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Post Hearing Information Pack of

Winto Group (Holdings) Limited (the "Company")
惠陶集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

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Winto Group (Holdings) Limited
惠陶集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] Shares comprising [REDACTED] New Shares and [REDACTED] [REDACTED] Shares**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED] (payable in full upon application and subject to refund, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange [REDACTED] fee of 0.005%)**
Nominal value	**:**	**HK$0.01 per Share**
GEM stock code	**:**	**[REDACTED]**

Joint Sponsors

VC CAPITAL LIMITED
滙盈融資有限公司

[REDACTED]

AmCap
Ample Capital Limited
豐盛融資有限公司

[REDACTED]

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The [REDACTED] is expected to be fixed by the Price Determination Agreement between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before [REDACTED]. The [REDACTED] will not be more than HK$[REDACTED] per Share and is expected to be not less than HK$[REDACTED] per Share. If the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the [REDACTED] by that date or such later date as agreed by the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the [REDACTED] will not become unconditional and will not proceed. In such event, the Company will issue an announcement to be published on the GEM website and the Company's website at [http://oceanmediahk.com].

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including but not limited to the risk factors set out in the section headed "Risk Factors" of this document.

Prospective investors of the [REDACTED] should note that the obligations of the Underwriters under the Underwriting Agreement to [REDACTED] for, and to procure [REDACTED] for the subscription for the [REDACTED], are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the paragraph under "Grounds for termination" in the "Underwriting" section of this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED] Date.

[REDACTED] 2015

CHARACTERISTICS OF GEM

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

This document is issued by the Company solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this document pursuant to the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any circumstances.

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CONTENTS

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED].

BUSINESS

The Group is principally engaged in (i) the sales and free distribution of Chinese-language lifestyle Magazines in Hong Kong through the distribution services provided by the Distributor, an Independent Third Party; and (ii) the sales of advertising spaces in the Magazines. Sales of Magazines accounted for approximately 4.4%, 3.5%, 1.7% and 1.7% of the total turnover of the Group for the three years ended 31 December 2013 and for the eight months ended 31 August 2014 respectively. Currently, the Magazines comprise 2 fortnightly magazines (namely "Motoz Trader" and "Motoz Trader (Free)"), 2 monthly 2-in-1 magazines (one magazine named as "Motoz Xpress" on one cover and named as "Shopping Monthly" on the other cover; and the other magazine named as "Motoz Xpress (Free)" on one cover and named as "Shopping Monthly (Free)" on the other cover), 1 bi-monthly magazine (namely "Pets Buyer") and 1 quarterly magazine (namely "Bplus"). The entire amount paid by readers for purchases of magazines at the retail points has been recognised as turnover of the Group; and the distribution fees deducted by the Distributor for its services have been recognised as cost of sales.

The main source of revenue of the Group was derived from the sales of advertising spaces in the Magazines and to a lesser extent, the sales of the paid version of the Magazines at convenience stores and newsstands in Hong Kong during the Track Record Period and in Macau until October 2012. The Group mainly used information provided by its advertising customers for the content of the Magazines instead of writing the Magazines on its own. The table below sets out a breakdown on turnover of the Group by sources of income and by magazines during the Track Record Period:

	Year ended 31 December						Eight months ended 31 August 2014	
	2011		2012		2013			
	Advertising income	Sales of magazines	Advertising income	Sales of magazines	Advertising income	Sales of magazines	Advertising income	Sales of magazines
	(HK$)	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*
Motoz Trader	5,505,704	599,972	4,980,403	374,490	7,456,321	296,240	4,332,500	190,300
Motoz Trader (Free)	4,347,491	–	6,851,125	–	10,230,543	–	6,603,724	–
Motoz Xpress/Shopping Monthly	5,687,200	131,045	3,922,987	168,360	5,440,257	128,768	2,879,282	67,544
Motoz Xpress/Shopping Monthly (Free)	–	–	–	–	2,747,505	–	1,198,546	–
Pets Buyer	2,260,300	106,965	755,020	47,430	812,713	40,230	292,263	13,635
Bplus	735,000	9,036	254,118	13,980	901,852	21,684	325,609	5,112
Total	18,535,695	847,018	16,763,653	604,260	27,589,191	486,922	15,631,924	276,591
Total Revenue		19,382,713		17,367,913		28,076,113		15,908,515

