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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8238

# ANNUAL REPORT 2017

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

**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.**

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*This report, for which the directors (the "Directors") of Winto Group (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 report 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 report misleading.*

# Contents



## Board of Directors

**Executive Directors**
TANG Yau Sing (appointed on 13 July 2017)
MAK Wai Kit (resigned on 2 March 2018)
LAW Shiu Wai (resigned on 2 March 2018)
LAN Zhi Cheng (resigned on 2 August 2017)

**Non-executive Directors**
LIU Kwong Chi Nelson (resigned on 2 March 2018)

**Independent Non-executive Directors**
TSANG Zee Ho Paul (appointed on 24 January 2018)
TSE Chi Wai (appointed on 24 January 2018)
WEN Kai (appointed on 24 January 2018)
TSANG Ho Ka Eugene (resigned on 2 March 2018)
WONG Fei Tat (resigned on 2 March 2018)
PANG Siu Yin (resigned on 2 March 2018)

## Compliance Officer

TANG Yau Sing *(FCPA, FCCA)*
(appointed on 2 March 2018)

## Authorised Representatives

TANG Yau Sing
MAK Wai Kit

## Company Secretary

MAK Wai Kit *(CPA)*

## Audit Committee

TSANG Zee Ho Paul *(Chairman)*
TSE Chi Wai
WEN Kai

## Remuneration Committee

WEN Kai *(Chairman)*
TANG Yau Sing
TSANG Zee Ho Paul
TSE Chi Wai

## Nomination Committee

TSE Chi Wai *(Chairman)*
TANG Yau Sing
TSANG Zee Ho Paul
WEN Kai

## Executive Committee

TANG Yau Sing

## Treasury Committee

TANG Yau Sing

## Corporate Governance & Risk Management Committee

TSE Chi Wai *(Chairman)*
TANG Yau Sing
TSANG Zee Ho Paul
WEN Kai

## Head Office and Principal Place of Business

Room 1001, 10/F, Grandmark
10 Granville Road, Tsim Sha Tsui
Kowloon

## Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway, Hong Kong

## Principal Banker

Industrial and Commercial Bank of China (Asia) Limited
Shop 4, G/F, Chung On Building
297–313 Sha Tsui Road
Tsuen Wan, New Territories

## Registered Office

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

## Company Website

http://www.wintogroup.hk

## Principal Share Registrars and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

## GEM Stock Code

8238

## Results

| In HK$ | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | | Year ended 31 December | | | |
| | | (Restated) | | | |
| Revenue | **29,733,580** | 35,558,942 | 20,824,027 | 28,249,445 | 28,076,113 |
| (Loss)/Profit before tax | **(22,677,036)** | (24,529,755) | (3,650,971) | 10,056,364 | 18,160,092 |
| Total comprehensive (expenses)/ income for the year | **(17,368,199)** | (27,403,636) | (5,761,648) | 6,626,734 | 14,572,826 |

## Summary of Assets and Liabilities

| In HK$ | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | | Year ended 31 December | | | |
| Total assets | **64,891,518** | 130,572,187 | 70,485,084 | 46,457,819 | 31,242,245 |
| Total liabilities | **6,435,878** | 55,766,280 | 6,481,881 | 36,113,058 | 19,209,627 |
| Net assets | **58,455,640** | 74,805,907 | 64,003,203 | 10,344,761 | 12,032,618 |

# Executive Director's Statement

Dear Shareholders,

On behalf of Board of directors (the "Directors") of Winto Group (Holdings) Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2017 to our shareholders and investors.

The Group has recorded a loss of approximately HK$16,977,000 for the year ended 31 December 2017 ("FY2017"). Excluding a profit of approximately HK$5,769,000 from discontinued operation for FY2017, the Group resulted in a loss of HK$22,746,000 from continuing operations for FY2017. The loss from continuing operations was mainly attributable to (i) significant reduction in advertising clients on print media that led to operating loss in print media advertising business; (ii) keen competition of mobile app development business resulting in revenue and margin cut and operating loss; and (iii) impairment loss of approximately HK$7,571,000 on goodwill. However, the loss for FY2017 was significantly reduced by approximately HK$10,430,000 or 38.1% as compared to the loss of approximately HK$27,407,000 for the year ended 31 December 2016 ("FY2016").

The Group turned from a gross loss of approximately HK$1,034,000 for FY2016 to a gross profit of approximately HK$2,976,000 for FY2017. The Group's gross profit was mainly attributable to (i) the gross profit from outdoor advertising business whereas there was a gross loss in FY2016; and (ii) full year contribution of gross profit from mobile app development business that was acquired in August 2016.

During FY2017, the Group disposed of LNG and related products trading business at a gain of approximately HK$6,391,000; associates resulting in a gain of HK$2,000,000; and intangible assets at a gain of approximately HK$626,000. Subsequent to year end, the Group sold its investment property at the consideration of HK$12,900,000. All these disposals would enable the Group to concentrate its resources on advertising businesses and provide the Group with sufficient funding for future business development. We will continue to explore any suitable business opportunity in the market, so as to maximize returns for our shareholders and investors.

We wish to take this opportunity to express my gratitude for the support from business partners, readers and customers over the years. Also, we would like to thank our dedicated management and staff to their contributions to the Group.

**TANG YAU SING**
*Executive Director*

Hong Kong, 23 March 2018

## FINANCIAL PERFORMANCE

### Continuing operation

The Group recorded total revenue of approximately HK$29,734,000 for the year ended 31 December 2017, representing a decrease of approximately 16.4% or HK$5,825,000 from approximately HK$35,559,000 for the year ended 31 December 2016. The Group turned from a gross loss of approximately HK$1,034,000 for the year ended 31 December 2016 to a gross profit of approximately HK$2,976,000 for the year ended 31 December 2017. The Group's net loss decrease to approximately HK$22,746,000 for the year ended 31 December 2017 from approximately HK$25,155,000 for the year ended 31 December 2016. Loss per share of the Group for the year ended 31 December 2017 was approximately HK0.25 cents. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017.

## 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; and (iii) mobile phone apps development, provision of apps solutions and provision of online marketing planning and production.

### Print Media business:

During the year under review, 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.

In May 2017, the Group suspended the publication of two of the Group's magazines, namely, Pets Buyer and Bplus, and since November 2017, the publication of one more Group's magazine, Motoz Xpress, has been suspended. In September 2017, the Group terminated the publication of Pets Buyer and Bplus. Motoz Trader/ Shopping Monthly and Motoz Trader (Free)/Shopping Monthly (Free) become a 2-in-1 dual cover semi-weekly magazine since November 2017.

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, 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.

- Shopping Monthly is a fortnightly magazine and focuses on updated information on consumer products.

- Motoz Trader (Free) is a free fortnightly magazine that is extracted from Motoz Trader.

- Shopping Monthly (Free) is a free fortnightly magazine that is extracted from Shopping Monthly.

The Group will reallocate the resources to and focus on the development of the Group's remaining magazines.

### *Advertising*

For the year ended 31 December 2017, the income from print media advertising of the Group amounted to approximately HK$1,682,000, representing a decrease of approximately 84.6% 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. We have launched advertising packages to offer different type of advertising spaces for catering the marketing needs of customers and increase the attractiveness to our target print media advertising customers. 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.

### *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 2017, the income from sales of magazines of the Group amounted to approximately HK$152,000, representing a decrease of approximately 24.0% 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 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. 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 food and drink. 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 2017, the Group renewed an exclusive right agreement with media resources owners with lower monthly fixed licence fee, as a result, the outdoor advertising business of the Group turned from a gross loss of approximately HK$8,931,000 for the year ended 31 December 2016 to a gross profit of approximately HK$2,661,000 for the year ended 31 December 2017.

**Mobile apps development business:**

Our 51% subsidiary, Qihui Group (International) Limited (the "Qihui" and 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 2017, the income from mobile apps development of the Qihui Group amounted to approximately HK$8,625,000, representing an increase of approximately 617.5% as compared to last year.

**Other business:**

In March 2017, the Group completed the disposal of 20% equity interests in Strategist Media Holdings Limited (the "SMHL"). The consideration was HK$2 million.

In March 2017, the Group completed the acquisition of 100% equity interests in i-Lend Finance Limited ("i-Lend"). The consideration was HK$450,000. i-Lend is a licensed money lender that is regulated under the Money Lenders Ordinance in Hong Kong. The Directors considered that i-Lend could broaden the Group's revenue source and leverage with the existing business. However, i-Lend has never commenced operation due to lack of senior management to monitor the overall money lending business and fix up the business development plan. In October 2017, the Group completed the disposal of 100% equity interests in i-Lend. The consideration was approximately HK$834,000.

## PROSPECTS

In view of significant downward trend of our printed media advertising business; less valuable outdoor media resources that the Group can secure for its outdoor advertising business; and keen competition of mobile app development business, the Group will take a pro-active approach to identify any other business opportunities that could broaden our existing businesses and grow the Group's businesses.

On the other hand, the Group would steam line its operations so as to reduce its operating overhead. Also, the Group will continue to integrate its business units and regularly review the profile of our current businesses to enhance the shareholders' return.

## FINANCIAL REVIEW

### *Continuing operations*

**Revenue**

Total revenue decreased by approximately 16.4% from approximately HK$35,559,000 for the year ended 31 December 2016 to approximately HK$29,734,000 for the year ended 31 December 2017. It was mainly due to reduction in number of clients in print media advertising business, revenue generated therefrom decreased from approximately HK$10,905,000 for the year ended 31 December 2016 to approximately HK$1,682,000 for the year ended 31 December 2017. Revenue from sales of magazines decreased from approximately HK$200,000 for the year ended 31 December 2016 to approximately HK$152,000 for the year ended 31 December 2017.

## Cost of Sales

The Group's major costs of sales included 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 decreased from approximately HK$36,593,000 for the year ended 31 December 2016 to approximately HK$26,757,000 for the year ended 31 December 2017, representing a decrease of approximately 26.9%. The decrease in cost of sales was mainly attributable to decrement of the cost derived from outdoor advertising business.

## Gross Profit/(Loss)

The Group turned from a gross loss of approximately HK$1,034,000 for the year ended 31 December 2016 to a gross profit of approximately HK$2,976,000 for the year ended 31 December 2017. The Group's gross profit was mainly attributable to the gross profit derived from provision of mobile app development service and outdoor advertising business.

## Other Income

Other income mainly represented the property rental income and government subsidy received during the year and other income increased from approximately HK$37,000 for the year ended 31 December 2016 to approximately HK$731,000 for the year ended 31 December 2017.

## Operating Expenses

The operating expenses of the Group increased by approximately 21.2% from approximately HK$16,722,000 for the year ended 31 December 2016 to approximately HK$20,267,000 for the year ended 31 December 2017. The increase in the operating expenses was primarily attributable to new mobile app development business.

## Impairment loss on goodwill

For the investment in Qihui Group, based on the cash flow projection, the return of the investment in Qihui Group will be an immaterial value. Therefore, the Group recognised an impairment loss on goodwill of approximately HK$7,570,000 for this mobile app development business during the year ended 31 December 2017.

## Other gains or losses

The Group's other gains or losses turned from other losses of approximately HK$4,702,000 for the year ended 31 December 2016 to other gains of approximately HK$3,656,000 for the year ended 31 December 2017. The other gains mainly represent 1) the gain on disposal of associates, SMHL, and intangible assets amounting to approximately HK$ 2,000,000 and HK$ 626,000 respectively; and 2) the gain from change in fair value of the investment property amounting to approximately HK$ 937,000.

## Finance Costs

Finance costs of the Group amounted to approximately HK$2,202,000 for the year ended 31 December 2017 (2016: approximately HK$1,908,000). The increase in finance costs was mainly due to imputed interest incurred on the promissory notes in relation to the acquisition of Lasermoon Limited ("Lasermoon" and together with its subsidiaries the "Lasermoon Group") in June 2016.

**Income Tax**

Income tax for the Group was approximately HK$69,000 for the year ended 31 December 2017 (2016: approximately HK$625,000), decreased by approximately 89.0%. The decrease was mainly due to the decrease in taxable profit of the Group for the year.

**Loss from Continuing Operation Attributable to Owners of the Company**

During the year ended 31 December 2017, the Group's loss attributable to owners of the Company decreased to approximately HK$21,241,000 from approximately HK$24,870,000 for the year ended 31 December 2016. This was mainly attributable to (i) gain on disposal of associates and gain from change in fair value of investment property; (ii) reduction in loss derived from outdoor advertising business; and (iii) a positive fair value change on financial assets for the year ended 31 December 2017 as compared to a negative change for the corresponding period in 2016. But it was partly offset by (i) the impairment loss on goodwill; and (ii) the loss generated by printed media advertising business and new mobile app development business.

***Discontinued Operation***

With effect from 2 June 2017, the financial results of liquefied natural gas ("LNG") and related products trading business segment was classified as the discontinued operation because the Company entered into a share purchase agreement with an independent third party, pursuant to which the Company disposed of its entire interests in Lasermoon.

**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.

There has been no change in the capital structure of the Group during the year ended 31 December 2017.

| | **As at 31 December** | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$** | HK$ |
| Current assets | **50,551,239** | 82,081,846 |
| Current liabilities | **6,435,878** | 30,159,743 |
| Current ratio | **7.9** | 2.7 |

The current ratio of the Group as at 31 December 2017 was approximately 7.9 times as compared to approximately 2.7 times as at 31 December 2016. The increase was mainly resulted from the disposal of Lasermoon Group.

As at 31 December 2017, the Group had cash and cash equivalents of approximately HK$41,955,000 (2016: approximately HK$44,336,000).

As at 31 December 2017 and 2016, the Group had bank borrowings of approximately HK$nil and HK$2,719,000 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:

| | **2017**<br>**HK$** | 2016<br>HK$ |
|---|---|---|
| Within 1 year | — | 2,640,525 |
| Between 1 and 2 years | — | 78,127 |

### Gearing Ratio

The gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was approximately 0.0% as at 31 December 2017 (2016: approximately 3.6%).

### Trade Receivables Turnover Days

The trade receivables decreased from approximately HK$26,409,000 for the year ended 31 December 2016 to approximately HK$3,658,000 for the year ended 31 December 2017, but the trade receivable turnover days decreased from approximately 75 days for the year ended 31 December 2016 to approximately 45 days for the year ended 31 December 2017. The decrease in trade receivable turnover days was mainly due to the disposal of Lasermoon Group. 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

During the year ended 31 December 2017, there was no significant investment held by the Group.

### Future plans for material investments and capital assets

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

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

On 2 June 2017, the Company entered into a share purchase agreement with an independent third party, pursuant to which the Company disposed of its entire interests in Lasermoon. The Lasermoon Group is engaged in internet information technology development, e-commerce, sales, installation, testing and maintenance of information system, development of software and trading of LNG and other related products in PRC.

The total consideration for the disposal was HK$36,000,000, which was satisfied by the purchaser (i) as to HK$3,000,000 by cash; and (ii) as to HK$33,000,000, the purchaser's assumption of the rights and obligations of the Company under the promissory notes in the aggregate principal amount of HK$33 million issued by the Company on 28 June 2016 in favour of Goldlink Capital Limited (the "Goldlink Capital") in two separate tranches as partial settlement of the consideration under the sale and purchase agreement dated 24 June 2016 entered into between the Company and Goldlink Capital in accordance with the terms and conditions of the deed of novation and assignment entered into between the Company, the purchaser and Goldlink Capital on 5 June 2017. The disposal was completed in July 2017.

### Pledge of Assets

As at 31 December 2017, the Group had no assets pledged for bank borrowings or for other purpose (31 December 2016: HK$301,000).

### Contingent Liabilities

As at 31 December 2017, the Group was 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 (2016: HK$854,000).

### Capital Commitments

As at 31 December 2017, the Group did not have any significant capital commitments.

### Information on Employees

As at 31 December 2017, the employee headcount (not including Directors) of the Group was 47 (2016: 85) and the total staff costs, including Directors' emoluments for the year ended 31 December 2017, amounted to approximately HK$8.8 million (2016: approximately HK$5.8 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

### *Currency risk*

Substantially all of the Group's monetary assets and liabilities are denominated in Hong Kong dollars and Renminbi same as the 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.

### *Interest rate risk*

In prior year, the Group was exposed to fair value interest rate risk in relation to fixed-rate bank borrowings.

In prior year, the Group was exposed to cash flow interest rate risk in relation to floating-rate bank borrowings. The Group currently does not have a policy on hedging of interest rate risk. However, the management continuously monitors interest rate exposure and will consider hedging interest rate risk should the need arise.

The Group did not expect any significant interest rate risk which materially affect the Group's results of operations in 2016. No interest rate risk is expected in current year as all bank borrowings were repaid.

### *Equity price risk*

The Group is exposed to equity price risk through its investments in equity securities listed in Hong Kong.

### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing 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. The Group does not require collateral in respect of its financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has concentration of credit risk as 11% (2016: 13%) of the total trade receivables of the Company was due from the largest customer and 43% (2016: 46%) of the total trade receivables of the Group was due from the largest 5 customers. Taking into accounts the creditworthiness of the customers, the credit risk measures and the historical levels of bad debts, the directors consider that such concentration of credit risk would not result in significant credit default exposure to the Group.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

*Liquidity risk*

The Group's policy is to regularly monitor 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.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

## Use of Proceeds from the Placing

### *Use of Net Proceeds Raised by Way of Placing Dated 16 February 2015*

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** | **Actual amount utilised up to 31 December 2017** | **Change of use of proceeds up to 31 December 2017** | **Actual balance as at 31 December 2017** |
|---|---|---|---|---|
| | HK$ million | HK$ million | HK$ million | HK$ million |
| Enhance public awareness to the Group's magazines (note (a)) | 4.3 | (1.3) | 0 | 3.0 |
| Publish new magazines (note (b)) | 7.4 | (5.0) | (2.4) | 0 |
| Enhance corporate image and strengthen marketing activities (note (c)) | 14.9 | (12.0) | (2.9) | 0 |
| Working capital | 2.3 | (7.6) | 5.3 | 0 |
| Total | 28.9 | (25.9) | 0 | 3.0 |

Note:

(a) During the year 2016, Ocean Media placed advertisements to green minibuses and outdoor advertising at Sai Kung and Tuen Mun amounting to approximately HK$656,000. During the year 2017, Ocean Media placed advertisements to green minibuses and outdoor advertising at Causeway Bay amounting to approximately HK$641,000.

