with carrying amount of approximately HK$301,000 (31 December 2015: Nil) to secure general banking facilities granted to the Group.

***Contingent Liabilities***

As at 31 December 2016, the Group is subject to maximum penalty and fines of HK$854,000 in respect of non-compliance of relevant rules and regulations in relation to registration and requirements in relation to the distribution of the magazines (2015: HK$854,000).

***Capital Commitments***

As at 31 December 2016, the Group did not have any significant capital commitments.

***Information on Employees***

As at 31 December 2016, the employee headcount (not including Directors) of the Group was 85 (2015: 16) and the total staff costs, including Directors' emoluments for the year ended 31 December 2016, amounted to approximately HK$5.8 million (2015: approximately HK$5.5 million).

The Group offers competitive remuneration packages commensurate with industry practice. In order to attract and retain valuable employees, the Group reviews the performance of its employees annually and such review results will be taken into account while having the annual salary review and promotion appraisal. In addition to a basic salary, bonuses would be paid to staff with reference to the financial performance of the Group. The Group would also provide trainings or seminars that relating to publication business and offer options that may be granted to the employees under the share option scheme. The Group pays commission to its sales and marketing staff which was calculated based on an agreed percentage of sharing specified in their respective contracts in accordance of the total monthly sales solicited by such staff which is arrived at mutual agreement between the Company and the respective staff.

**Risk Management and Internal Control Systems**

The Board recognises its responsibility to ensure that the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by the three-tier risk management approach. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defence, the Corporate Governance & Risk Management Committee of the Company, with the professional advice and opinions from the external professional consultant by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defence are effective through constant inspection and monitoring.

In addition to the review of risk management and internal controls undertaken by the external professional consultants and the Corporate Governance & Risk Management Committee, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audit. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

***Risk Management***

*Foreign Currency Risk*

Substantially all of the Group's monetary assets and liabilities are denominated in Hong Kong dollars and Renminbi same as their functional currency of the respective group entities. The Group does not expect any significant currency risk which materially affect the Group's result of operations.

*Credit risk*

Credit risk exposure represents trade receivable from customers which principally arise from our business activities.

The Group has a credit policy in place and the credit risk is monitored on an on-going basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

In order to minimise the credit risk, management of the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the Board considers that the Group's credit risk is significantly reduced.

*Liquidity risk*

The Group monitors current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

*Interest risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and fair value interest rate risk on fixed rate borrowings. The Directors monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

### *Use of Proceeds from the Placing*

The net proceeds from the issue of new shares of the Group at the time of its listing on GEM on 16 February 2015 through a placement of 180,000,000 ordinary shares of HK$0.01 each in the share capital of the Group at the price of HK$0.37 per share, after deduction of the related underwriting fees and issuance expenses paid by the Group in connection thereto, were approximately HK$28.9 million.

| **Use of net proceeds** | **Planned amount as stated in the Prospectus**<br>*HK$ million* | **Actual amount utilised up to 31 December 2016**<br>*HK$ million* | **Change of use of proceeds up to 31 December 2016**<br>*HK$ million* | **Actual balance as at 31 December 2016**<br>*HK$ million* |
|---|---|---|---|---|
| Enhance public awareness to the Group's magazines *(note (a))* | 4.3 | 0.7 | 0.0 | 3.6 |
| Publish new magazines *(note (b))* | 7.4 | 5.0 | 2.4 | 0.0 |
| Enhance corporate image and strengthen marketing activities *(note (c))* | 14.9 | 12.0 | 2.9 | 0.0 |
| Working capital | 2.3 | 2.3 | 0.0 | 0.0 |
| Total | 28.9 | 20.0 | 5.3 | 3.6 |

*Note:*

(a) From January to December 2016, Ocean Media placed advertisements to green minibuses and outdoor advertising at Sai Kung and Tuen Mun amounting to approximately HK$656,000.

(b) In September 2015, the Group completed the acquisition of 20% equity interests in Strategist Media. The Company applied HK$5.0 million of the net proceeds from the listing to settle the consideration for the acquisition. Strategist Media is principally engaged in the publication and the sales of weekly Chinese finance and investment magazines, namely 港股策略王, mainly through the network of convenience stores and newsstands in Hong Kong. Magazine contents cover finance, wealth management, property investment, lifestyle and etc. Strategic Media also involves in the businesses of online advertising, investor relation services and event management. As mentioned in the announcement dated 2 December 2016, the Directors consider that there will not be further investment in other magazine(s) in foreseeable future, it is proposed to change the use of the remaining balance of approximately HK$2.4 million to working capital.

(c) In November 2016, the Group completed the acquisition of property. The Company applied approximately HK$11,963,000 of the net proceeds from the listing to settle the consideration for the acquisition. As mentioned in the announcement dated 2 December 2016, the Directors consider that there will not be further investment in purchasing office property and renovation works in foreseeable future, it is proposed to change the use of the remaining balance of HK$2.9 million to working capital.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. The Directors of the Company consider that since the listing of the shares of the Company on the GEM of the Stock Exchange on 16 February 2015 (the "Listing Date"), the Company has complied with the Corporate Governance Code (the "Code") from the Listing Date up to the date of this report, except for Code Provision A.2.1.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same person. The Company currently has no chairman and CEO. Decisions of the Company are made collectively by the executive Directors. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of shareholders and investors.

## CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made specific enquiry, all the Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding Director's securities transactions during the year ended 31 December 2016.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

## AUDIT COMMITTEE

The Company established an Audit Committee pursuant to a resolution of the Directors passed on 23 January 2015 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of the Company and judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the internal control procedures of the Group.

The Audit Committee consists of all three independent non-executive Directors, namely, Mr. Tsang Ho Ka Eugene, Ms. Wong Fei Tat and Mr. Pang Siu Yin. Ms. Wong Fei Tat is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2016.

## SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement."

## PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This result announcement is published on the websites of the Stock Exchange (http://www.hkgem.com) and the Company (http://www.wintogroup.hk). The annual report of the Company for the year ended 31 December 2016 containing all the information required by the GEM Listing Rules will be dispatched to the Company's shareholders and posted on the above websites in due course.

By order of the Board
**Winto Group (Holdings) Limited**
**MAK WAI KIT**
*Executive Director*

Hong Kong, 24 March 2017

*As at the date of this announcement, the Board comprises Mr. Mak Wai Kit, Ms. Law Shiu Wai and Mr. Lan Zhi Cheng as executive directors; Mr. Liu Kwong Chi Nelson as non-executive director; and Mr. Tsang Ho Ka Eugene, Ms. Wong Fei Tat and Mr. Pang Siu Yin as independent non-executive directors.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting and be posted and remains on the website of the Company at http://www.wintogroup.hk.*