Sales of advertising spaces

The major source of revenue of the Group is the sales of advertising spaces in the Magazines, which accounted for approximately 95.6%, 96.5%, 98.3% and 98.3% of the total turnover of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014, respectively. The Group generally generated higher advertising income in November and December (i.e. before Christmas and Chinese New Year) in the past. Turnover of the Group for the year ended 31 December 2012 did not reflect such pattern mainly due to the reduction of advertising orders from Customer Group A, a major customer. You may refer to the "Risk factors" section on pages 30 to 31 of this document for the disclosure of the seasonal impact as a risk factor. Sales and marketing staffs of the Group sell advertising spaces in the Magazines directly to customers.

Advertising customers

A breakdown on advertising income of the Group by number of customers placing advertisements of similar industry types during the Track Record Period is set out as below. The Group regards those customers having common shareholder/director/management as a single customer group (referred as a "customer" or a "customer group" in this document):

	Year ended 31 December						Eight months ended 31 August 2014	
	2011		2012		2013			
Industry type of advertisements	*HK$*	*No. of customers*	*HK$*	*No. of customers*	*HK$*	*No. of customers*	*HK$*	*No. of customers*
Professional firms *(Note 1)*	81,800	2	46,100	2	5,019,350	4	3,805,813	3
Beauty	8,410,000	1	3,500,000	1	6,443,220	1	3,332,490	2
Car beauty	129,300	12	86,120	12	15,740	5	4,000	1
Education	8,325,000	2	7,350,000	2	6,475,000	2	3,641,728	1
Jewels	235,300	8	252,600	7	384,272	7	261,428	6
Motor dealers	881,515	48	958,823	60	914,690	65	753,770	71
Property agency	313,000	2	4,461,750	3	5,542,529	2	3,095,672	1
Pet shops	7,900	5	34,360	10	48,960	11	13,240	7
Limousine service provider	–	–	–	–	2,680,000	1	500,000	1
Others	151,880	16	73,900	5	65,430	9	223,783	12
Elimination *(Note 2)*	N/A	(3)	N/A	(2)	N/A	(2)	N/A	(1)
Total	18,535,695	93	16,763,653	100	27,589,191	105	15,631,924	104

Note:

1. Professional firms include accounting firms, law firms, security brokerage firms, gold brokerage firms and/or money lenders.

2. Some customer groups have companies operating across different industries. The repeated count of customers in the same customer group is eliminated.

Although the major source of revenue of the Group is the sales of advertising spaces in Motoz Trader and Motoz Trader (Free) and most of the advertising spaces in Motoz Trader and Motoz Trader (Free) are related to automobiles, the Group generated a substantial portion of its advertising income from customers of beauty, education and property agency sectors during the Track Record Period. The industries of the Group's top five customers during the Track Record Period are i) [REDACTED] business and [REDACTED] of beauty products, sales of books and education materials, ii) investment consultancy and property agency, iii) financial services, credit business, bullion business and marketing business, iv) beauty services, v) corporate advisory services, vi) limousine service provider, vii) sales of watches, viii) motor car [REDACTED], and ix) car exhibition organizer. You may refer to the paragraph headed "Advertising fee" under the sub-section headed "Sales of advertising spaces" of the "Business" section on page 111 of this document for the reasons why advertising customers of the Group in certain industries including education, beauty and property agency industries placed advertisements in relatively large amounts on the Group's magazines; and the basis to determine the advertising fee.