(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 the 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.

### *Use of Net Proceeds Raised by Way of Placing Dated 30 December 2016*

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, raising gross proceeds of approximately HK$40,320,000, 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 (the net placing price is approximately HK$0.0265 per share) and will be used as general working capital of the Group and future business expansion.

As at 31 December 2017, the Group had used approximately HK$3.9 million towards purchase of shares held-for-trading, approximately HK$0.5 million for acquisition of a company engaged in money lending business, and approximately HK$2.2 million as payment of legal and professional fee. As at 31 December 2017, the remaining balance of the proceeds from the placing was approximately HK31.7 million, which has been placed as deposits with bank and will be used as general working capital of the Group and future business expansion.

## Directors

### Executive Director

**Mr. TANG Yau Sing**, aged 55, was appointed as an executive Director on 13 July 2017. Mr. Tang holds a Bachelor of Social Science (Honours) degree from the University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors. Mr. Tang has over 25 years of accounting, auditing and financial advisory experience.

Mr. Tang has been an executive director of Pearl Oriental Oil Limited (stock code: 0632) since October 2016 and become the company secretary of Pearl Oriental Oil Limited since August 2017. He was the executive director of Million Stars Holdings Limited (stock code: 8093) for the period from February 2017 to November 2017, executive director and company secretary of Changgang Dunxin Enterprise Company Limited (stock code: 2229) for the period from March 2016 to June 2016, executive director and chief financial officer of New Sports Group Limited (stock code: 0299) for the period from November 2013 to May 2016, vice president and company secretary of China Environmental Technology Holdings Limited (stock code: 0646) for the period from March 2014 to April 2016 and chairman and executive director of Greens for the period from December 2014 to November 2015. The shares of the above companies are listed on the Stock Exchange. Mr. Tang was also the chief financial officer of China Agritech Inc. (previously listed on NASDAQ) for the period from October 2008 to January 2012.

As at 31 December 2017, Mr. Tang is interested in 360,000,000 shares and 2,194,576,000 shares of the Company (total representing 29.56% of issued shares of the Company) via Maxace Holdings Limited and Noble Gate International Limited respectively. Mr. Tang is the sole director of Maxace Holdings Limited and Noble Gate International Limited.

### Independent Non-executive Directors

**Mr. TSANG Zee Ho Paul**, aged 56, was appointed as an independent non-executive Director on 24 January 2018.

Mr. Tsang holds a Bachelor of Social Sciences degree from the University of Hong Kong. He is a non-practicing member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsang has over 30 years of experience in financial and accounting management, fund raising and tax planning as well as corporate finance transactions such as mergers and acquisitions, and asset disposals.

Mr. Tsang is the founder and Chief Executive Officer of ZEEtheFORCE_UN Limited, which has recently been created to provide creative solutions to its clients in various areas including capital structuring advisory, investor relations training, as well as talent matching and corporate governance guidance. On the other hand, Mr. Tsang is currently the senior consultant with Morrison & Company Limited, a boutique consulting firm which focuses on seeking growth capital, strategic alliance candidates and merger and acquisition targets for its clients.

Mr. Tsang had held key management positions in companies listed on the Stock Exchange. He was the chief financial officer of Hsin Chong Group Holdings Limited (stock code: 0404) for the period from December 2013 to September 2014, and chief financial officer and company secretary of Vinda International Holdings Limited (stock code: 3331) ("Vinda") for the period from April 2007 to September 2013. Immediately prior to his stint at Vinda, Mr. Tsang was Instrumental in the structuring of the assets, financing and business of what became the Regal Real Estate Investment Trust (stock code: 1881) ("Regal REIT") during the period from May 2006 to April 2007, when Regal REIT successfully launched its IPO. Mr. Tsang was one of the responsible officers authorized by the Securities Futures Commission at Regal REIT's inception in relation to Regal Portfolio Management

Limited, the manager of Regal REIT. He was the independent non-executive director of Bingo Group Holdings Limited (stock code: 8220), a company listed on the Stock Exchange, for the period from October 2009 to March 2010.

**Mr. TSE Chi Wai**, aged 50, was appointed as an independent non-executive Director on 24 January 2018.

Mr. Tse graduated from the University of Hong Kong with a bachelor degree in social sciences in December 1989. Mr. Tse has over 25 years of experience in auditing, accounting and finance gained from working in various international accounting firms and listed companies. Mr. Tse is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Tse currently is an executive director, the chief financial officer and the company secretary of China Information Technology Development Limited (stock code: 8178), a company listed on GEM of the Stock Exchange, an executive director of Jih Sun Financial Holding Company Limited (stock code: 5820), the shares of which are listed in Taiwan, an independent non-executive director of Chong Kin Group Holdings Limited (stock code: 1609), China Environmental Technology Holdings Limited (stock code: 646), Great Water Holdings Limited (stock code: 8196) and Huarong Investment Stock Corporation Limited (stock code: 2277), the shares of these companies are listed on the Stock Exchange. Mr. Tse was an independent non-executive director of Greens Holdings Ltd. (stock code: 1318) ("Greens") for the period from March 2015 to November 2015 and Sunac China Holdings Limited (stock code: 1918) ("Sunac") for the period from December 2012 to December 2017, the shares of these companies are listed on the Stock Exchange.

During the period between March 2015 and November 2015, Mr. Tse was an independent non-executive director of Greens. Greens announced that (i) on 2 September 2015, Greens filed a winding up petition (the "Cayman Winding Up Petition") with the Grand Court of the Cayman Islands as Greens was unable to repay its debt; (ii) on 29 September 2015, a winding up petition (the "Hong Kong Winding Up Petition") was filed with the High Court of Hong Kong against Greens by a bondholder for an outstanding debt under the unlisted bonds issued by Greens in January 2015; (iii) on 8 October 2015, joint provisional liquidators were appointed pursuant to an order of the Grand Court of the Cayman Islands; (iv) the hearing of the Hong Kong Winding Up Petition, which was originally scheduled on 2 December 2015, has been adjourned several times to 3 August 2016, on which the petitioner was granted leave to withdraw the Hong Kong Winding Up Petition; (v) the Grand Court of the Cayman Islands convened a case management conference on 7 April 2016 and ordered that the Cayman Winding Up Petition be listed for directions hearing on 17 May 2016, which was adjourned and rescheduled for several times until a date to be fixed after 30 April 2017; (vi) the Stock Exchange issued a letter dated 28 October 2016 to Greens stating that it had decided to place Greens into the third delisting stage. Mr. Tse confirmed that (i) there is no wrongful act on his part leading to the said winding up petitions and he is not aware of any actual or potential claim which has been or will be made against him as a result of the said winding up petitions; and (ii) his involvement in Greens during his tenure was part and parcel of his services as a director thereof and no misconduct or misfeasance on his part had been involved in the said winding up petitions.

The following particulars relating to Mr. Tse are disclosed pursuant to Rule 17.50(2)(n)(iv) of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"):

In October 2017, based on findings made by the Listing Committee of the Stock Exchange ("Listing Committee") in respect of Sunac and on Sunac's acceptance, without admission of any liabilities and for the purpose of settlement, of the relevant findings, the Listing Committee censured Sunac for breaching Rule 2.13(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for failure to ensure the announcements made in February 2015 and May 2015 were accurate and complete in all material aspects, and not misleading. Please refer to the Listing Committee's news issued on 26 October 2017 for further details.

Although Mr. Tse was an independent non-executive director of Sunac at the relevant time, Mr. Tse was not personally subject to any investigation process, disciplinary action or censure from the Listing Committee or any other competent authority in respect of the above matters.

**Mr. WEN Kai**, aged 34, was appointed as an independent non-executive Director on 24 January 2018.

Mr. Wen holds a Bachelor of Electronics Engineering degree from the Jiao Tong University in Shanghai. He has over 10 years of experience in venture capital, management consulting, and corporate mergers and acquisitions.

Mr. Wen is currently the Principal at Steamboat Ventures Investment Advisory (Shanghai) Co., Ltd., a venture capital firm. He is also the Founding Partner of two internet companies and Enlight Growth Partners, a venture capital firm dedicated in technology, media and consumer sector investments.

Mr. Wen was the Vice President of Keytone Ventures (Beijing) Advisors, Ltd., a venture capital company focusing on investments on cloud computing, enterprise solutions and technology for the period from September 2014 to November 2016 and Senior Associate of Greater China Division of Singtel Innov8 Ventures Pte. Ltd., the venture capital arm of the Singtel Group, focusing its venture investments on technologies and solutions that can lead to quantum changes in network capabilities, next generation devices, and digital services, for the period from December 2011 to July 2014. Prior to joining Singtel Innov8 Ventures Pte. Ltd., he was the senior manager of business development in United Technologies Corporation (a company listed on the New York Stock Exchange and ticket symbol: UTX) for the period from September 2010 to May 2011, responsible for strategic mergers and acquisitions projects in OTIS North Asia Pacific region.

## Changes in Directors' Information

Pursuant to Rule 17.50A of the GEM Listing Rules, the changes in Directors' information during the year under review and up to the date of this annual report are as follows:

1. The remuneration of Mr. Tang Yau Sing has been revised to HK$3,000,000 per annum with effect from 2 March 2018, due to his assumption of additional duties as chairman of the Treasury Committee and member of the Nomination Committee, the Remuneration Committee and the Corporate Governance & Risk Management Committee.

2. The remuneration of Mr. Tsang Zee Ho Paul has been revised to HK$276,000 per annum with effect from 2 March 2018, due to his assumption of additional duty as chairman of the Audit Committee.

3. The remuneration of Mr. Tse Chi Wai has been revised to HK$276,000 per annum with effect from 2 March 2018, due to his assumption of additional duties as chairman of the Nomination Committee and the Corporate Governance & Risk Management Committee.

## Senior Management

Mr. Mak Wai Kit, aged 38, the company secretary of the Company and joined the Group in 2012, is a member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. Mak was an audit manager of an international audit firm. He obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in 2002.

## Business Model and Strategy

The Group's mission is to establish a strong presence in the advertising industry with its successful experience in the publishing industry with a view to a long term profitability and assets growth. This will be achieved by way of adoption of flexible business model and proactive business strategies. Towards this goal, the Group will continue to look for other business opportunities to enrich the Group's business project portfolio. More details of the Group's business development and performance and financial review for the year 2017 are set out in the "Executive Director's Statement" and "Management Discussion and Analysis" sections of this annual report.

## Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance practices. The Directors of the Company consider that the Company has complied with the Corporate Governance Code (the "Code") throughout the year 2017 and 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 by the executive Director and overseen by other members of the Board. 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 2017.

## Directors' and Officers' Liability Insurance

The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding office as the Directors and officers of the Company.

## Board of Directors

The Company is governed by the board of Directors, which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. As at the date of this report, the Board comprises four Directors of which one is executive Director and three are independent non-executive Directors.

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholders' value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Director and management of the Group.

All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, making decisions objectively and acting in the interests of the Company and its shareholders at all times.

There is no relationship, including financial, business, family or other material/relevant relationship(s) between members of the Board.

The Group will continue to update the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

The Board's present composition is as follows:

### Executive Director

TANG Yau Sing (appointed on 13 July 2017)

### Independent Non-executive Directors

TSANG Zee Ho Paul (appointed on 24 January 2018)
TSE Chi Wai (appointed on 24 January 2018)
WEN Kai (appointed on 24 January 2018)

## Directors' Attendance at Board and General Meetings

From 1 January 2017 to 31 December 2017, the Board held 8 board meetings and the Company held 2 general meetings and the attendance of each director is set out as follows:

| | Number of meetings Attended/Held | |
|---|---|---|
| | Board meetings | General meetings |
| ***Executive Directors*** | | |
| Mak Wai Kit (resigned on 2 March 2018) | 8/8 | 2/2 |
| Law Shiu Wai (resigned on 2 March 2018) | 8/8 | 2/2 |
| Lan Zhi Cheng (resigned on 2 August 2017) | 5/8 | 0/2 |
| Tang Yau Sing (appointed on 13 July 2017) | 2/8 | 0/2 |
| ***Non-executive Directors*** | | |
| Liu Kwong Chi Nelson (resigned on 2 March 2018) | 6/8 | 0/2 |
| ***Independent Non-executive Directors*** | | |
| Tsang Ho Ka Eugene (resigned on 2 March 2018) | 8/8 | 0/2 |
| Wong Fei Tat (resigned on 2 March 2018) | 8/8 | 1/2 |
| Pang Siu Yin (resigned on 2 March 2018) | 7/8 | 0/2 |

## Appointment and Re-election of the Directors

Each of the executive Directors has entered into a service contract with the Company with an initial term of three years commencing from 23 April 2015, 8 September 2016 and 13 July 2017 subject to provisions contained therein. The non-executive Director has signed a letter of appointment with the Company with an initial term of one year commencing from 9 May 2016. One of three independent non-executive directors has entered into a letter of appointment with the Company with an initial term of three years commencing from 23 January 2015 subject to provisions contained therein. The remaining were commencing from 23 April 2015 and 24 July 2015 respectively.

In compliance with the code provision in A.4.2 of the Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. By virtue of the articles of association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision in A.4.2 of the Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

## Independent Non-executive Directors

The independent non-executive Directors are persons with relevant academic and professional qualifications. They advise the Company on strategic development, which enables the Board to maintain high standards of compliance with financial and other regulatory requirements. In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has three independent non-executive Directors, representing more than one-third of the Board and with at least one of whom having appropriate professional qualifications, or accounting or related financial management expertise. Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the independent non-executive Directors to be independent and meet the requirements set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.

## Directors' Participation in Continuous Professional Trainings

During the year, the Directors received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company. All Directors have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefings and professional development to Directors will be arranged whenever necessary.

## 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 and review financial statements of the Company and judgments in respect of financial reporting.

As at the date of this report, the Audit Committee consists of all three independent non-executive Directors, namely, Mr. Tsang Zee Ho Paul (Chairman), Mr. Wen Kai and Mr. Tse Chi Wai.

Six Audit Committee meetings were held during the year ended 31 December 2017. The attendance was as follows:

| | Number of meetings Attended/Held |
|---|---|
| Tsang Ho Ka Eugene (resigned on 2 March 2018) | 4/4 |
| Wong Fei Tat *(then Chairman)* (resigned on 2 March 2018) | 4/4 |
| Pang Siu Yin (resigned on 2 March 2018) | 4/4 |

## Remuneration Committee

The Company established a Remuneration Committee on 23 January 2015 pursuant to a resolution in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of the Group and ensure that none of the Directors or any of their associates determine their own remuneration.

As at the date of this report, the Remuneration Committee consists of four members, namely, Mr. Wen Kai (Chairman), Mr. Tsang Zee Ho Paul, Mr. Tse Chi Wai and Mr. Tang Yau Sing.

Two Remuneration Committee meeting were held during the year ended 31 December 2017. The attendance was as follows:

| | Number of meetings Attended/Held |
|---|---|
| Tsang Ho Ka Eugene *(then Chairman)* (resigned on 2 March 2018) | 2/2 |
| Mak Wai Kit (resigned on 2 March 2018) | 2/2 |
| Law Shiu Wai (resigned on 2 March 2018) | 2/2 |
| Liu Kwong Chi Nelson (resigned on 2 March 2018) | 1/2 |
| Wong Fei Tat (resigned on 2 March 2018) | 2/2 |
| Pang Siu Yin (resigned on 2 March 2018) | 2/2 |

## Nomination Committee

The Company established a Nomination Committee on 23 January 2015 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to skill, regional and industry experience, background, race and other qualities of Directors. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee consists of four members, namely, Mr. Tse Chi Wai (Chairman), Mr. Wen Kai, Mr. Tsang Zee Ho Paul and Mr. Tang Yau Sing.

Two Nomination Committee meetings were held during the year ended 31 December 2017. The attendance was as follows:

| | **Number of meetings Attended/Held** |
|---|---|
| Mak Wai Kit *(then Chairman)* (resigned on 2 March 2018) | 2/2 |
| Law Shiu Wai (resigned on 2 March 2018) | 2/2 |
| Lan Zhi Cheng (resigned on 2 August 2017) | 2/2 |
| Liu Kwong Chi Nelson (resigned on 2 March 2018) | 1/2 |
| Wong Fei Tat (resigned on 2 March 2018) | 2/2 |
| Pang Siu Yin (resigned on 2 March 2018) | 2/2 |

## Corporate Governance & Risk Management Committee

The Company established a Corporate Governance Committee on 23 January 2015 with written terms of reference. The Corporate Governance Committee was renamed as Corporate Governance & Risk Management Committee on 6 January 2016 to add in risk management functions.

The primary functions of the Corporate Governance & Risk Management Committee include, among others, reviewing and making recommendation to the Board in respect of the Group's policies and practices on corporate governance, reviewing and monitoring the Group's policies and practices on corporate governance, reviewing and monitoring the Group's policies and practices on compliance with any requirement, direction and regulation that may be prescribed by the Board, contained in any constitutional documents of the Group, or imposed by the GEM Listing Rules, other applicable laws, regulations, rules and codes, and ensuring that appropriate monitoring systems are in place to ensure compliance with the relevant internal control systems, processes and policies, oversee the effectiveness of the procedures of the internal control system of the Group, monitoring the implementation of the Group's plan to maintain high compliance with own risk management standards, providing guideline to the management on risk management and to set up procedures to identify, assessing and managing material risk factors, and ensuring the management discharge its responsibility in establishing an effective risk management system.

As at the date of this report, the Corporate Governance & Risk Management Committee consists of four members, namely, Mr. Tse Chi Wai (Chairman), Mr. Wen Kai, Mr. Tsang Zee Ho Paul and Mr. Tang Yau Sing.

Four Corporate Governance & Risk Management Committee meetings were held during the year ended 31 December 2017. The attendance was as follows:

| | **Number of meetings Attended/Held** |
|---|---|
| Mak Wai Kit (resigned on 2 March 2018) | 4/4 |
| Law Shiu Wai (resigned on 2 March 2018) | 4/4 |
| Lan Zhi Cheng (resigned on 2 August 2017) | 2/4 |
| Tsang Ho Ka Eugene (resigned on 2 March 2018) | 4/4 |
| Liu Kwong Chi Nelson *(then Chairman)* (resigned on 2 March 2018) | 3/4 |
| Wong Fei Tat (resigned on 2 March 2018) | 4/4 |
| Pang Siu Yin (resigned on 2 March 2018) | 4/4 |

## Executive Committee

The Company established an Executive Committee on 14 July 2015 with written terms of reference. As at the date of this report, the only member of the Committee is Mr. Tang Yau Sing.

The Committee is delegated with full powers and authorities save to the extent that such powers and authorities are reserved to the other committees of the Board or the full Board or are specifically reserved below, to do all such things, acts and deeds, to approve and enter into any agreement or document or transaction on behalf of the Company and to approve, execute and authorise the issue, publication or despatch of all such documents as the Committee may consider necessary or desirable in connection with the normal and ordinary course of business and the day-to-day management and operation of the Company.

Six Executive Committee meetings were held during the year ended 31 December 2017. The attendance was as follows:

| | **Number of meetings Attended/Held** |
|---|---|
| Mak Wai Kit *(then Chairman)* (resigned on 2 March 2018) | 6/6 |
| Law Shiu Wai (resigned on 2 March 2018) | 6/6 |
| Lan Zhi Cheng (resigned on 2 August 2017) | 3/6 |
| Tang Yau Sing (appointed on 13 July 2017) | 3/6 |

## Treasury Committee

The Company established a Treasury Committee on 16 October 2015 with written terms of reference. As at the date of this report, the only member of the Committee is Mr. Tang Yau Sing.

The Committee's role is to review and satisfy itself the appropriateness of proposed treasury transactions including banking, cash management, debt raising and management, investment management and treasury risk management; as well as effective implementation of the Group's financing strategy.

Two Treasury Committee meetings were held during the year ended 31 December 2017. The attendance was as follows:

| | Number of meetings Attended/Held |
|---|---|
| Mak Wai Kit (resigned on 2 March 2018) | 2/2 |
| Law Shiu Wai (resigned on 2 March 2018) | 2/2 |
| Lan Zhi Cheng (resigned on 2 August 2017) | 0/2 |
| Tang Yau Sing (appointed on 13 July 2017) | 1/2 |

## Financial Reporting

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at 31 December 2017, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going-concern basis. The responsibilities of the external auditors regarding their financial reporting are set out in the independent auditor's report contained in this annual report for the year ended 31 December 2017.

## Auditor's Remuneration

The audit work of the Group for the year ended 31 December 2017 was performed by the Company's external auditor, Deloitte Touche Tohmatsu ("DTT").

The amount of fees charged by the auditor generally depends on the scope and volume of the auditor's work. The total fee paid/payable in respect of the statutory audit and non-audit services provided by DTT is set out in the following table:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Audit services | **1,000** | 850 |
| Non-audit services | **460** | — |
| Total | **1,460** | 850 |

## Risk Management and Internal Control

It is the responsibility of the Board to ensure that the Company maintains sound and effective internal controls to safeguard the Shareholders' investment and the Group's assets at all times. The Company has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

Details of the Risk Management and Internal Control Systems are set out in the section headed "Risk Management and Internal Control Systems" of the "Management Discussion and Analysis" on page 13 of this annual report.

During the year, the Group engaged an external professional consultant to review and assess its risk management and internal control systems and reported to the Corporate Governance & Risk Management Committee. The review covered several parts of the systems including risk management, and operational, financial and compliance controls.

The Board, through the Corporate Governance & Risk Management Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2017 covering all material financial, operational and compliance functions, is of the view that the effectiveness of the risk management and internal control systems of the Group are considered as effective and adequate.

## Company Secretary

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with Shareholders and management.

Mr. Mak Wai Kit is the company secretary of the Company as appointed pursuant to Rule 5.14 of the GEM Listing Rules. Mr. Mak is a full-time employee of the Group. During the year, Mr. Mak undertook over 15 hours' professional training to update his skill and knowledge in compliance with the Corporate Governance Code.

### Shareholders Rights

The general meetings of the Group provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

#### *Right to Convene an Extraordinary General Meeting*

Any one or more member(s) holding at the date of the deposit of the requisition not less than one tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Room 1001, 10/F, Grandmark, 10 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionist(s).

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified not in order, the Shareholders will be advised of this outcome accordingly, and an EGM will not be convened as requested. If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s) may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a of the failure of the Board shall be reimbursed by the Group to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

(a) At least 14 clear days' notice in writing (and not less than 10 clear business days) if the proposal constitutes an ordinary resolution; or

(b) At least 21 clear days' notice in writing (and not less than 10 clear business days) if the proposal constitutes a special resolution.

### *Right to Put Enquiries to the Board*

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

### *Right to Put Forward Proposals at General Meetings*

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above.

Pursuant to Article 85 of the Company's Articles of Association, no person other than a director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 17.50(2) of the GEM Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

## Investor Relations

The Group has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. All corporate communication materials published on the GEM website (http://www.hkgem.com) are posted on the Company's website (http://www.wintogroup.hk) as soon as practicable after their release. The Company's constitutional documents are also available on the Company's website. Information on the website shall be updated on a regular basis. Share registration matters shall be handled for the shareholders by the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

## Scope and Reporting Period

This is the second Environmental, Social and Governance ("ESG") report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 20 to the GEM Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

In Hong Kong, the Group is mainly engaged in print media business which included advertising and sales of magazines. While in the People's Republic of China ("PRC"), the Group involved in e-commerce, development of mobile applications and trading of liquefied natural gas ("LNG"). This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the above-mentioned business operations in its offices in Tsim Sha Tsui, Hong Kong, in Guangzhou and Yinchuan of the PRC, from 1 January 2017 to 31 December 2017, unless otherwise stated. With effect from 2 June 2017, the LNG trading business has been discontinued. The environmental and social performances of the office in Yinchaun of the PRC were therefore covered in the period from 1 January 2017 to 1 June 2017.

## Stakeholder Engagement and Materiality

In order to identify the most significant ESG aspects for the Group to focus on, key stakeholders including shareholders, investors and employees have been involved in regular engagement meetings to discuss and to review areas of attention which will help the business meet its potential growth and be prepared for future challenges.

In the reporting period, the Group particularly engaged the board of directors, the management and frontline employees to identify material ESG aspects. The top five ESG material aspects identified were (i) employee health and safety, (ii) labour standards, (iii) intellectual property ("IP") rights, (iv) customer data protection and (v) anti-corruption.

Management of the above aspects will be discussed in separate sections below. The Group will continue to manage its environmental and social performances with focus placed on the material aspects identified by its stakeholders and aspects that will pose significant impact on the Group.

## Stakeholders' Feedback

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views to the Group via email at info@wintogroup.com.

## The Group's Sustainability Vision

The environment and natural resources are highly related to our daily lives. Sustainable development has become a popular trend around the globe. Nurturing the green industry and eliminating damage to the environment and the society have become a future direction of the Group's development.

The Group also integrates breakthroughs from both advanced IT technology and natural gas industries, drives innovative technological achievement, efficiency enhancement and organizational revolution within the natural gas industry. Such integration further enhances invention and productivity in smart energy applications.

## A. *Environmental*

Types of emissions the Group involved during the reporting period were petrol, electricity, paper and business air travel. The business does not involve in production-related air, water, and land pollutions which are regulated under national laws and regulations, and any consumption of packaging materials in its business operation.

### 1. *Greenhouse Gas Emission*

| Scope of Greenhouse Gas Emissions | Emission Sources | Emission (in $tCO_2e$) | Total Emission (in percentage) |
|---|---|---|---|
| **Scope 1** | | | |
| Direct Emission | Petrol Consumption by Group-owned vehicles | NA | NA |
| **Scope 2** | | | |
| Indirect Emission | Purchased Electricity (for offices and advertising services) | 112.71 | 25% |
| **Scope 3** | | | |
| Other Indirect Emission | Paper Consumption | 2.45 | 75% |
| | Business Air Travel | 343.90 | |
| **Total** | | **459.06** | 100% |

Note 1: Combined margin emission factor (average) of 0.63 $tCO_2e/MWh$ was used for purchased electricity in Guangdong Province of the PRC.

Note 2: Paper consumption of the Guangzhou and Yinchuan offices were calculated based on the per capita estimated monthly consumption.

There were 459.06 tonnes (emission intensity: 0.36 $tCO_2e/m^2$) of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period.

### 2. *Emissions from Vehicles*

The Group has one petrol engine vehicle which contributed to greenhouse gas emissions and emitted nitrogen oxides, sulphur oxides and particulate matter. The amount of consumption and corresponding data for emission calculations were however not available. The Group will keep record of the corresponding data and report on the emissions in the next reporting period.

### 3. *Electricity*

The electricity consumption of the Group was 156,866 kWh (Hong Kong and Guangzhou offices: 50,430 kWh; advertising services: 106,436 kWh). Electricity consumption of the Yinchuan office was managed by the building management office, consumption data was therefore not available. Energy intensity of office operation was 39.22 $kWh/m^2$. The Group encourages and constantly reminds employees to adopt energy-saving practices including switching off idling lighting devices and electrical appliances.

*4. Water*

The Group involved only small amount of water consumption in offices. Water consumption of the offices was managed by the building management office, consumption data was therefore not available.

*5. Non-hazardous Wastes*

The Group generates no hazardous waste in its operation. Non-hazardous wastes from the Group's operation are mainly advertising and paper wastes. To reduce waste generation at office, employees are encouraged to bring their own tableware for lunch rather than using disposable tableware.

(i) Advertising Waste

A total of 7.69 tonnes of waste outdoor advertisement canvases and 2.52 tonnes of waste vehicle advertising wraps were generated in the reporting period. Advertising wastes were collected by respective sub-contractors.

(ii) Office Paper

The Group practises paper saving initiatives, such as encouraging employees to:

- Adopt environmentally-friendly photocopy habits (e.g. use duplex printing)
- Use recycling paper for drafting and internal use
- Use electronic device instead of printed hard copies during presentations

Recycling bins were provided in offices' common area to separately collect waste paper for recycling, which was then collected by building management. A total of 510.44 kg of paper has been used for daily office operations such as document printing and deliverables, contributing to 2.45 tonnes of carbon dioxide equivalent emission.

(iii) Magazine Paper

Although the Group does not involve in printing of its publications, the Group practises a recycling scheme in which readers are encouraged to return read magazines for recycling. To reduce paper disposal to the landfill, the Group also engaged its distributor to recycle waste magazines and other paper. A total of 15.55 tonnes of paper were recycled during the reporting period, contributing to a reduction of 74.55 tonnes of carbon dioxide equivalent emission.

*6. Business Air Travel*

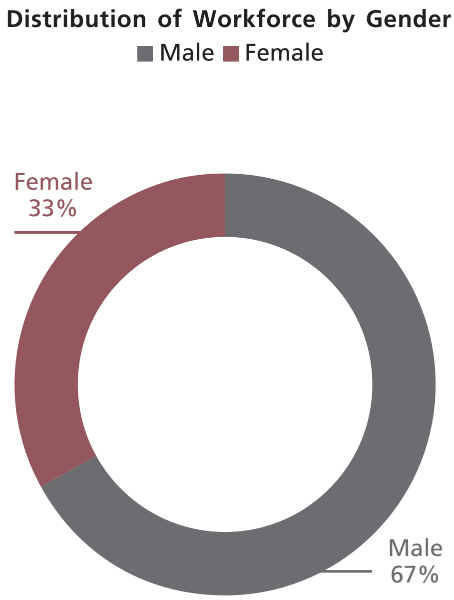
During the reporting period, 44 employees travelled to various provinces in the PRC for site visit and investigating new business opportunities, resulting in a relative total amount of 343.90 tonnes of carbon dioxide equivalent greenhouse gases.

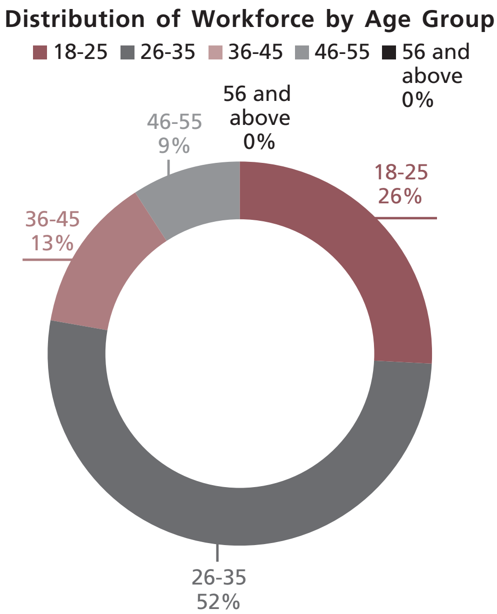
## B. Social

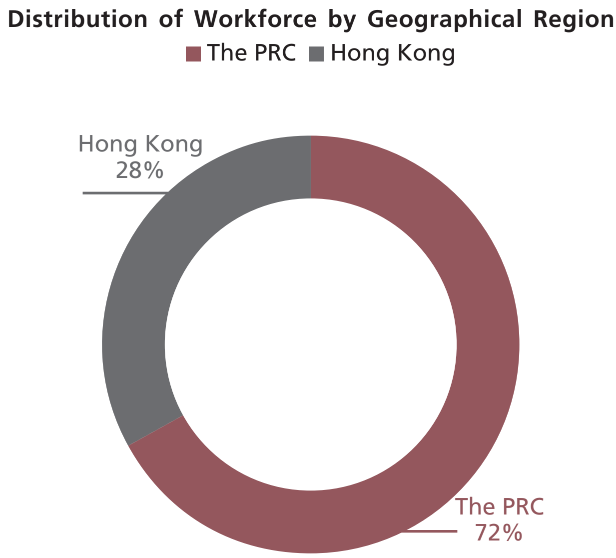
### 1. *Employment and Labour Practices*

(i) Employment

The Group offers competitive remuneration, promotion opportunities, compensation and benefit packages to attract and retain talents. The Group had a total number of 69 employees as of 31 December 2017, of which 100% was working as full-time staff.



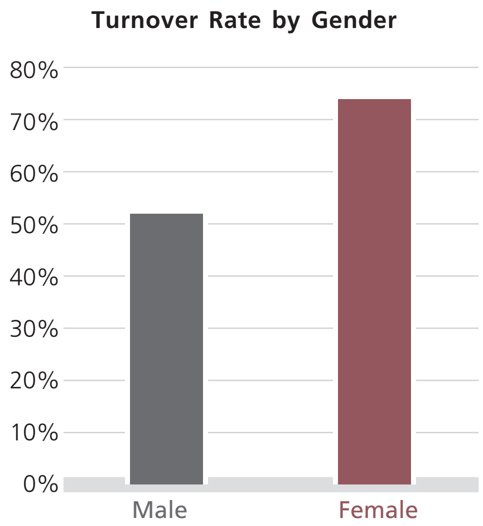



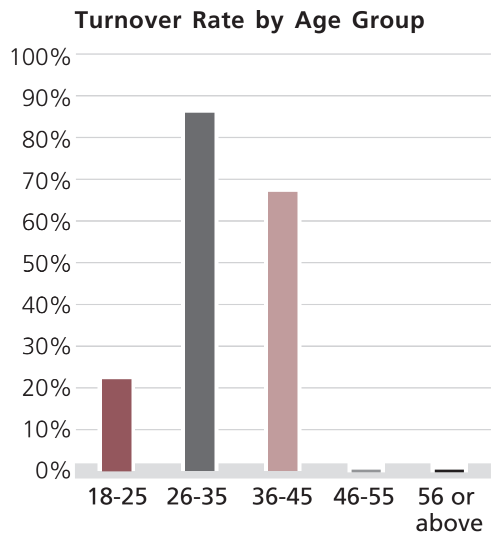



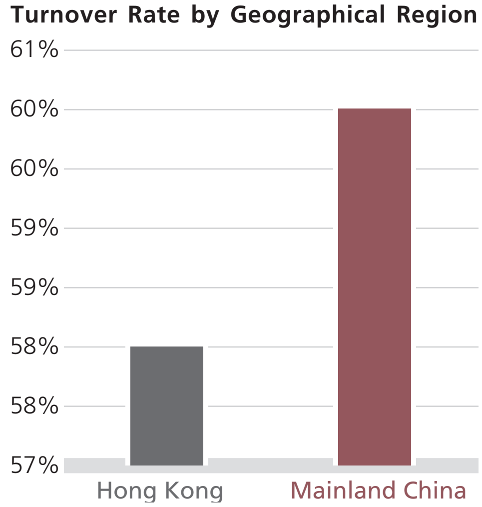
Remuneration and performance of employees are reviewed annually. Remuneration is reviewed according to the industry market and inflation rates, while performance of employees is reviewed through appraisals. Employees are entitled to performance bonus, mandatory provident fund, insurance (including medical, pension, injury, unemployment, maternity and business travel) and paid leave (such as annual leave, sick leave, maternity leave and paternity leave). Employees working overtime are entitled to overtime compensation leave. Apart from the attractive package provided, the Group offers protection on personal data, protection on intellectual properties, and procedures for labour disputes. Employees are also well-informed of the Group's code of conduct, their promotion channels and appraisal procedures from the comprehensive guidelines in the employees' handbook. No material non-compliance in relation to employment laws and regulation was recorded during the reporting period.