The five largest customers of the Group during the Track Record Period are all advertising customers, which in aggregate generated revenue of approximately HK$17.3 million, HK$15.5 million, HK$25.5 million and HK$13.9 million, representing approximately 89.5%, 89.3%, 90.8% and 87.1% of the total turnover of the Group and without taking unallocated expenses and unallocated adjustments into consolidation, such customers contributed an aggregate profit attributable to owners of the Company and operating cash flow before changes in working capital of approximately 89.5%, 89.3%, 90.8% and 87.1% of the total of the Group respectively for the three years ended 31 December 2013 and the eight months ended 31 August 2014. The Group regards those customers having common shareholder/director/management as a single customer group (see note below).

Customer Group A was the largest customer of the Group throughout the Track Record Period. Customer Group O was the third largest customer of the Group for the year ended 31 December 2013 and the eight months ended 31 August 2014. The combined revenue of the Customer Group A was approximately HK$17.0 million, HK$10.9 million, HK$12.8 million and HK$5.8 million for each of the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively, representing approximately 87.9%, 62.5%, 45.7% and 36.3% of the Group's total revenue for the respective periods. The combined revenue of the Customer Group O was nil, nil, approximately HK$3.1 million and HK$3.0 million for each of the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively, representing approximately 0%, 0%, 11.0% and 19.0% of the Group's total revenue for the respective periods. There is no overlap between the members of Customer Group A, Customer Group C and Customer Group O. The other top five customers are individual customers. You may refer to the paragraph headed "Large portion of the Group's turnover was generated from a few major customers and lack of long-term contracts with these customers" of the "Risk factors" section on pages 25 to 26 of this document for disclosure as a risk factor.

To the best knowledge of the Directors, reliance on a few major customers is not common for companies in the magazine industry in Hong Kong. The Group had demonstrated its ability to reduce its reliance on major customers and diversify its customer base through (i) expanding the sales of advertising spaces with the launch of a new magazine namely Motoz Xpress/Shopping Monthly (Free) in 2013 and attracting new customers through cross-selling of advertising spaces; and (ii) widening the distribution network of its magazines in different locations to enhance attractiveness of its magazines to existing or potential advertising customers. The Group considered that it can negotiate businesses with new customers who are interested in placing advertisements in different magazines to increase coverage of readers in the market through buying Advertising Packages with the Group. You may refer to the sub-paragraphs headed "Effort on reducing reliance on major customers" under the paragraph headed "Sales of advertising spaces" of the sub-section headed "Sales and marketing" of the "Business" section on pages 126 to 127 of this document for details.

Note: Customer Group A includes Catil Int'l Beauty Limited, Catil Int'l Ent'l Limited, Knowledge Publication Limited and Customer A1 which have one/two common shareholder(s) or common management at the material time. Customer Group O includes CNI Credit Limited, CNI Financial Group Limited and CNI Bullion Limited. CNI Credit Limited, CNI Financial Group Limited and CNI Bullion Limited represent themselves as a group. Customer Group C includes Customer C1 and Customer C2 which have a common director.

Sales of magazines and distribution of free magazines

During the Track Record Period and as at the Latest Practicable Date, the Group engaged one Distributor, an Independent Third Party, for distribution of the paid version of the Group's magazines to convenience stores and newsstands for sale at different locations in Hong Kong and/or Macau and the free version of the Group's magazines at various despatching points in Hong Kong including petrol filing stations, car parking lots, property agencies, hair product company, hair salons, foot massage shops, cafes, club houses, etc. for free pick up by the public or for free reading at the respective locations. Some of the paid version of the Group's magazines will also be distributed for free reading in beauty shops, animal clinics, foot massage shops and hair salons. For each of the year ended 31 December 2011, 2012, 2013 and the eight months ended 31 August 2014, the Group sold and distributed approximately 139,300, 131,900, 183,300 and 200,800 copies of Magazines. As at each of 31 December 2011, 2012, 2013 and 31 August 2014, the Group had approximately [100], [100], [1,300] and [1,300] free distribution points respectively. The significant increase in free distribution points took place in September 2013. You may refer to the sub-paragraphs headed "Distribution services" of paragraph headed "Suppliers" of the "Business" section on pages 139 to 147 of this document for details.

The Group also cooperates with certain business partners for distribution of its free magazines including companies that operate car parking lots, petrol filling stations, property agencies, hair products company and coffeehouse chain. The Directors believe that the Group's advertising customers focus on its distribution network instead of the circulation when placing advertisement in the Magazines. You may refer to the paragraph headed "Business partners for distribution" of the "Business" section on pages 96 to 100 of this document for details.

SUPPLIERS

The Group engaged i) three, four, six, four and four independent printers for magazine printing and binding services; and ii) one Distributor for distribution of magazines for three years ended 31 December 2013 and eight months ended 31 August 2014 and as at the Latest Practicable Date respectively. The cost arising from their services accounted for approximately i) 83.0%, 87.9%, 91.1% and 94.0% of the Group's total cost of sales; and ii) 17.0%, 12.1%, 8.9% and 6.0% of the Group's total cost of sales for each of the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively.

The Magazines were printed in the printers' factories located in Hong Kong and the PRC. The Directors are of the view that it would be able to replace any of the current four printers by other printers in the market with comparable quality and prices in a timely manner. You may refer to the paragraph headed "Printing services" under the sub-section headed "Suppliers" of the "Business" section on pages 138 to 139 of this document for details. Please also refer to the risk factor headed "Reliance on small number of independent printers for printing of Magazines" under the "Risk factors" section of this document.

For the distribution services, you may refer to the paragraph headed "Distribution services" under the sub-section headed "Suppliers" of the "Business" section on pages 139 to 147 of this document for the principal terms of the distribution agreements between the Group and the Distributor.

MAJOR SHAREHOLDERS' INFORMATION

Mr. Kwan and Ms. Yip, through Fuwin, in aggregate will be deemed interested in approximately [REDACTED]% of the total issued share capital of the Company; while interest of each of the Pre-[REDACTED] Convertible Bond holders will increase from nil to approximately [REDACTED]% of the total issued share capital of the Company immediately after the completion of the full conversion of the Pre-[REDACTED] Convertible Bonds, [REDACTED] and the [REDACTED], without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. You may refer to the sections headed "Controlling, Substantial and Significant Shareholders" section on pages 196 to 197 of this document and "Relationship with Controlling Shareholders" on pages 198 to 199, sub-sections headed "Reorganisation" on page 84 and "Pre-[REDACTED] investments" on pages 85 to 90 of the "History and Development" section of this document for further details.

The following are the principal terms of the Pre-[REDACTED] Convertible Bonds:

Date of Bond Subscription Agreements	Pre-[REDACTED] Convertible Bondholders	Aggregate principal amount for the first tranche and the second tranche of the Pre-[REDACTED] Convertible Bonds	Date of full payment of the subscription money of the first tranche and the second tranche of the Pre-[REDACTED] Convertible Bonds	Number and approximate percentage of shareholding upon [REDACTED]	Approximate cost of investment for the first tranche and the second tranche of the Pre-[REDACTED] Convertible Bonds	Approximate percentage of discount to the mid-point [REDACTED]
10 September 2013	Grand Powerful Group Limited	HK$2,500,000 and HK$7,500,000 respectively	10 September 2013 and 27 January 2014 respectively	[REDACTED] Shares or [REDACTED] of the issued share capital of the Company	HK$[REDACTED] per Share	[REDACTED]
10 September 2013	Mr. Wong Man Hin Charles	HK$2,500,000 and HK$7,500,000 respectively	10 September 2013 and 27 January 2014 respectively	[REDACTED] Shares or [REDACTED] of the issued share capital of the Company	HK$[REDACTED] per Share	[REDACTED]

Due to Mr. Wong Man Hin Charles' subscription of the Pre-[REDACTED] Convertible Bond, VC Capital was not considered an independent sponsor under Rule 6A.07 of the GEM Listing Rules. Please refer to the sub-paragraph headed "Background of the Pre-[REDACTED] Convertible Bondholders" under the sub-section headed "Pre-[REDACTED] investments" of the "History and Developments" section and the "Joint Sponsors' Interest and Independence" section in this document for relevant details.