A total of 41 employees left the Group during the reporting period (turnover rate: 59%).

The Group will continue to provide a well-structured environment to employees to raise their sense of belonging and work efficiency.



(ii) Employee Health and Safety

The Group is accountable for providing comprehensive occupational health and safety measures and essential protection equipment to its employees. For example, during outdoor advertisement fixing, the Group assigns supervision staff to ensure outsourced advertisement-fixing workers are working in a safe environment with appropriate personal protective equipment ("PPE"). Assigned supervision staff is also briefed with relevant safety procedures and provided with PPE. No material non-compliance with laws and regulations regarding occupational health and safety was recorded during the reporting period.

**Occupational Health and Safety Data in 2017**

| | |
|---|---|
| Work related fatality | 0 |
| Work injury cases >3 days | 0 |
| Work injury cases ≤3 days | 0 |
| Lost days due to work injury | 0 |

(iii) Development and Training

All employees are required to engage in training provided by the Group. Such training includes induction training, departmental training, specialised training and external training. Induction training helps employees understand the Group's businesses, policies and work procedures. Departmental training strengthens existing employees' work-related knowledge and practical skills. Specialised training focuses on topics such as communication skills or work attitude, enhancing employees' personal development. External training provides employees with the most updated knowledge and technology, ensuring employees keep pace with the Group's development. Training quality is evaluated by participants after completion of the training courses to pursue unceasing improvement.

**Development and Training Data in 2017**

| | |
|---|---|
| Total Training Hours | 36 |
| Percentage of Employees trained by Gender | |
| — Male | 26% |
| — Female | 26% |
| Percentage of Employees trained by Employee Category | |
| — Senior Management | 50% |
| — Middle Management | 33% |
| — Frontline and Other Employees | 18% |
| Average Training Hours Completed per Employee by Gender | |
| — Male | 2 |
| — Female | 2 |
| Average Training Hours Completed per Employee by Employee Category | |
| — Senior Management | 2 |
| — Middle Management | 2 |
| — Frontline and Other Employees | 2 |

(iv) Employment Communications

Employees are valuable assets of the Group. The Group acknowledges the importance of interactive communications with employees. Regular staff gatherings are arranged to enhance the communications between senior management and employees, such as lunch gatherings and festive parties.

The Group rewards employees for their credits and take disciplinary actions for their misconduct. This ensures that good behaviours are fostered and maintained in their work environment. For instance, attendance awards are presented monthly to full-attendance employees to appreciate their devotion and encourage positive work attitude.

Another channel of communication is the appraisal system. The system aims to improve employees' performances, increase their performance satisfaction and sense of accomplishment. It has an open and transparent process in which employees can evaluate their performance through advice from their supervisors and reflect their expectations or feedback to the Group.

(v) Labour Standard

There was no child nor forced labour in the Group's operations in the reporting period. Background check was conducted for every new employee to ensure compliance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong in terms of employment management. Its PRC operations are in compliance with the Labour Law of the PRC.

(vi) Equal Opportunity

There is no policy on anti-discrimination, nevertheless equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law.

*2. Operating Practices*

(i) Supply Chain Management

The Group has no policy on supply chain management.

(ii) Product Responsibility

The Group strives to maintain high quality of its products and services. It received no complaint or recall on products in the reporting period.

Intellectual Property

Intellectual property includes trademarks, service marks, copyrights, rights in inventions, rights in know-how etc. Whether registered or unregistered, all rights or forms of protection have an equivalent or similar effect anywhere in the world.

The Group have registered trademarks for its magazine publications, to protect its exclusive right to use the trademarks and avoid other readers using conflicting trademarks. No material non-compliance with laws and regulations regarding intellectual property was recorded during the reporting period.

Confidentiality

Confidential information includes all confidential information or trade secrets of the Group. It also includes contact details, requirements of customers, financial information and marketing or business plan of customers. All employees acknowledge and warrant not to disclose the above information by signing the employment contract. Employees violating the confidentiality-related regulations can be dismissed. The Group also has centralised management to control access rights to its confidential information. No substantiated complaints concerning breaches of client privacy, identified leaks, thefts, or losses of customer information was received during the reporting period.

(iii) Anti-corruption

The Group commits to managing all business without undue influence and has regarded honesty, integrity, and fairness as its core values. All directors and employees are required to strictly follow the Group's policy to prevent potential bribery, extortion, fraud and money laundering. Anti-corruption policies are also clearly stated in the employment contract. Although entertainment is not defined as "advantage" under the Prevention of Bribery Ordinance (Cap 201) of the Laws of Hong Kong, employees should turn down invitations to meals or entertainment that are excessive in nature or frequency. Whistle-blowing procedures on reporting misconduct and malpractice (including corruption) are also established in the Group's employees' handbook. Corruption cases bring severe damage to the Group's reputation. Employees involved in corruption can be dismissed and liability shall be pursued in accordance with the law.

The Group was in compliance with all applicable laws on prohibiting corruption and bribery of Hong Kong and the PRC. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the reporting period.

## *C. Community*

### *1. Community Investment*

The Group involved in no community investment during the reporting period.

The Directors hereby present their annual report and the audited consolidated financial statements for the year ended 31 December 2017.

## Principal Activities

The principal activity of the Company is investment holding and those of the principal subsidiaries of the Company are set out in note 44 to the consolidated financial statements.

## Business Review

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in Statement from the Executive Director as well as the Management Discussion and Analysis on pages 6 and pages 7 to 16 of this annual report respectively. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Management Discussion and Analysis on pages 7 to 16 of this annual report. The Group's performance by reference to environmental and social-related key performance indicators and policies, is set out in the Environmental, Social, and Governance Report on pages 30 to 37 of this annual report.

For the year ended 31 December 2017, the Group's business operation made continuous effort on minimizing damage to the environment and ensuring employee wellbeing. No non-compliance in relation to environmental and social aspects was recorded. Engagement with stakeholders has resulted in raised concerns on key material issues, which include (i) employee health and safety, (ii) labour standards, (iii) intellectual property ("IP") rights, (iv) customer data protection and (v) anti-corruption. These aspects had already been managed by the Group and the Group will continue to keep close communication with its stakeholders for advancing its environmental, social and governance management.

## Results and Appropriations

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Group as at 31 December 2017 are set out in the consolidated financial statements on pages 55 to 56. The Board does not recommend the payment of any final dividend for the year ended 31 December 2017.

## Summary of Financial Information

The summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 5.

## Investment Property

Details of movements in investment property during the year are set out in note 19 to the consolidated financial statements.

## Share Capital

Details of movements in share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

## Reserves

Details of movements in reserves of the Group and the Company during the year are set out in note 32 to the consolidated financial statements respectively.

## Distributable Reserves

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$49,805,000.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Permitted Indemnity

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

## Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2017, 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.

## Major Customers and Suppliers

Sales to the Group's five largest customers accounted for approximately 28.5% of the total sales for the year and sales to the largest customer included therein amounted to approximately 10.7%. Purchases from the Group's five largest suppliers accounted for approximately 52.0% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 30.0%.

Save as disclosed, to the best knowledge of the Directors, neither the Directors, their close associates, nor any shareholders (which to the knowledge of the directors) owned more than 5% of the Company's number of issued shares, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

## Directors

The Directors during the year and up to the date of this report were:

## Board of Directors

### Executive Directors

MAK Wai Kit (resigned on 2 March 2018)
LAW Shiu Wai (resigned on 2 March 2018)
TANG Yau Sing (appointed on 13 July 2017)

### Non-executive Directors

LIU Kwong Chi Nelson (resigned on 2 March 2018)

### Independent Non-executive Directors

TSANG Ho Ka Eugene (resigned on 2 March 2018)
WONG Fei Tat (resigned on 2 March 2018)
PANG Siu Yin (resigned on 2 March 2018)
WEN Kai (appointed on 24 January 2018)
TSANG Zee Ho Paul (appointed on 24 January 2018)
TSE Chi Wai (appointed on 24 January 2018)

In accordance with Article 83(3) Mr. Tang Yau Sing, Mr. Wen Kai, Mr. Tsang Zee Ho Paul and Mr. Tse Chi Wai will retire at the forthcoming annual general meeting ("AGM") and, both of them, being eligible, offer themselves for re-election at the AGM.

## Biographies of Directors and Other Senior Management

The biographical details of the Directors and other senior management are disclosed in the section headed "Directors and Senior Management Profile" on pages 17 to 19 in this annual report.

## Directors' Service Contracts

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## Directors' Rights to Acquire Shares and Debentures

Save as disclosed in the heading "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company or any associated corporation" below, at no time during the year or at the end of the year has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in the headed "Change of Controlling Shareholder" below, there has been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

## Equity-linked Agreements

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

## Remuneration of the Directors

Details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements in this annual report.

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2017.

## Contracts of Significance

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2017.

No contract of significance (including provision of services) between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2017.

## Emolument Policy

The Remuneration Committee is responsible for making recommendations to the Board on Company's policy and structure for all Directors and senior management remuneration, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to Directors and eligible participants, details of the scheme is set out on pages 42 to 43 in this annual report.

## Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme approved by the resolution of the sole Shareholder passed on 23 January 2015:

### 1. Purpose

The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented Participants to strive for future developments and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Company attained through their efforts and contributions.

### 2. Participants

(i) any executive or non-executive director including any independent non-executive director or any employee (whether full-time or part-time) of any member of the Group;

(ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of the Group;

(iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to the Group;

(iv) any provider of goods and/or services to the Group; and

(v) any other person who the Board considers, in its sole discretion, has contributed to the Group to take up Options (together, the "Participants").

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

### 3. Maximum number of Shares available for subscription

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme does not exceed 10% of the Shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme does not exceed 30% of the shares in issue of the Company from time to time.

### 4. Maximum entitlement of Shares of each Participant

The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Notwithstanding the above condition, any further grant of Options to a Participant in excess of the 1% limit shall be subject to approval by the Shareholders in general meeting with such Participant and his or her associate abstaining from voting.

5. **Term of subscription of Shares upon exercise of Share Options**

An Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

6. **Minimum period for which an option must be held before it can be exercised**

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the Option, there are neither any performance targets that need to be achieved by the grantee before an Option could be exercised nor any minimum period for which an Option must be held before the Option can be exercised. Subject to the provisions of the Share Option Scheme and the GEM Listing Rules, the Board may when making the offer of Options impose any conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit.

7. **Time of acceptance and the amount payable on acceptance of the option**

Offer of an Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

8. **Basis of determining the subscription price**

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is granted, (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 Business Days immediately preceding the date on which an Option is granted; and (iii) the nominal value of a Share.

9. **Life of the Share Option Scheme**

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

Up to the date of this annual report, no option under the Share Option Scheme has been granted by the Company.

## Interests in Competing Business

Interests of Directors in businesses which might compete with the Group during the year ended 31 December 2017 were as follows:

Mr. Lan Zhi Cheng, a former executive Director (appointed on 8 September 2016 and resigned on 2 August 2017), is also an executive director of Affluent Partners Holding Limited ("Affluent Partners") (HKEx Stock Code: 1466), which is engaged in money lending business in Hong Kong. Mr. Pang Siu Yin, a former independent non-executive Director (appointed on 24 July 2015 and resigned on 2 March 2018), is also an independent non-executive director of Affluent Partners. Although the business nature of Affluent Partners is partially similar to that of i-Lend, a money lending business acquired by the Group in March 2017 and disposed of in October 2017, which had never commenced operations. Affluent Partners and i-Lend are of different scale and are operating independently. Therefore, the Board is of the view that the businesses of Affluent Partners did not compete with the businesses of the Group.

Mr. Tsang Ho Ka Eugene, a former independent non-executive Director (appointed on 23 January 2015 and resigned on 2 March 2018), is also the managing director of New Horizon Capital (Group) Limited and New Horizon Finance (HK) Limited ("New Horizons"), both of which are principally engaged in the business including private equity investment in Hong Kong, the PRC and overseas, and New Horizon Finance (HK) Limited also engaged in the money lending business in Hong Kong. Although the business nature of the New Horizons is partially similar to that of i-Lend, a newly acquired money lending business which has not commenced operations, New Horizons and i-Lend are of different scale and are operating independently. Therefore, the Board is of the view that the businesses of the New Horizons did not compete with the businesses of the Group.

Save as disclosed above, as far as the Directors are aware of, none of the Directors have any interests in a business which competes or may compete with the business of the Group or have any other conflict of interests with the Group during the year ended 31 December 2017.

## Interests of the Compliance Adviser

As at 31 December 2017, as notified by the Company's compliance adviser, Gram Capital Limited, except for the compliance adviser agreement entered into between the Company and Gram Capital Limited on 25 October 2017, neither Gram Capital Limited nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in the securities to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 31 December 2017, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

### Long positions in the Shares

| Name of Director | Nature of interest | Number of Shares or Underlying Shares | Approximate percentage of shareholding interests |
|---|---|---|---|
| Mr. Tang Yau Sing ("Mr. Tang") | Interests in controlled corporations *(Note)* | 2,554,576,000 | 29.56% |

*Note:* Mr. Tang is the ultimate beneficial owner of these shares, of which 360,000,000 shares and 2,194,576,000 share are directly held by Maxace Holdings Limited (the "Maxace") and Noble Gate International Limited (the "Noble Gate") respectively. The entire issued share capital of Maxace and Noble Gate are wholly owned by Mr. Tang.

Save as disclosed above, as at 31 December 2017, none of the Directors nor chief executives had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## Substantial Shareholders' and Other Persons' Interests and/or Short Position in Shares and Underlying Shares of the Company

As at 31 December 2017, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital caring rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

### Long positions in the Shares

| Name | Nature of interest | Number of Shares or Underlying Shares | Approximate percentage of shareholding interests |
|---|---|---|---|
| Shareholder Value Fund | Beneficial owner | 2,568,816,000 | 29.73% |
| CM Asset Management (Hongkong) Company Limited | Fund manager | 2,568,816,000 | 29.73% |
| Maxace | Beneficial owner | 360,000,000 | 4.17% |
| Noble Gate | Beneficial owner | 2,194,576,000 | 25.39% |
| Flame Capital Limited | Beneficial owner *(Note)* | 846,000,000 | 9.79% |
| Ms. Chung Oi Ling Stella | Interests in a controlled corporation *(Note)* | 846,000,000 | 9.79% |

*Note:* The entire issued share capital of Flame Capital Limited is owned by Ms. Chung Oi Ling Stella.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## Related Party Transactions

Details of related party transactions of the Group during the year ended 31 December 2017 are set out in note 41 to the consolidated financial statements. Those related party transactions constitute continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

## Connected Transactions

During the year, the Company had not entered into any connected transaction which is subject to the disclosure requirements under the GEM Listing Rules.

## Corporate Governance

The Company is committed to maintain a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 20 to 29.

## Change of Controlling Shareholder

The Company was informed by Noble Gate International Limited (the "Offeror") that, on 16 November 2017 after trading hours, the Offeror, the vendor and Mr. Tang Yau Sing ("Mr. Tang" and the Offeror's guarantor) entered into the sale and purchase agreement pursuant to which the vendor conditionally agreed to sell and the Offeror conditionally agreed to acquire a total of 1,704,232,000 shares (the "Sale Shares") representing approximately 19.72% of the entire issued share capital of the Company as at the date of the joint announcement of the Company dated 18 July 2017, for a total consideration of HK$85,211,600 (the "Share Purchase"). The consideration is equivalent to HK$0.050 per Sale Share, which was agreed between the purchaser and the vendor after arm's length negotiations. The Share Purchase was completed on 5 December 2017.

Immediately following the completion of the Share Purchase, Mr. Tang, the Offeror and parties acting in concert with any of them were interested in 4,633,048,000 Shares, representing approximately 53.62% of the total issued share capital of the Company.

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, the Offeror made a mandatory unconditional cash offer (the "Offer") for all the issued shares of the Company not already owned or agreed to be acquired by the Offeror and parties acting in concert with it. The Offer, as made, was unconditional in all respects and the principal terms were set out in the joint announcements of the Company dated 28 November 2017 and 19 December 2017.

On 27 December 2017 and 29 December 2017, the Offeror acquired a total of 490,344,000 shares on market. Immediately after the aforesaid acquisitions, Mr. Tang, the Offeror and parties acting in concert with any of them were interested in 5,123,392,000 Shares, representing approximately 59.29% of the total issued share capital of the Company as at 29 December 2017.

The Offer was closed at 4:00 p.m. on 13 February 2018 (the "Offer Date") and was not revised or extended by the Offeror. As at 4:00 p.m. on the Offer Date, being the latest time and date for acceptance of the Offer, the Offeror received valid acceptances in respect of the Offer for a total of 2,194,310,000 Offer Shares, representing approximately 25.40% of the entire issued share capital of the Company.

## Sufficiency of Public Float

Immediately after the close of the Offer and the transfer of the offer shares in respect of which valid acceptances were received, a total of 1,322,298,000 shares, representing approximately 15.30% of the total issued share capital of the Company as at the date of this joint announcement, are held by the public (within the meaning of the GEM Listing Rules). Accordingly, as at the date of the joint announcement date 13 February 2018, the Company cannot fulfill the minimum public float requirement set out under Rule 11.23(7) of the GEM Listing Rules. The Company has made an application to the Stock Exchange for a temporary waiver from strict compliance with Rule 11.23(11) of the GEM Listing Rules (the "Waiver"). On 8 March 2018, the Stock Exchange granted the Waiver to the Company for a period commencing from 13 February 2018 to 12 May 2018. The Offeror and the Directors will take appropriate steps, including but not limited to placement of the Offeror's Shares on hand, to restore the required minimum public float as early as practicable.

## Auditor

The consolidated financial statements for the year ended 31 December 2017 have been audited by Deloitte Touche Tohmatsu ("DTT"). DTT was appointed on 20 September 2016 as the independent auditor of the Company to fill the casual vacancy following the resignation of CCIF CPA Limited on 13 September 2016. Save for the above, there were no other changes in the Company's auditor in the past three years. DTT will retire at the conclusion of the forthcoming annual general meeting ("AGM") of the Company and, being eligible, offer itself for re-appointment at the AGM. A resolution will be proposed at the AGM to re-appoint DTT as the independent auditor of the Company.

By behalf of the Board
**TANG YAU SING**
*Executive Director*

Hong Kong, 23 March 2018

Deloitte. 德勤

**TO THE MEMBERS OF WINTO GROUP (HOLDINGS) LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Winto Group (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 54 to 116, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the discourse requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| **Valuation of investment property** | |
| We identified the valuation of investment property as a key audit matter due to the significant unobservable inputs and significant judgements associated with determining the fair value.<br><br>The Group's investment property of HK$12.9 million accounts for approximately 20% of the Group's total assets as at 31 December 2017 with a gain on change in fair value recognised in other gains or losses to the consolidated statement of profit or loss and other comprehensive income for the year.<br><br>The Group's investment property is measured using the fair value model based on valuation conducted by an independent professional valuer (the "Valuer"). As disclosed in notes 4 and 19 to the consolidated financial statements, in determining the fair value of the Group's investment property, the Valuer applied a market value basis which involves, inter-alia, significant unobservable inputs and significant judgements, representing appropriate market rent, capitalisation rates and adjusted market price that has taken into account of property-specific adjustments including location quality and timing of reference transactions. | Our procedures in relation to the valuation of the investment property included:<br><br>— Evaluating the competence, capabilities and objectivity of the Valuer;<br><br>— Obtaining an understanding from the Valuer about the valuation techniques, the performance of the property markets, significant assumptions adopted, critical judgmental areas, key inputs and data used in the valuation; and<br><br>— Evaluating the reasonableness of significant unobservable inputs by comparing the estimated fair value against the market price for comparable market transactions and properties in similar location and condition. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment of goodwill** | |
| We identified the impairment of goodwill arising from the acquisition of Qihui Group (International) Limited and its subsidiaries as a key audit matter, as the amount is quantitatively significant to the Group and the valuation requires an estimation of the value in use of the business. The estimation of the value in use is subject to significant management estimates, in respect of the discount rate, terminal rate and growth rates.<br><br>During the year, the Group recognised an impairment loss on the goodwill of approximately HK$7.6 million due to continued operating loss of the business. Details relating to the assessment of the goodwill is set out in notes 4 and 22 to the consolidated financial statements. | Our procedures in relation to the impairment assessment of the goodwill arising from the acquisition of Qihui Group included:<br><br>— Assessing the appropriateness of the valuation model and obtaining evidence to support the estimated cash flow forecast prepared by management;<br><br>— Evaluating the appropriateness of the key assumptions and inputs such as the terminal rate and growth rates used in the respective models by comparing the management's expectations against relevant industry forecasts; and<br><br>— Critically challenging the reasonableness of the discount rate adopted by management with reference to available market data. |
| **Valuation of trade receivables** | |
| We identified the valuation of trade receivable as a key audit matter as the amount is significant and the identification of doubtful debts requires significant management judgements.<br><br>At the end of each reporting period, management assesses the recoverability of its trade receivables and makes provisions for doubtful debts, if there is indication that amounts may be irrecoverable. The allowance is measured as the difference between the carrying amount of the trade receivables and its present value of estimated future cash flows.<br><br>As at 31 December 2017, the carrying amount of the Group's trade receivables, net of allowance for doubtful debts, was approximately HK$3.7 million (2016: HK$26.4 million).<br><br>Details relating to the Group's trade receivables are set out in note 26 to the consolidated financial statements. | Our procedures in relation to valuation of trade receivables included:<br><br>— Obtaining an understanding of how doubtful debts are determined by the management;<br><br>— Understanding and testing the Group's key controls relating to the preparation of aging of trade receivables and identification of doubtful debts;<br><br>— Testing the aging of trade receivables to source documents on a sample basis;<br><br>— Critically challenging management's assessment of the recoverability of trade debtors with little or no settlement subsequent to the end of the reporting period;<br><br>— Evaluating the reasonableness of management's assessment on recoverability of its trade receivables with reference to credit history, subsequent settlement and aging of each significant debt; and<br><br>— Evaluating the historical accuracy of the allowance estimation by management by comparing historical allowance made to the actual settlement and actual loss incurred and tracing, on a sample basis, to the source documents. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chu, Johnny Chun Yin.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
23 March 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

| | Notes | 2017 HK$ | 2016 HK$ (Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5 | **29,733,580** | 35,558,942 |
| Cost of sales | | **(26,757,323)** | (36,593,207) |
| Gross profit/(loss) | | **2,976,257** | (1,034,265) |
| Other income | 7 | **730,878** | 36,752 |
| Operating expenses | | **(20,267,304)** | (16,722,127) |
| Share of losses of associates | | **—** | (200,000) |
| Impairment loss on goodwill | 22 | **(7,570,556)** | — |
| Other gains or losses | 8 | **3,655,557** | (4,702,423) |
| Finance costs | 9 | **(2,201,868)** | (1,907,692) |
| Loss before tax | 10 | **(22,677,036)** | (24,529,755) |
| Income tax expense | 11 | **(68,898)** | (625,368) |
| Loss for the year from continuing operations | | **(22,745,934)** | (25,155,123) |
| **Discontinued operation** | | | |
| Profit/(loss) for the year from discontinued operation | 12 | **5,769,168** | (2,251,623) |
| Loss for the year | | **(16,976,766)** | (27,406,746) |
| Other comprehensive expense | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference on translation | | **(391,433)** | 3,110 |
| Total comprehensive expense for the year | | **(17,368,199)** | (27,403,636) |
| (Loss)/profit for the year attributable to: | | | |
| Owners of the Company | | | |
| — for continuing operations | | **(21,240,598)** | (24,869,742) |
| — for discontinued operation | | **6,112,207** | (1,423,282) |
| Non-controlling interests | | | |
| — for continuing operations | | **(1,505,336)** | (285,381) |
| — for discontinued operation | | **(343,039)** | (828,341) |
| | | **(16,976,766)** | (27,406,746) |
| Total comprehensive expense attributable to: | | | |
| Owners of the Company | | **(15,360,658)** | (26,294,868) |
| Non-controlling interests | | **(2,007,541)** | (1,108,768) |
| | | **(17,368,199)** | (27,403,636) |
| **From continuing and discontinued operations** | | | |
| Loss per share | | | |
| Basic (HK Cents) | 16 | **(0.18)** | (0.36) |
| **From continuing operations** | | | |
| Loss per share | | | |
| Basic (HK Cents) | 16 | **(0.25)** | (0.34) |

# Consolidated Statement of Financial Position

At 31 December 2017

| | Notes | 2017 HK$ | 2016 HK$ |
|---|---|---|---|
| Non-current assets | | | |
| Plant and equipment | 17 | **1,440,279** | 1,758,158 |
| Interests in associates | 18 | **—** | — |
| Investment property | 19 | **12,900,000** | 11,962,800 |
| Goodwill | 20 | **—** | 33,051,369 |
| Intangible assets | 21 | **—** | 1,718,014 |
| | | **14,340,279** | 48,490,341 |
| Current assets | | | |
| Inventories | 23 | **—** | 391,504 |
| Financial assets at fair value through profit or loss | 24 | **2,907,000** | — |
| Amount due from a former shareholder | 25 | **2,510** | 2,510 |
| Trade and other receivables | 26 | **5,028,934** | 36,461,852 |
| Tax recoverable | | **657,372** | 890,162 |
| Bank balances and cash | 27 | **41,955,423** | 44,335,818 |
| | | **50,551,239** | 82,081,846 |
| Current liabilities | | | |
| Trade and other payables | 28 | **6,253,027** | 25,174,522 |
| Bank borrowings | 29 | **—** | 2,640,525 |
| Tax payable | | **68,898** | 39,599 |
| Amounts due to non-controlling shareholders of subsidiaries | 30 | **113,953** | 2,305,097 |
| | | **6,435,878** | 30,159,743 |
| Net current assets | | **44,115,361** | 51,922,103 |
| Total assets less current liabilities | | **58,455,640** | 100,412,444 |
| Non-current liabilities | | | |
| Promissory notes payable | 31 | **—** | 25,528,410 |
| Bank borrowings | 29 | **—** | 78,127 |
| | | **—** | 25,606,537 |
| Net assets | | **58,455,640** | 74,805,907 |

# Consolidated Statement of Financial Position

At 31 December 2017

| | Notes | 2017<br>HK$ | 2016<br>HK$ |
|---|---|---|---|
| Capital and reserves | | | |
| Share capital | 32 | **8,640,000** | 8,640,000 |
| Reserves | | **52,166,229** | 67,369,231 |
| Total equity attributable to owners of the Company | | **60,806,229** | 76,009,231 |
| Non-controlling interests | | **(2,350,589)** | (1,203,324) |
| Total equity | | **58,455,640** | 74,805,907 |

The consolidated financial statements on pages 54 to 116 were approved and authorised for issue by the Board of Directors on 23 March 2018 and are signed on its behalf by:

| | |
|---|---|
| **Tang Yau Sing** | **Tsang Zee Ho Paul** |
| *Director* | *Director* |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

| | Attributable to owner of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital** HK$ (note 32) | **Share premium** HK$ | **Exchange reserve** HK$ | **Accumulated losses** HK$ | **Total** HK$ | **Non-controlling interests** HK$ | **Total** HK$ |
| At 1 January 2016 | 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 expense for the year | — | — | (1,844) | — | (1,844) | 4,954 | 3,110 |
| Total comprehensive expense 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 a business (note 33) | — | — | — | — | — | (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** |
| Loss for the year | **—** | **—** | **—** | **(15,128,391)** | **(15,128,391)** | **(1,848,375)** | **(16,976,766)** |
| Other comprehensive expense for the year | **—** | **—** | **(232,267)** | **—** | **(232,267)** | **(159,166)** | **(391,433)** |
| Total comprehensive expense for the year | **—** | **—** | **(232,267)** | **(15,128,391)** | **(15,360,658)** | **(2,007,541)** | **(17,368,199)** |
| Arising from disposal of a business (note 35) | **—** | **—** | **157,656** | **—** | **157,656** | **860,276** | **1,017,932** |
| At 31 December 2017 | **8,640,000** | **94,330,810** | **(76,455)** | **(42,088,126)** | **60,806,229** | **(2,350,589)** | **58,455,640** |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2017

| | Notes | 2017 HK$ | 2016 HK$ |
|---|---|---|---|
| Operating activities | | | |
| Loss before tax: | | | |
| — for continuing operation | | **(22,677,036)** | (24,529,755) |
| — for discontinued operation | | **5,769,168** | (2,207,864) |
| Adjustments for: | | | |
| Interest income | | **(2,357)** | (1,233) |
| Interest expense | | **2,299,084** | 2,034,530 |
| Depreciation | | **724,530** | 371,961 |
| Amortisation of intangible assets | | **334,205** | 43,284 |
| Gain on disposal from discontinued operation | | **(6,391,007)** | — |
| Gain on disposal of intangible assets | | **(626,007)** | — |
| Gain on disposal of associates | | **(2,000,000)** | — |
| Share of losses of associates | | **—** | 200,000 |
| Gain on change in fair value of an investment property | | **(937,200)** | — |
| (Gain) loss on change in fair value of financial assets at FVTPL | | **(92,415)** | 4,673,197 |
| Impairment loss on goodwill | | **7,570,556** | — |
| Allowance for doubtful debts | | **109,630** | — |
| Operating cash flows before movements in working capital | | **(15,918,849)** | (19,415,880) |
| Decrease (increase) in inventories | | **391,504** | (391,504) |
| Decrease (increase) in trade and other receivables | | **6,259,305** | (5,066,840) |
| Increase in trade and other payables | | **5,341,560** | 19,085,659 |
| Cash used in operations | | **(3,926,480)** | (5,788,565) |
| Hong Kong profits tax refund (paid) | | **453,399** | (1,004,217) |
| Net cash used in operating activities | | **(3,473,081)** | (6,792,782) |
| Investing activities | | | |
| Purchase of financial assets at FVTPL | | **(7,015,043)** | (5,640,000) |
| Purchase of property, plant and equipment | | **(876,026)** | — |
| Acquisition of intangible assets | | **(449,850)** | (1,137,279) |
| Net proceeds from disposal of financial assets at FVTPL | | **4,200,458** | 966,803 |
| Net proceeds from disposal of subsidiaries | 35 | **2,216,821** | — |
| Proceeds from disposal of associates | | **2,000,000** | — |
| Proceeds from disposal of intangible assets | | **802,250** | — |
| Interest received | | **2,357** | 1,233 |
| Acquisition of an investment property | | **—** | (11,962,800) |
| Acquisition of businesses | 33 | **—** | (8,808,658) |
| Acquisition of a subsidiary | 34 | **—** | (291,541) |
| Net cash from (used) in investing activities | | **880,967** | (26,872,242) |
| Financing activities | | | |
| New bank loans raised | | **2,941,766** | — |
| Repayments of bank borrowings | | **(2,409,103)** | (3,475,521) |
| Interest paid | | **(97,226)** | (179,120) |
| Proceeds from placing of new shares | | **—** | 40,320,000 |
| Advance from non-controlling shareholders of a subsidiary | | **—** | 2,191,144 |
| Expenses in respect of share placing | | **—** | (2,019,104) |
| Net cash from financing activities | | **435,437** | 36,837,399 |
| Net (decrease) increase in cash and cash equivalents | | **(2,156,677)** | 3,172,375 |
| Effect of foreign exchange rate | | **(223,718)** | (11,530) |
| Cash and cash equivalents at 1 January | | **44,335,818** | 41,174,973 |
| Cash and cash equivalents at 31 December, representing Bank balances and cash | | **41,955,423** | 44,335,818 |

## 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 GEM 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 disclosed in the Corporate Information in the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 44. The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is same as the functional currency of the Company.

## 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 Group has 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 HKAS 7 | Disclosure initiative |
| Amendments to HKAS 12 | Recognition of deferred tax assets for unrealised losses |
| Amendments to HKFRS 12 | As part of the annual improvements to HKFRS 2014–2016 cycle |

Except the described below, 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 disclosures set out in these consolidated financial statements.

### Amendments to HKAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 43. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 43, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

### 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] |
| HKFRS 17 | Insurance contracts[4] |
| HK(IFRIC)—Int 22 | Foreign currency transactions and advance consideration[1] |
| HK(IFRIC)—Int 23 | Uncertainty over income tax treatments[2] |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2015–2017 cycle[2] |
| Amendments to HKFRS 2 | Classification and measurement of share-based payment transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1] |
| Amendments to HKFRS 9 | Prepayment features with negative compensation[2] |
| 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 28 | Long-term interests in associates and joint ventures[2] |
| Amendments to HKAS 28 | As part of the annual improvements to HKFRSs 2014–2016 cycle[1] |
| Amendments to HKAS 40 | Transfers of investment property[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 2021.

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

### HKFRS 9 Financial instruments

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

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at subsequent reporting periods.

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

### HKFRS 9 Financial instruments (Continued)

- in relation to the impairment of financial assets, HKFRS 9 adopts 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 2017, the directors of the Company do not anticipate that there will be a material impact on the measurement and classification of the Group's financial instruments on initial application of HKFRS 9. In relation to impairment of financial assets, the directors of the Company anticipate that the application of the expected credit losses model will result in earlier provision of credit losses which are not yet incurred. The directors of the Company do not anticipate this will have a material impact on the additional provisions to be recognised.

### 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

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

### HKFRS 15 Revenue from contracts with customers (Continued)

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 result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

### 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. Upon application of 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 by the Group.

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 disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$657,141 as disclosed in note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$743,367 and refundable rental deposits received of HK$50,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

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

## 3. SIGNIFICANT ACCOUNTANT POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment property that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

### Basis of consolidation

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

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

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

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

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Basis of consolidation (Continued)

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

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

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

### Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Business combinations (Continued)

#### *Acquisition of a subsidiary not constituting a business*

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

### Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

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

### Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Investments in associates (Continued)

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal of the relevant associate.

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

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

#### *i) Print media advertising*

When the outcome of an advertising contract can be estimated reliably, revenue shall be recognised by reference to the stage of completion of the advertising contracts at the end of the reporting period. The outcome of advertising contracts can be estimated reliably when the periodicals are published and all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the advertising contracts will flow to the Group;
- the stage of completion of the advertising contracts at the end of the reporting period can be measured reliably; and
- the costs incurred for the advertising contracts and the costs to complete the advertising contracts can be measured reliably.

#### *ii) Sale of magazines*

Revenue from the sale of magazines is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the customers obtain the possession of the magazines.

#### *iii) Outdoor advertising income*

Outdoor advertising income is recognised on a straight-line basis over the contract period.

#### *iv) Liquefied Natural Gas ("LNG")*

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Revenue recognition (Continued)

#### *v) Mobile app development*

Mobile app development income is recognised by stage of completion of the relevant contracts.

#### *vi) Interest income*

Interest income is recognised as it accrues using the effective interest method.

### Leasing

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

#### *The Group as lessor*

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

#### *The Group as lessee*

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

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Foreign currencies (Continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### Borrowing costs

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

### Government grants

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

### Retirement benefits

Payments to the Mandatory Provident Fund Scheme and State-managed Retirement Benefit Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

### Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

### Taxation

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

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

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

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Taxation (Continued)

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

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

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

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

Current and deferred tax are recognised in profit or loss.

### Plant and equipment

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

### Intangible assets

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

#### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Intangible assets (Continued)

***Internally — generated intangible assets — research and development expenditure***

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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

### Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories and costs necessary to make the sale.

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL"), are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### *Financial assets*

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

*Effective interest method*

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

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

*Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend or interest earned on the financial assets is included in the 'other gains or losses' line item. Fair value is determined in the manner described in note 39.