FINANCIAL INFORMATION

The following is a summary of the consolidated statement of profit or loss and other comprehensive income of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 extracted from the accountants' report, the text of which is set out in Appendix I to this document. This summary should be read in conjunction with the accountants' report as set out in Appendix I to this document.

	Year ended 31 December			Eight months ended 31 August	
	2011	2012	2013	2013	2014
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Audited)*
Turnover	19,382,713	17,367,913	28,076,113	14,093,232	15,908,515
Gross profit	17,789,936	15,665,610	26,225,801	12,945,723	14,369,466
Gross profit margin	*91.8%*	*90.2%*	*93.4%*	*91.9%*	*90.3%*
Profit and total comprehensive income for the year attributable to owners of the company	13,009,644	8,731,939	14,572,826	5,383,663	3,329,872
Net profit margin	*67.1%*	*50.3%*	*51.9%*	*38.2%*	*20.9%*

For the year ended 31 December 2012

Advertising income decreased by approximately 9.6% between the year ended 31 December 2011 and 2012 mainly due to the decrease of advertisement orders from Customer Group A, who was one of the top five customers in each of the Track Record Period. To the best knowledge of the Directors, Customers Group A cut down its budget to advertise in the Group's magazines for the year ended 31 December 2012 mainly because the Customer Group A has been appointed as an agent of a Korean brand beauty product since 2010. In the early stage, the Customer Group A spent more on advertising to promote the Korean brand beauty products so as to draw public awareness towards such beauty products in the market. Thereafter, the Customer Group A may consider that it can reduce the advertisement budget to lower level for the year ended 31 December 2012 for promoting the Korean brand beauty products as it has already caught certain public awareness in the market. Sales of the Magazines decreased by approximately 28.7% between the year ended 31 December 2011 and 2012 mainly because of the Group's effort on promoting the sales of the Magazines to print and distribute promotion leaflets in the second half of 2010, which improved the sales of the Magazines for the year ended 31 December 2011. The Directors considered that the Magazines have obtained certain public awareness as some of the Magazines have been launched for about a year and such activities to boost the sales were not carried out by the Group thereafter. Net profit and net profit margin of the Group decreased from approximately HK$13.0 million and approximately 67.1%, respectively for the year ended 31 December 2011 to approximately HK$8.7 million and approximately 50.3%, respectively for the year ended 31 December 2012.

For the year ended 31 December 2013

Advertising income increased by approximately 64.6% between the year ended 31 December 2012 and 2013 mainly due to (i) the increase of advertisement orders from two existing major customers; and (ii) additional advertisement orders from new major customers solicited during the year ended 31 December 2013. Sales of the Magazines decreased by approximately 19.4% between the year ended 31 December 2012 and 2013 mainly attributable to the fact that only one issue of Motoz Trader was published in February 2013 because of the Chinese New Year as compared to two issues of Motoz Trader were published in February 2012 and the allocation of more printing resources to the printing of Motoz Trader (Free) for the year ended 31 December 2013. Net profit and net profit margin of the Group increased from approximately HK$8.7 million and approximately 50.3%, respectively for the year ended 31 December 2012 to approximately HK$14.6 million and approximately 51.9% respectively for the year ended 31 December 2013.

For the eight months ended 31 August 2014

Advertising income increased by approximately 13.5% between the eight months ended 31 August 2013 and 31 August 2014 mainly due to advertisement posted by six new Advertising Package customers between September 2013 and August 2014. These six new Advertising Package customers contributed revenue of nil and approximately HK$5.7 million for the eight months ended 31 August 2013 and 2014 respectively. The growth in advertising income is partially offset by the approximately HK$2.4 million or 29.0% drop in revenue from Customer Group A between the eight months ended 31 August 2013 and 2014 mainly because it has ceased the online books and online education selling business in early 2014. Net profit of the Group decreased by 38.1% between the eight months ended 31 August 2013 and 31 August 2014 and the net profit margin dropped from 38.2% for the eight months ended 31 August 2013 to 20.9% for the eight months ended 31 August 2014 mainly because of the increase in delivery charges and listing expenses and the newly incurred imputed interest in relation to Pre-[REDACTED] Convertible Bonds.