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from a former shareholder, trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets*

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

## 3. SIGNIFICANT ACCOUNTANT POLICIES (Continued)

### Financial instruments (Continued)

***Financial liabilities and equity instruments***

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

*Equity instruments*

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

*Financial liabilities at amortised cost*

Financial liabilities (including trade and other payables, bank borrowings, amounts due to non-controlling shareholders of a subsidiary and promissory notes payables) are subsequently measured at amortised cost, using the effective interest method.

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

***Derecognition***

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

### Fair value of investment property

The investment property is carried in the consolidated statement of financial position at its fair value of HK$12,900,000 (2016: HK$11,962,800) (note 19) based on the valuation conducted by Royson Valuation Advisory Limited (the "Valuer"), an independent property valuer. In determining the fair value of the Group's investment property, the Valuer applied a market value basis which involves, inter-alia, significant unobservable inputs and significant judgements, representing appropriate market rent, capitalisation rates and adjusted market price that has taken into account of property-specific adjustments including location quality and timing of reference transactions.

### Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit, a suitable discount rate, terminal rate and growth rates in order to calculate the present value. As at 31 December 2017, impairment of goodwill HK$7,570,556 (2016: nil) is provided. Details of the recoverable amount calculation are disclosed in note 22.

### Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss or further impairment loss may arise. As at 31 December 2017, the carrying amount of trade receivable is HK$3,658,182 (net of allowance for doubtful debts of HK$887,630) (31 December 2016: carrying amount of HK$26,409,305 (net of allowance for doubtful debts of HK$778,000).

## 5. REVENUE

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

| | **2017**<br>**HK$** | 2016<br>HK$ |
|---|---|---|
| Outdoor advertising income | **19,274,813** | 23,250,990 |
| Provision of mobile app development service | **8,625,033** | 1,202,085 |
| Print media advertising income | **1,682,070** | 10,905,400 |
| Sales of magazines | **151,664** | 200,467 |
| | **29,733,580** | 35,558,942 |

## 6. 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 purpose of resource allocation and performance assessment. No operating segments have been aggregated in arriving at the reportable segment to the Group.

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

1. Outdoor advertising business
2. Mobile app development business
3. Print media business, including advertising income and sales of magazines

An operating segment regarding the LNG and related products trading business was disposed in the current year. The segment information on the next pages does not include any amounts for the discontinued operation, which are described in more details in note 12.

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

The measurement of segment results for the year ended 31 December 2016 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 2017 and 2016 is set out below.

## 6. SEGMENT INFORMATION (Continued)

### Segment revenues and results

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

***Continuing operations***

***For the year ended 31 December 2017***

| | Outdoor advertising business HK$ | Mobile app development business HK$ | Print media business HK$ | Total HK$ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Segment revenue | 19,648,813 | 8,831,633 | 2,248,109 | 30,728,555 |
| Inter-segment sales | (374,000) | (206,600) | (414,375) | (994,975) |
| Revenue from external customers | 19,274,813 | 8,625,033 | 1,833,734 | 29,733,580 |
| Segment results | 2,661,352 | 1,929,527 | (1,614,622) | 2,976,257 |
| Other income | | | | 730,122 |
| Interest income | | | | 756 |
| Operating expenses | | | | (20,267,304) |
| Impairment loss on goodwill | | | | (7,570,556) |
| Other gains or losses | | | | 3,655,557 |
| Finance costs | | | | (2,201,868) |
| Loss before tax | | | | (22,677,036) |

## 6. SEGMENT INFORMATION (Continued)

### Segment revenues and results (Continued)

***Continuing operations (Continued)***

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

| | Outdoor advertising business HK$ | Mobile app development business HK$ | Print media business HK$ | Total HK$ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Segment revenue | 24,441,781 | 2,115,713 | 11,115,867 | 37,673,361 |
| Inter-segment sales | (1,190,791) | (913,628) | (10,000) | (2,114,419) |
| Revenue from external customers | 23,250,990 | 1,202,085 | 11,105,867 | 35,558,942 |
| Segment results | (8,930,604) | 545,556 | 7,350,783 | (1,034,265) |
| Other income | | | | 36,166 |
| Interest income | | | | 586 |
| Operating expenses | | | | (16,722,127) |
| Share of losses of associates | | | | (200,000) |
| Other gains or losses | | | | (4,702,423) |
| Finance costs | | | | (1,907,692) |
| Loss before tax | | | | (24,529,755) |

## 6. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

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

| | 2017<br>HK$ |
|---|---|
| **Segment assets** | |
| Outdoor advertising business | 3,007,783 |
| Mobile app development business | 2,383,085 |
| Print media business | 7,747,221 |
| Total segment assets | 13,138,089 |
| Investment property | 12,900,000 |
| Bank balances and cash | 34,058,425 |
| Unallocated assets | 4,795,004 |
| Consolidated assets | 64,891,518 |
| **Segment liabilities** | |
| Outdoor advertising business | 194,815 |
| Mobile app development business | 4,002,511 |
| Print media business | 892,858 |
| Total segment liabilities | 5,090,184 |
| Unallocated liabilities | 1,345,694 |
| Consolidated liabilities | 6,435,878 |

## 6. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

| | 2016 HK$ |
|---|---|
| **Segment assets** | |
| Outdoor advertising business | 10,542,456 |
| Mobile app development business | 9,454,905 |
| Print media business | 9,750,680 |
| Total segment assets | 29,748,041 |
| Assets relating to discontinued operation | 48,227,697 |
| Investment property | 11,962,800 |
| Interests in associates | — |
| Bank balances and cash | 39,327,170 |
| Unallocated assets | 1,306,479 |
| Consolidated assets | 130,572,187 |
| **Segment liabilities** | |
| Outdoor advertising business | 1,205,699 |
| Mobile app development business | 1,527,904 |
| Print media business | 1,227,669 |
| Total segment liabilities | 3,961,272 |
| Liabilities relating to discontinued operation | 24,287,368 |
| Promissory notes payable | 25,528,410 |
| Unallocated liabilities | 1,989,230 |
| Consolidated liabilities | 55,766,280 |

## 6. SEGMENT INFORMATION (Continued)

### Geographical information

The Group's continuing operations are located in Hong Kong and Mainland China.

Information about the Group's revenue from external customers for continuing operations is presented based on location of delivery destination of the goods and place of services rendered. Information about the Group's non-current assets (excluding interests in associates) for continuing operations are based on geographical location of the assets.

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2017 HK$** | 2016 HK$ | **2017 HK$** | 2016 HK$ |
| Hong Kong | **21,108,547** | 34,356,857 | **14,288,121** | 13,063,279 |
| Mainland China | **8,625,033** | 1,202,085 | **52,158** | 7,707,309 |
| | **29,733,580** | 35,558,942 | **14,340,279** | 20,770,588 |

### Continuing operations

#### *Information about major customers*

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

| | **2017 HK$** | 2016 HK$ |
|---|---|---|
| Customer A[1] | **3,166,667** | N/A[1] |

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year end 31 December 2016.

## 7. OTHER INCOME

| | 2017 HK$ | 2016 HK$ |
|---|---|---|
| **Continuing operations** | | |
| Rental income | **374,097** | 16,000 |
| Government grants (note) | **346,175** | — |
| Bank interest income | **756** | 586 |
| Sundry income | **9,850** | 20,166 |
| | **730,878** | 36,752 |

*Note:* The amount represents incentives granted by the local PRC authorities to the Group for engaging in High Technology business.

## 8. OTHER GAINS OR LOSSES

| | 2017 HK$ | 2016 HK$ |
|---|---|---|
| **Continuing operations** | | |
| Gain on disposal of associates (note 18) | **2,000,000** | — |
| Gain on change in fair value of the investment property | **937,200** | — |
| Gain on disposal of intangible assets | **626,007** | — |
| Net foreign exchange gains (losses) | **109,565** | (29,226) |
| Gain (loss) on change in change in fair value of financial assets at FVTPL | **92,415** | (4,673,197) |
| Allowance for doubtful debts | **(109,630)** | — |
| | **3,655,557** | (4,702,423) |

## 9. FINANCE COSTS

| | 2017 HK$ | 2016 HK$ |
|---|---|---|
| **Continuing operations** | | |
| Effective interest on promissory notes payables | **2,201,858** | 1,855,410 |
| Interest on bank borrowings | **10** | 52,282 |
| | **2,201,868** | 1,907,692 |

## 10. LOSS BEFORE TAX

### Continuing operations

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

| | 2017<br>HK$ | 2016<br>HK$ |
|---|---|---|
| Staff costs | | |
| Director's emoluments (note 13) | **2,660,100** | 2,716,442 |
| Other staff costs | | |
| — Salaries and other benefits | **5,214,080** | 2,619,089 |
| — Contributions to defined contribution retirement plan | **208,397** | 83,863 |
| | **8,082,577** | 5,419,394 |
| Depreciation | **585,972** | 297,222 |
| Amortisation of intangible assets | **273,607** | — |
| Auditor's remuneration | **1,460,000** | 850,000 |
| Operating lease expense in respect of | | |
| — Office premises | **1,592,783** | 1,202,356 |
| — Outdoor media resources, included in cost of sales | **14,031,340** | 28,560,182 |
| Gross rental income from an investment property | **(374,097)** | (16,000) |
| Less: direct operating expense incurred that generated rental income during the year | **74,073** | 5,754 |
| | **(300,024)** | (10,246) |

## 11. INCOME TAX EXPENSE

| | 2017<br>HK$ | 2016<br>HK$ |
|---|---|---|
| **Continuing operations** | | |
| Current tax: | | |
| Hong Kong | **68,898** | 680,889 |
| Deferred tax: | | |
| Current year | — | (55,521) |
| | **68,898** | 625,368 |

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the People's Republic of China ("PRC") 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.

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

| | 2017<br>HK$ | 2016<br>HK$ |
|---|---|---|
| Loss before tax | **(22,677,036)** | (24,529,755) |
| Tax credit at the Hong Kong Profits Tax rate at 16.5% (2016: 16.5%) | **(3,741,711)** | (4,047,409) |
| Tax effect of expenses not deductible for tax purpose | **2,031,800** | 1,295,566 |
| Tax effect of income not taxable for tax purpose | **(387,163)** | (2,172) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(239,461)** | (25,939) |
| Tax effect of tax losses not recognised | **2,407,926** | 3,452,345 |
| Overprovision in respect of prior years | — | (55,521) |
| Others | **(2,493)** | 8,498 |
| Income tax expenses for the year | **68,898** | 625,368 |

Also, at the end of the reporting period, the Group has unused tax losses of HK$41,015,940 (2016: HK$26,422,449) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax loss due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$3,063,723 that will expire before 2022 (2016: HK$93,556 that will expire before 2021). Other losses may be carried forward indefinitely.

## 12. DISCONTINUED OPERATION

During the year, the Company entered into a share purchase agreement with an independent third party, pursuant to which the Company disposed of its entire interest in Lasermoon Limited ("Lasermoon"). Lasermoon and its subsidiaries (the "Lasermoon Group") carried out all of the Group's LNG and related products trading business in PRC and is regarded as a discontinued operation.

The results from the discontinued operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to represent the LNG and related product trading business as a discontinued operation.

| | **1.1.2017 to 24.7.2017 HK$** | 1.1.2016 to 31.12.2016 HK$ |
|---|---|---|
| Loss from LNG and related products trading business for period/year | **(621,839)** | (2,251,623) |
| Gain on disposal of LNG and related products trading business (see note 35) | **6,391,007** | – |
| | **5,769,168** | (2,251,623) |

### Result of discontinued operation

The results of the LNG and related products trading business, which have been included in the consolidated statement of profit or loss and other comprehensive income up to 24 July 2017 (date of disposal), were as follows:

| | **1.1.2017 to 24.7.2017 HK$** | 1.1.2016 to 31.12.2016 HK$ |
|---|---|---|
| Revenue | **99,578,294** | 93,003,592 |
| Cost of sales | **(99,146,984)** | (92,482,193) |
| Gross profit | **431,310** | 521,399 |
| Other income | **25,364** | 648 |
| Operating expenses | **(981,297)** | (2,603,073) |
| Finance costs | **(97,216)** | (126,838) |
| Loss before tax | **(621,839)** | (2,207,864) |
| Income tax expense | **—** | (43,759) |
| Loss for the year | **(621,839)** | (2,251,623) |
| Attributable to: | | |
| Owners of the Company | **(278,800)** | (1,423,282) |
| Non-controlling interests | **(343,039)** | (828,341) |
| | **(621,839)** | (2,251,623) |

## 12. DISCONTINUED OPERATION (Continued)

**Profit/(loss) for the year from discontinued operation includes the following:**

| | 1.1.2017 to 24.7.2017 HK$ | 1.1.2016 to 31.12.2016 HK$ |
|---|---|---|
| Amortisation of intangible assets | **60,598** | 43,284 |
| Interest expense | **97,216** | 126,838 |
| Interest income | **1,601** | 647 |
| Depreciation | **138,558** | 74,739 |
| Operating lease expense in respect of office premises | **71,604** | 75,641 |
| Staff costs | | |
| — Salaries and other benefit | **669,132** | 281,941 |
| — Contributed to defined contribution retirement plan | **67,515** | 54,778 |

During the year ended 31 December 2017, Lasermoon Group paid HK$109,006 (2016: contributed HK$652,136) in respect of the Group's net operating cash flows, paid HK$92,078 (2016: HK$1,193,242) in respect of the Group's investing activities and contributed HK$757,137 (2016: HK$2,063,696) to the Group's financing activities.

The carrying amounts of the assets and liabilities of the Lasermoon Group at the date of disposal are disclosed in note 35.

## 13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

### Continuing and discontinued operation

Directors' and chief executive's remuneration for the year is as follows:

| | Year ended 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | Fee HK$ | Salaries allowances, and benefits-in-kind HK$ | Bonus HK$ | Retirement benefit scheme contribution HK$ | Total HK$ |
| **Executive directors** | | | | | |
| Tang Yau Sing[9] | — | 392,904 | 32,986 | 9,000 | 434,890 |
| Mak Wai Kit[3] | — | 840,000 | 70,000 | 18,000 | 928,000 |
| Law Shiu Wai[3] | — | 480,000 | 40,000 | 18,000 | 538,000 |
| Lan Zhi Cheng[4] | — | 282,581 | — | 10,629 | 293,210 |
| **Non-executive directors** | | | | | |
| Liu Kwong Chi, Nelson[5] | 120,000 | — | — | 6,000 | 126,000 |
| **Independent non-executive directors** | | | | | |
| Tsang Ho Ka Eugene[8] | 100,000 | — | — | — | 100,000 |
| Wong Fei Tat[8] | 120,000 | — | — | — | 120,000 |
| Pang Siu Yin[8] | 120,000 | — | — | — | 120,000 |
| | 460,000 | 1,995,485 | 142,986 | 61,629 | 2,660,100 |

## 13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

### Continuing and discontinued operation (Continued)

| | Year ended 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | Fee HK$ | Salaries allowances, and benefits-in-kind HK$ | Bonus HK$ | Retirement benefit scheme contribution HK$ | Total HK$ |
| **Executive directors** | | | | | |
| Kwan Shun Keung, Timmy[1] | — | 480,000 | — | 6,000 | 486,000 |
| Yip Tsz Lam[2] | — | 8,333 | — | 417 | 8,750 |
| Mak Wai Kit[3] | — | 840,000 | 70,000 | 18,000 | 928,000 |
| Law Shiu Wai[3] | — | 480,000 | 40,000 | 18,000 | 538,000 |
| Lan Zhi Cheng[4] | — | 150,667 | 12,600 | 12,000 | 175,267 |
| **Non-executive director** | | | | | |
| Liu Kwong Chi, Nelson[5] | — | 120,000 | — | 3,871 | 123,871 |
| Tsang Hin Man Terence[6] | — | 42,903 | — | 2,145 | 45,048 |
| **Independent non-executive director** | | | | | |
| Lee Kwok Tung Louis[7] | 35,753 | — | — | — | 35,753 |
| Tsang Ho Ka Eugene[8] | 100,000 | — | — | — | 100,000 |
| Yu Chon Man[7] | 35,753 | — | — | — | 35,753 |
| Wong Fei Tat[8] | 120,000 | — | — | — | 120,000 |
| Pang Siu Yin[8] | 120,000 | — | — | — | 120,000 |
| | 411,506 | 2,121,903 | 122,600 | 60,433 | 2,716,442 |

1 Resigned as executive director on 9 December 2016.
2 Resigned as executive director on 1 February 2016.
3 Resigned as executive director on 2 March 2018.
4 Appointed as executive director on 8 September 2016 and resigned as executive director on 2 August 2017.
5 Re-designed as non-executive director on 9 May 2016 and resigned as non-executive director on 2 March 2018.
6 Resigned as non-executive director on 9 May 2016.
7 Resigned as independent non-executive director on 9 May 2016.
8 Resigned as independent non-executive director on 2 March 2018.
9 Appointed as executive director on 13 July 2017.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During the years ended 31 December 2017 and 2016, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 14 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments for the both years.

## 14. FIVE HIGHEST PAID EMPLOYEES

### Continuing and discontinued operation

The five highest paid employees of the Group during the year included three directors (2016: four directors), detail of whose remuneration are set out in note 13 above. Details of the remuneration for the year of the remaining two (2016: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | **2017 HK$** | 2016 HK$ |
|---|---|---|
| Salaries, allowances and benefits in kind | **1,118,783** | 228,000 |
| Performance related bonus | **—** | 36,400 |
| Retirement benefit scheme contribution | **35,951** | 11,950 |
| | **1,154,734** | 276,350 |

The number of highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

| | **2017 Number of employees** | 2016 Number of employee |
|---|---|---|
| Nil to HK$1,000,000 | **2** | 1 |

## 15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company, nor has any dividend been proposed since the end of the reporting period for both years.

## 16. LOSS PER SHARE

### Continuing operation

The calculation of basic loss per share for continuing operations attributable to the owners of the Company is calculated based on the below figures:

| | **2017 HK$** | 2016 HK$ |
|---|---|---|
| Loss for the year attributable to owners of the Company | **21,240,598** | 24,869,742 |

## 16. LOSS PER SHARE (Continued)

### Continuing operation (Continued)

#### Number of Shares

| | 2017 | 2016 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of calculation of loss per share | **8,640,000,000** | 7,207,868,852 |

No diluted loss per share has been presented for the years ended 31 March 2017 and 2016 because there were no potential ordinary shares outstanding during the years.

### Continuing and discontinued operation

The calculation of the basic loss per share attributable to the owners of the Company is calculated based on the below figures:

| | 2017<br>HK$ | 2016<br>HK$ |
|---|---|---|
| Loss attributable to owners of the Company for the purpose of calculation of loss per share | **15,128,391** | 26,293,024 |

The denominators used are the same as those set out above for the continuing operation.

### For discontinued operation

The earnings/(loss) per share for discontinued operation is as follows:

| | 2017<br>HK cents | 2016<br>HK cents |
|---|---|---|
| Basic | **0.07** | (0.02) |

The calculation of the earnings/(loss) per share for the discontinued operation is based on:

| | 2017<br>HK$ | 2016<br>HK$ |
|---|---|---|
| Profit/(loss) for discontinued operation attributable to owners of the Company | **6,112,207** | (1,423,282) |

The denominators used are the same as those set out above for the continuing operation.

## 17. PLANT AND EQUIPMENT

| | Furniture and fixtures HK$ | Office equipment HK$ | Motor vehicle HK$ | Total HK$ |
|---|---|---|---|---|
| COST | | | | |
| At 1 January 2016 | 42,987 | 363,839 | – | 406,826 |
| Exchange adjustment | (29,507) | (1,045) | – | (30,552) |
| Additions | 244,569 | 892,710 | | 1,137,279 |
| Acquired on acquisitions of subsidiaries/ a business | 724,916 | 29,210 | | 754,126 |
| At 31 December 2016 | 982,965 | 1,284,714 | – | 2,267,679 |
| Exchange adjustment | 43,954 | 3,000 | – | 46,954 |
| Additions | 210,687 | 27,339 | 638,000 | 876,026 |
| Disposal of a business (note 35) | (749,750) | – | – | (749,750) |
| At 31 December 2017 | 487,856 | 1,315,053 | 638,000 | 2,440,909 |
| ACCUMULATED DEPRECIATION | | | | |
| At 1 January 2016 | 40,107 | 99,227 | – | 139,334 |
| Exchange adjustment | (1,688) | (86) | – | (1,774) |
| Charge for the year | 113,539 | 258,422 | – | 371,961 |
| At 31 December 2016 | 151,958 | 357,563 | – | 509,521 |
| Exchange adjustment | 20,517 | 1,794 | – | 22,311 |
| Charge for the year | 277,371 | 370,686 | 76,473 | 724,530 |
| Disposal of a business (note 35) | (255,732) | – | – | (255,732) |
| At 31 December 2017 | 194,114 | 730,043 | 76,473 | 1,000,630 |
| CARRYING AMOUNTS | | | | |
| At 31 December 2017 | 293,742 | 585,010 | 561,527 | 1,440,279 |
| At 31 December 2016 | 831,007 | 927,151 | – | 1,758,158 |

The above items of property, plant and equipment are depreciated on its cost less their residual value on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Furniture and fixtures | 20% |
| Office equipment | 20% |
| Motor vehicle | 20% |

At 31 December 2016, the Group has pledged certain plant and equipment with carrying amount of HK$300,577 (2017: nil) to secure general banking facilities granted to the Group.

## 18. INTERESTS IN ASSOCIATES

| | **2017 HK$** | 2016 HK$ |
|---|---|---|
| Cost of the investments in associates | — | 5,000,000 |
| Share of post-acquisition losses and other comprehensive expense | — | (812,659) |
| Impairment loss | — | (4,187,341) |
| | — | — |

Details of the associate directly held by a subsidiary of the Group at the end of the reporting period were as follow:

| **Name of company** | **Place of incorporation/ operation** | **Attributable equity interest held by the Group** | | **Principal activity** |
|---|---|---|---|---|
| | | **2017** | 2016 | |
| Strategist Media Holdings Limited | BVI/Hong Kong | —* | 20% | Sales and distribution of Chinese finance and investment magazines sales of advertising spaces in the magazine and online media platforms and event management |

* In December 2017, the Group disposed of its entire interest in Strategist Media Group to a third party for proceeds of HK$2,000,000 resulting in the recognition of a gain on disposal (note 8).

Interests in associates were accounted for using the equity method in the consolidated financial statements for the year ended 31 December 2016. During the year ended 31 December 2016, the Group had recognised its share of losses up to its interests in the associates.

## 19. INVESTMENT PROPERTY

| | HK$ |
|---|---:|
| FAIR VALUE | |
| At 1 January 2016 | — |
| Additions | 11,962,800 |
| At 31 December 2016 | 11,962,800 |
| Fair value gain on investment property | 937,200 |
| At 31 December 2017 | 12,900,000 |

The Group's investment property held under operating leases to earn rentals is measured using the fair value model. Subsequent to the end of the reporting period, the investment property was disposed (note 46).

The investment property represents an office premise in Hong Kong acquired by the Group on 30 November 2016. The directors of the Company are of the opinion that there was insignificant change in the value of the investment property since its acquisition up to 31 December 2016, hence no adjustment on fair value change had been made in 2016.

As at 31 December 2017, the fair value of the Group's investment property has been arrived at on the basis of a valuation carried out by Royson Valuation Advisory Limited, independent qualified professional valuer not connected to the group.

In estimating the fair value of the property, the highest and best use of the property is its current use.

Fair value measurements using significant unobservable inputs (Level 3):

**At 31 December 2017**

| Description | Fair value HK$ | Valuation technique | Significant unobservable inputs | Sensitivity |
|---|---:|---|---|---|
| Commercial building in Hong Kong | 12,900,000 | Direct comparison method | Price per square feet, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from HK$12,374 to HK$14,619 per square feet | An increase in the price per square feet used would result in an increase in the fair value of the properties, and vice versa. |

There is no transfers into or out of Level 3 during the year.

## 20. GOODWILL

| | HK$ |
|---|---|
| COST AND CARRYING VALUES | |
| Acquisition of businesses and balance at 31 December 2016 and 1 January 2017 | 33,051,369 |
| Disposal of a business (note 35) | (25,480,813) |
| Impairment loss | (7,570,556) |
| At 31 December 2017 | — |

Particulars regarding impairment loss on goodwill are disclosed in note 22.

## 21. INTANGIBLE ASSETS

| | LNG and related trading licences HK$ | Online LNG trading platform under development HK$ | Money lending licence HK$ | Total HK$ |
|---|---|---|---|---|
| COST | | | | |
| At 1 January 2016 | — | — | — | — |
| Acquired on acquisition of businesses (note 33) | — | 1,449,647 | — | 1,449,647 |
| Acquired on acquisition of a subsidiary (note 34) | 311,651 | — | — | 311,651 |
| At 31 December 2016 | 311,651 | 1,449,647 | — | 1,761,298 |
| Acquisition | — | — | 449,850 | 449,850 |
| Disposal | — | — | (449,850) | (449,850) |
| Disposed as part of the discontinued operation (note 35) | (311,651) | (1,449,647) | — | (1,761,298) |
| At 31 December 2017 | — | — | — | — |
| AMORTISATION | | | | |
| At 1 January 2016 | — | — | — | — |
| Charge for the year | 43,284 | — | — | 43,284 |
| At 31 December 2016 | 43,284 | — | — | 43,284 |
| Charge for the year | 60,598 | — | 273,607 | 334,205 |
| Written off on disposal | — | — | (273,607) | (273,607) |
| Written off on disposal as part of the discontinued operation (note 35) | (103,882) | — | — | (103,882) |
| At 31 December 2017 | — | — | — | — |
| CARRYING VALUES | | | | |
| At 31 December 2017 | — | — | — | — |
| At 31 December 2016 | 268,367 | 1,449,647 | — | 1,718,014 |

## 21. INTANGIBLE ASSETS (Continued)

Intangible assets, except for those under development, are amortised on a straight-line basis over the following periods:

| | |
|---|---|
| LNG and related trading licences | 3 years |
| Money lending licence | 1 year |

Intangible assets under development are amortised when it is ready for their intended use.

## 22. IMPAIRMENT LOSS ON GOODWILL

During the year ended 31 December 2017, the directors have determined there was an impairment loss on goodwill of HK$7,570,556 (2016: nil).

The impairment loss was recognised in respect of the cash generating unit ("CGU") for the Group's mobile app development business, with reference to its recoverable amount which was determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5 year period and a discount rate of 20.5% (2016: 20.5%). The impairment loss was recognised as a result of the continued operating loss of the mobile app development business in 2017 which exceeded the directors' expectations.

During the year ended 31 December 2016, the directors have also tested the goodwill arising from LNG and related products trading business CGU for impairment loss, with reference to the value in use calculation of the CGU. The calculation used a cash flow projection based on financial budgets approved by management covering a 5 year period and a discount rate of 20%. No impairment loss was recognised in 2016. The LNG and related products trading business was disposed of during the year ended 31 December 2017 (note 12).

## 23. INVENTORIES

| | **2017**<br>**HK$** | 2016<br>HK$ |
|---|---|---|
| LNG and related products | — | 391,504 |

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2017**<br>**HK$** | 2016<br>HK$ |
|---|---|---|
| Listed securities in Hong Kong | **2,907,000** | — |

## 25. AMOUNT DUE FROM A FORMER SHAREHOLDER

The amount is due from Fuwin Group (Holding) Limited ("Fuwin"), a former shareholder of the Company, unsecured, interest-free and repayable on demand. The maximum amount outstanding during the year was HK$2,510 (2016: HK$2,510).

## 26. TRADE AND OTHER RECEIVABLES

| | **2017 HK$** | 2016 HK$ |
|---|---|---|
| Trade receivables | **4,545,812** | 27,187,305 |
| Less: allowance for doubtful debts | **(887,630)** | (778,000) |
| | **3,658,182** | 26,409,305 |
| Deposits | **743,367** | 4,980,226 |
| Prepayment | **391,247** | 3,181,807 |
| Other receivables | **236,138** | 1,890,514 |
| | **5,028,934** | 36,461,852 |

During the year ended 31 December 2017 and 2016, the Group provided customers with credit period ranging from 0 to 90 days and 0 to 180 days 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 2017 and 2016, 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:

| | **2017 HK$** | 2016 HK$ |
|---|---|---|
| Current | **1,763,168** | 2,944,100 |
| 1–30 days | **405,962** | 14,587,570 |
| 31–90 days | **438,300** | 2,694,239 |
| Over 90 days | **1,050,752** | 6,183,396 |
| | **3,658,182** | 26,409,305 |

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$1,895,014 (31 December 2016: HK$23,465,205) 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.

## 26. TRADE AND OTHER RECEIVABLES (Continued)

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

| | 2017<br>HK$ | 2016<br>HK$ |
|---|---|---|
| 1–30 days | **405,962** | 14,587,570 |
| 31–90 days | **438,300** | 2,694,239 |
| Over 90 days | **1,050,752** | 6,183,396 |
| | **1,895,014** | 23,465,205 |

Movement in the allowance for doubtful debts.

| | 2017<br>HK$ | 2016<br>HK$ |
|---|---|---|
| 1 January | **778,000** | 778,000 |
| Impairment losses recognised on receivables | **109,630** | — |
| 31 December | **887,630** | 778,000 |

Included in the above provision for impairment of trade receivables was a provision for individually impaired trade receivables with an aggregate balance of HK$887,630 (31 December 2016: HK$778,000).

## 27. BANK BALANCES AND CASH

Bank balance comprise cash and short-term bank deposits with a maturity period of three months period or less bearing prevailing market interest rates. As at 31 December 2017, the effective interest rate range from 0.01% to 0.1% (2016: 0.01% to 0.1%) per annum.

## 28. TRADE AND OTHER PAYABLES

| | 2017<br>HK$ | 2016<br>HK$ |
|---|---|---|
| Trade payables | **1,054,407** | 9,875,106 |
| Other payables and accrued expenses | **3,888,308** | 6,503,350 |
| Receipt in advance | **1,310,312** | 8,796,066 |
| | **6,253,027** | 25,174,522 |

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

## 28. TRADE AND OTHER PAYABLES (Continued)

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

| | 2017<br>HK$ | 2016<br>HK$ |
|---|---|---|
| 0–60 days | **867,471** | 9,164,618 |
| 61–90 days | **127,700** | 613,298 |
| Over 90 days | **59,236** | 97,190 |
| | **1,054,407** | 9,875,106 |

During the year, the credit period granted by the suppliers are generally ranging from 0 to 120 days (2016: 0 to 120 days).

## 29. BANK BORROWINGS

All the bank borrowings have been repaid or disposed of as part of the Group's discontinued operation (note 35) during the year ended 31 December 2017. Details of the Group's bank borrowings as at 31 December 2016 are set out below.

| | 2016<br>HK$'000 |
|---|---|
| Secured by property, plant and equipment | 229,130 |
| Unsecured | 2,489,522 |
| | 2,718,652 |
| Carrying amounts repayable*: | |
| Within one year | 2,640,525 |
| More than one year but not more than two years | 78,127 |
| | 2,718,652 |
| Within one year | 2,640,525 |
| Carrying amounts of bank borrowings that are not repayable within one year but contain a repayment on demand clause (shown under current liabilities) | — |
| Amounts due within one year shown under current liabilities | 2,640,525 |
| Add: Amounts shown under non-current liabilities | 78,127 |
| | 2,718,652 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

## 29. BANK BORROWINGS (Continued)

For the year ended 31 December 2016, the variable rate bank borrowings carry interest at Hong Kong Dollar Best Lending Rate less 0.5%.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

| | 2016 |
|---|---|
| Effective interest rates | |
| Fixed-rate borrowings | 5.66%–11.31% |
| Variable-rate borrowings | 4.75% |

The bank borrowings are all denominated in the functional currencies of the respective group entities.

## 30. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, interest free and repayable on demand.

## 31. PROMISSORY NOTES PAYABLE

During the year ended 31 December 2016, the Company issued two interest-free promissory notes with principal amounts of HK$24,250,000 and HK$8,750,000 that will mature on 28 June 2018 and 28 June 2019, respectively (the "Promissory Notes") as part of the consideration to acquire Lasermoon Group.

As at 31 December 2016, the carrying values of the two Promissory Notes were approximately HK$19,478,186 and HK$6,050,224, respectively. At date of initial recognition, the fair value of the Promissory Notes had been arrived on the basis of a valuation carried out on the date of issue by an independent professional valuer. The effective interest rates used were 15.86% and 15.99% per annum respectively.

The promissory notes were assigned to the buyer of Lasermoon as part of the Group's disposal of the discontinued operation (note 35) during the year.

## 32. SHARE CAPITAL OF THE COMPANY

| | Number of shares | Share capital HK$ |
|---|---|---|
| Ordinary shares of HK$ 0.001 each | | |
| Authorised: | | |
| At 1 January 2016, 31 December 2016 and 31 December 2017 | 100,000,000,000 | 100,000,000 |
| Issued and fully paid: | | |
| At 1 January 2016 | 7,200,000,000 | 7,200,000 |
| Issued of new shares by way of placing (note i) | 1,440,000,000 | 1,440,000 |
| At 31 December 2016 and 31 December 2017 | 8,640,000,000 | 8,640,000 |

(i) On 30 December 2016, the Company issued and allocated 1,440,000,000 shares by way of placing, at the placing price of HK$0.028 per placing share, raising gross proceeds of approximately HK$40,320,000.

## 33. ACQUISITION OF BUSINESSES

(a) On 24 June 2016, the Group acquired 100% of the issued share capital of Lasermoon from an independent third party for a consideration of HK$25,673,000 settled by cash of HK$2,000,000 and the issue of Promissory Notes with a fair value of HK$23,673,000. Details relating to the Promissory Notes are set out in note 31. This acquisition had been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$25,480,813. Lasermoon Group is engaged in trading of LNG and other related products.

During the year ended 31 December 2017, Lasermoon Group was disposed to an independent third party, details of which are set out in notes 12 and 35. The details relating to the acquisition of Lasermoon Group in 2016 are set out below.

### Consideration transferred

| | HK$ |
|---|---|
| Cash | 2,000,000 |
| Promissory Notes | 23,673,000 |
| | 25,673,000 |

Acquisition related costs amounting to HK$1,341,000 had been excluded from the consideration transferred and had been recognised as an expense in 2016, within the operating expenses line item in the consolidated statement of profit or loss and other comprehensive income.

## 33. ACQUISITION OF BUSINESSES (Continued)

(a) (Continued)

Assets acquired and liabilities assumed at the date of acquisition were as follows:

| | HK$ |
|---|---|
| Plant and equipment | 221,748 |
| Intangible assets | 1,449,647 |
| Prepayment and other receivables | 860,104 |
| Bank balances and cash | 18,427 |
| Bank borrowings | (1,167,056) |
| Other payables | (799,471) |
| Less: non-controlling interest | (391,212) |
| | 192,187 |

The fair value and the gross contractual amounts of prepayment and other receivables at the date of acquisition amounted to HK$860,104. No contractual cash flows was expected to be irrecoverable under the best estimate at acquisition date.

Goodwill arising on acquisition:

| | HK$ |
|---|---|
| Consideration transferred | 25,673,000 |
| Less: net assets acquired | (192,187) |
| Goodwill arising on acquisition | 25,480,813 |

Goodwill arose in the acquisition of Lasermoon Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of Lasermoon Group. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions was expected to be deductible for tax purposes.

**Net cash outflow on acquisition of Lasermoon Group**

| | HK$ |
|---|---|
| Cash consideration paid | 2,000,000 |
| Less: cash and cash equivalent balances acquired | (18,427) |
| | 1,981,573 |

## 33. ACQUISITION OF BUSINESSES (Continued)

(b) On 29 August 2016, the Group acquired 51% of the issued share capital of Qihui Group (International) Limited (formerly named Gold Upward Technology Limited) from an independent third party for a consideration of RMB6,000,000 (equivalent to approximately HK$7,064,961). This acquisition had been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$7,570,556. Qihui Group (International) Limited (formerly named Gold Upward Technology Limited) and its subsidiaries (collectively referred to as the "Qihui Group") is engaged in mobile phone app development and provision of app solutions for its clients. Qihui Group was acquired so as to leverage on the Group's existing business network.

**Consideration transferred**

| | HK$ |
|---|---|
| Cash | 7,064,961 |

Acquisition-related costs amounting to HK$292,000 had been excluded from the consideration transferred and had been recognised as an expense in 2016, within the operating expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition were as follows:

| | HK$ |
|---|---|
| Plant and equipment | 113,981 |
| Trade and other receivables | 292,841 |
| Bank balances and cash | 237,876 |
| Trade and other payables | (1,522,108) |
| Amounts due to a non-controlling shareholder | (113,953) |
| | (991,363) |

## 33. ACQUISITION OF BUSINESSES (Continued)

(b) (Continued)

The fair value and the gross contractual amounts of trade and other receivables at the date of acquisition amounted to HK$292,841. No contractual cash flows was expected to be irrecoverable under the best estimate at acquisition date.

Goodwill arising on acquisition:

| | HK$ |
|---|---|
| Consideration transferred | 7,064,961 |
| Less: non-controlling interests (49% in Qihui Group) | (485,768) |
| Plus: net liabilities acquired | 991,363 |
| Goodwill arising on acquisition | 7,570,556 |

Goodwill arose in the acquisition of Qihui Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected revenue growth, future market development and the assembled workforce of Qihui Group. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions was expected to be deductible for tax purposes.

***Net cash outflow on acquisition of Qihui Group***

| | HK$ |
|---|---|
| Cash consideration paid | 7,064,961 |
| Less: cash and cash equivalent balances acquired | (237,876) |
| | 6,827,085 |

## 34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 8 August 2016, the Group acquired the entire issued share capital of Ning Xia Zhong Ji He Chuang Energy Limited Company ("Zhong Ji") from an independent third party for consideration of approximately HK$303,203 (RMB260,000). Zhong Ji was acquired by the Group as part of its expansion in the LNG trading business. Zhong Ji held certain LNG and related trading licences. The acquisition was determined by the directors of the Company to be acquisition of assets through acquisition of a subsidiary rather than a business combination because the assets acquired did not constitute a business as defined under HKFRS 3 (revised) "Business Combinations".

During the year ended 31 December 2017. Zhong Ji was disposed as part of the Group's disposal of the Lasermoon Group, details of which are set out in notes 12 and 35. The assets acquired and liabilities assumed at the date of acquisition in 2016 were as follows:

| | HK$ |
|---|---|
| Plant and equipment | 418,397 |
| Intangible assets | 311,651 |
| Other receivables | 2,332,334 |
| Tax recoverable | 65,744 |
| Bank balances and cash | 11,662 |
| Bank borrowings | (2,635,328) |
| Other payable | (201,257) |
| | 303,203 |

***Net cash outflow on acquisition of Zhong Ji***

| | HK$ |
|---|---|
| Cash consideration paid | 303,203 |
| Less: cash and cash equivalent balances acquired | (11,662) |
| | 291,541 |

## 35. DISPOSAL OF A BUSINESS

As referred to note 12, the Group discontinued its of LNG and related products trading business. The consideration and net assets of Lasermoon Group at the date of disposal on 24 July 2017 were as follow:

### Consideration

| | HK$ |
|---|---|
| Cash | 3,000,000 |
| Carrying amount of promissory note assigned to the buyer | 27,730,268 |
| | 30,730,268 |

| | **24 July 2017**<br>HK$ |
|---|---|
| **Analysis of assets and liabilities disposed:** | |
| Intangible assets | 1,657,416 |
| Plant and equipment | 494,018 |
| Trade and other receivables | 20,585,077 |
| Prepayment and deposits | 4,478,906 |
| Bank balances and cash | 783,179 |
| Trade and other payables | (24,263,055) |
| Bank borrowings | (3,362,904) |
| Tax payable | (261,421) |
| Amounts due to non-controlling shareholders | (2,270,700) |
| | (2,159,484) |
| Release of non-controlling interests | 860,276 |
| Release of exchange reserve | 157,656 |
| Goodwill | 25,480,813 |
| | 24,339,261 |
| Gain on disposal | 6,391,007 |
| Total consideration | 30,730,268 |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 3,000,000 |
| Less: bank balance and cash disposed of | (783,179) |
| | 2,216,821 |

The impact of Lasermoon Group on the Group's results and cash flows in the current and prior periods is disclosed in note 12.

## 36. SHARE OPTION SCHEME

The Company adopted a share option scheme on 23 January 2015 (the "Scheme") for the purpose of providing incentives and rewards to eligible participants including:

(i) any executive or non-executive director including any independent non-executive director or any employee (whether full-time or part-time) of any member of the Group;

(ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of the Group;

(iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to the Group;

(iv) any provider of goods and/or services to the Group; and

(v) any other person who the Board considers, in its sole discretion, has contributed to the Group to take up options (together, the "Participants").

The Company is entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the Shares in issue on the listing date on 16 February 2015. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme does not exceed 30% of the shares in issue of the Company from time to time. The total number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders, with such individual and his or her close associates (or his associates if the individual is a connected person) abstaining from voting.

Offer of an option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

An option may be exercised in accordance with the terms of the Scheme and such other terms and conditions upon which an option was granted, at any time during the option period after the option has been granted but in any event, not longer than 10 years from the date of grant. An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

Options granted may be exercised at any time during the option period and are to be settled by issuance of the Company's shares. The directors may at their absolute discretion determine the period during which an option may be exercised, such period to expire not later than 10 years from the date of grant of the option. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share on the date of grant, (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the share.

The Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Scheme is adopted, after which period no further options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue.

During the year ended 31 December 2017, no option was granted under the Scheme to directors, employees or consultants of the Group, and as at the end of the reporting period, there was no outstanding share options granted under the Scheme (2016: Nil).

## 37. EMPLOYEE RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly contribution of HK$1,500. Contributions to the plan vest immediately.

The Group's employees who are employed by subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits, the only obligation of the Group with respect to the retirement benefits is to make the specified contributions.

Save for the above, the Group has no other obligation for payment of retirement benefits to employees.

## 38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

## 39. FINANCIAL INSTRUMENTS

### Categories of financial instruments

| | **2017**<br>**HK$** | 2016<br>HK$ |
|---|---|---|
| **Financial assets** | | |
| Financial asset at FVTPL | **2,907,000** | — |
| Loans and receivables | **45,852,253** | 72,638,147 |
| | **48,759,253** | 72,638,147 |
| **Financial liabilities** | | |
| Amortised cost | **2,490,124** | 43,057,126 |

## 39. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies

The Group's major financial instruments include listed securities amount due from a former shareholder, trade and other receivables, bank balances and cash, trade and other payables, bank borrowings, amounts due to non-controlling shareholders of subsidiaries and promissory notes payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risk***

*(i) Currency risk*

Substantially all of the Group's monetary assets and liabilities are denominated in Hong Kong dollars and Renminbi same as the 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.

*(ii) Interest rate risk*

In prior year, the Group was exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 29 for details of these borrowings).

In prior year, the Group was exposed to cash flow interest rate risk in relation to floating-rate bank borrowings. The Group currently does not have a policy on hedging of interest rate risk. However, the management continuously monitors interest rate exposure and will consider hedging interest rate risk should the need arise.

The Group is not exposed to any significant interest rate risk which may materially affect the Group's results of operations in 2016. No interest rate risk is expected in current year as all bank borrowings were repaid.

*(iii) Equity price risk*

The Group is exposed to equity price risk through its investments in equity securities listed in Hong Kong.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective equity instruments had been 20% higher/lower, the post-tax loss for the year ended 31 December 2017 would decrease/increase by HK$485,469 as a result of the changes in fair value of the financial assets at FVTPL.

## 39. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing 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. The Group does not require collateral in respect of its financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has concentration of credit risk as 11% (2016: 13%) of the total trade receivables of the Company was due from the largest customer and 43% (2016: 46%) of the total trade receivables of the Group was due from the largest 5 customers. Taking into accounts the creditworthiness of the customers, the credit risk measures and the historical levels of bad debts, the directors consider that such concentration of credit risk would not result in significant credit default exposure to the Group.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

#### *Liquidity risk*

The Group's policy is to regularly monitor 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.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

## 39. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

***Liquidity risk (Continued)***

| | Weighted average interest rate | On demand or less than 1 month | Over 1 year but less than 2 years | Over 2 years but within 5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|
| | % | HK$ | HK$ | HK$ | HK$ | HK$ |
| **2017** | | | | | | |
| Trade and other payables | — | **2,376,171** | — | — | — | **2,376,171** |
| Amounts due to non-controlling shareholders of subsidiaries | — | **113,953** | — | — | — | **113,953** |
| | | **2,490,124** | — | — | — | **2,490,124** |
| **2016** | | | | | | |
| Bank borrowings | 8.89 | 2,843,137 | 156,254 | — | 2,999,391 | 2,718,652 |
| Trade and other payables | — | 12,504,967 | — | — | 12,504,967 | 12,504,967 |
| Amounts due to non-controlling shareholders of subsidiaries | — | 2,305,097 | — | — | 2,305,097 | 2,305,097 |
| Promissory notes payable | 15.89 | — | 24,250,000 | 8,750,000 | 33,000,000 | 25,528,410 |
| | | 17,653,201 | 24,406,254 | 8,750,000 | 50,809,455 | 43,057,126 |

***Fair value measurements of financial instruments***

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the year ended 31 December 2017. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets | Fair value as at 31.12.2017 HK$ | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | 2,907,000 | Level 1 | Quoted bid prices in an active market | N/A | N/A |

The carrying amounts of all financial instruments carried at amortised cost are not materially different from their fair values at 31 December 2016.

## 40. OPERATING LEASES

### The Group as lessee

At the end of the reporting period, the Group was committed to the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | Office premises | | Outdoor media resources | |
|---|---|---|---|---|
| | **2017** **HK$** | 2016 HK$ | **2017** **HK** | 2016 HK$ |
| Within one year | **647,674** | 1,485,758 | **9,467** | 9,103,270 |
| In the second to fifth years inclusive | **—** | 779,005 | **—** | — |
| | **647,674** | 2,264,763 | **9,467** | 9,103,270 |

Operating lease payments represent rentals payable by the Group for its office and certain outdoor media resources. Rentals are fixed for terms ranging from 1 year to 2 years (2016: 1 year to 2 years).

### The Group as lessor

Property rental income earned during the year was HK$374,097 (2016: HK$16,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

| | Office premises | |
|---|---|---|
| | **2017** **HK$** | 2016 HK$ |
| Within one year | **12,903** | 192,000 |

## 41. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the consolidated financial statements, the Company has entered into the following transactions with related parties:

### (a) Key management personal remuneration

The key management personnel of the Group are its directors. Further details of their emoluments are disclosed in note 13.

## 41. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (b) Shareholder's indemnity

Mr. Kwan Shun Keung, Timmy and Ms. Yip Tsz Lam, the former controlling shareholders and directors of the Company, had provided a joint indemnity in favor of the Group from and against, among other things, all actions, claims, losses, payments, charges, costs, penalties, damages or expenses which the Group may incur, suffer or accrue, directly or indirectly, that may rise from or in connection with the non-compliance matters as set out in note 42.

## 42. CONTINGENT LIABILITIES

The Group is subject to maximum penalty and fines of HK$854,000 (2016: 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. This possible maximum penalty and fines will be indemnified, when required, by the former shareholders as set out in note 41(b).

## 43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | **Bank borrowings** HK$ (note 29) |
|---|---:|
| At 1 January 2017 | 2,718,652 |
| Financing cash flows | 532,663 |
| Disposal of a subsidiary | (3,362,904) |
| Currency requirement | 14,363 |
| Interest paid | 97,226 |
| At 31 December 2017 | — |

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the reporting period are set out below.

| Name of subsidiary | Place of incorporation/ operations | Class of shares held | Paid up/ capital | Registered capital | Proportion ownership interest held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | | Indirect | | |
| | | | | | 2017 | 2016 | 2017 | 2016 | |
| Allied Power Management Limited | Hong Kong | Ordinary | HK$1 | HK$1 | **100%** | 100% | **—** | — | Provision of management service |
| GO Media Limited | Hong Kong | Ordinary | HK$1 | HK$1 | **100%** | 100% | **—** | — | Provision of outdoor advertising service |
| Ocean Media (Hong Kong) Limited | Hong Kong | Ordinary | HK$100 | HK$100 | **—** | — | **100%** | 100% | Sales and free distribution of Chinese lifestyle magazines and sales of advertising spaces in the magazines |
| Ning Xia Ji Qi Mao Network Technology Limited Company* 寧夏集氣貓網絡科技有限公司△ | PRC | Ordinary | RMB1,295,200 | RMB10,000,000 | **—** | — | **—** | 51% | Internet information technology development, e-commerce, sales, installation, testing and maintenance of information system, and development of software |
| Shenzhen Yu Bao Internet Company Limited* 深圳裕寶網絡有限公司# | PRC | Ordinary | — | RMB80,000 | **—** | — | **—** | 100% | Operating e-commerce trading platform of LNG |
| Ning Xia Zhong Ji He Chuang Energy Limited Company* 寧夏中際合創能源有限公司# | PRC | Ordinary | — | RMB10,000,000 | **—** | — | **—** | 51% | Trading of LNG and related products |
| Shenzhen Yu Bao Network Limited Company* 深圳裕寶網絡有限公司# | PRC | Ordinary | — | RMB80,000 | **—** | — | **—** | 93% | Operating e-commerce trading platform of LNG |
| Guangzhou Qihui Marketing and Planning Company Limited* 廣州啟滙營銷策劃有限公司# | PRC | Ordinary | RMB200,000 | RMB5,000,000 | **—** | — | **51%** | 51% | Provision of mobile application development service |

* Translation for identification purpose only

△ These companies were established in the PRC in the form of wholly Foreign-owned Enterprises.

\# Limited liability company established in the PRC

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Company which in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would in the opinion of the directors result in particulars of excessive length.

The directors of the Company are of the opinion that none of the Company's subsidiaries has non-controlling interests as at 31 December 2017 that are individually material to the Group, therefore, no further financial information in respect of these subsidiaries with non-controlling interests are presented.

## 45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | Note | 2017 HK$ | 2016 HK$ |
|---|---|---|---|
| Non-current assets | | | |
| Office equipment | | **606,165** | 923,700 |
| Investments in subsidiaries | | **5,890,110** | 33,696,437 |
| | | **6,496,275** | 34,620,137 |
| Current assets | | | |
| Amount due from a former shareholder | | **2,510** | 2,510 |
| Amounts due from subsidiaries | | **20,684,197** | 22,822,676 |
| Other receivables | | **522,242** | 486,515 |
| Cash and cash equivalents | | **31,901,093** | 39,254,102 |
| | | **53,110,042** | 62,565,803 |
| Current liabilities | | | |
| Other payables | | **(1,161,060)** | (898,779) |
| | | **(1,161,060)** | (898,779) |
| Net current assets | | **51,948,982** | 61,667,024 |
| Total assets less current liabilities | | **58,445,257** | 96,287,161 |
| Non-current liabilities | | | |
| Promissory notes payable | | **—** | (25,528,410) |
| Net assets | | **58,445,257** | 70,758,751 |
| Capital and reserves | | | |
| Share capital | 32 | **8,640,000** | 8,640,000 |
| Reserve | | **49,805,257** | 62,118,751 |
| Total equity | | **58,445,257** | 70,758,751 |

## 45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

| | Share premium HK$ | Retained profits (accumulated losses) HK$ | Total equity HK$ |
|---|---|---|---|
| As at 31 December 2015 | 57,469,914 | 8,441,943 | 65,911,857 |
| Issue of new shares by way of placing | 38,880,000 | — | 38,880,000 |
| Share issue expenses | (2,019,104) | — | (2,019,104) |
| Loss for the year and total comprehensive expenses for the year | — | (40,654,002) | (40,654,002) |
| As at 31 December 2016 | 94,330,810 | (32,212,059) | 62,118,751 |
| Loss for the year and total comprehensive expenses for the year | — | (12,313,494) | (12,313,494) |
| As at 31 December 2017 | 94,330,810 | (44,525,553) | 49,805,257 |

## 46. EVENT AFTER THE REPORTING PERIOD

On 14 March 2018, the Group entered into an agreement to sell its equity interest in a subsidiary of the Group at the consideration of HK$12,900,000. The investment property was disposed as a result of the disposal of the subsidiary.

On 16 March 2018. The Group entered into a loan agreement to provide a loan to a borrower, in the principal amount of RMB10,000,000 with interest of 4% per month for 2 months since the drawdown date. The borrower is an independent third party and the sole purpose of the loan is to provide financial assistance to a company held by the borrower (the "Subsidiary"), for 10% injection in a company established in PRC. The loan is secured by the borrower's entire interest in the Subsidiary. The Group has an option to buy the borrowers entire interest in capital of the Subsidiary or any entity designated by the Group at a reasonable price.

On 22 March 2018, the Group entered into the sale and purchase agreement to purchase 67% of the equity interest of a company (the "Target Company") at the consideration HK$3,015,000. The Group also entered into a loan agreement with the Target Company for a principal amount not exceeding HK$3,000,000 with 5% interest per annum for 3 years from the date of first drawdown.