Long trade receivable turnover days

Historically the Group had significant trade receivables and exceedingly long trade receivables turnover days during the Track Record Period. The trade receivables amounted to approximately HK$14.4 million, HK$15.1 million, HK$22.1 million and HK$12.1 million as at 31 December 2011, 2012, 2013 and 31 August 2014 respectively. The trade receivables turnover days were approximately 270 days, 317 days, 287 days and 185 days for the year ended 31 December 2011, 2012, 2013 and the eight months ended 31 August 2014 respectively. The Group had such significant trade receivables and exceedingly long trade receivables turnover days as (i) for the year ended 31 December 2011 the Group granted credit period in general of 181 days to 1 year to a customer; and (ii) the Group only issued invoices to customers having Advertising Package after publication of all the advertisements under the relevant Advertising Package or the period end of the Advertising Package with credit period of up to 180 days for the two years ended 31 December 2012 while most of these Advertising Packages are on yearly basis. To improve trade receivables turnover and reduce the amount of trade receivables, the Group started adopting progress billing for all new Advertising Package customers from May 2013.

To shorten the trade receivables turnover days, the Group has over the Track Record Period continuously reduced the credit period granted to its Advertising Package customers upon renewal of contracts with them. The maximum credit term granted to Advertising Package customers was 365 days, 180 days after posted all advertisement, 180 days after posted all advertisement and 180 days (after issuance of invoice) for the three years ended 31 December 2013 and the eight months ended 31 August 2014. Subsequent to the Track Record Period, in December 2014, the Group has successfully reduced the credit term with Customer Group A by renewing the three ongoing advertising contracts with Customer Group A. The Group has (i) renewed one contract in December 2014 to shorten the credit term from 180 days to 90 days (after issuance of invoice) (under such contract there is no fixed contract duration, progress billing is not applicable); and (ii) renewed the other two contracts for an aggregate contract sum of HK$5.7 million also in December 2014 to shorten the credit term from 60 days after posted all advertisements to 30 days after posted all advertisements. Therefore, by the end of December 2014, the Group has renewed all ongoing advertising contracts with Customer Group A.

By 31 August 2014 the Group only had two existing Advertising Package customers without progress billing, namely Customer Group A and Anzac Group Company, Limited. Since November 2014, the Group has started to negotiate with Anzac Group Company, Limited to accept progress billing upon renewal of existing advertising contracts. The Group has successfully renewed the Advertising Package with Anzac Group Company, Limited where the credit term is changed from 30 days after posted all advertisements to progress billing for a contract sum of HK$4.5 million in November

2014. In January 2015, the Group has also entered into a new advertising contract for the contract sum of HK$3.65 million with Customer Group A under progress billing. The Group will negotiate better credit terms with the remaining existing Advertising Package customer in a mutually acceptable pace and manner to avoid losing such existing customer. The Directors confirmed that, since the Track Record Period and up to the Latest Practicable Date, the Group did not lose any Advertising Package customer for the reason that the customer did not accept new credit term and therefore there is no significant adverse impact of adoption of progress billing on the Group's business. As at the Latest Practicable Date, the longest credit term granted to customers (without taking into account progress billing) is 30 days after posted all advertisement or 90 days (after issuance of invoice).

To mitigate the risk that progress billing would not be adopted by the Group's major customers, the Group will, for all new Advertising Package customers, require the credit term to be progress billing or better. Therefore the risk that progress billing would not be adopted by the Group's major new customers is prevented. Specifically for the Customer Group A, the Group will exercise the following specific measures in all future contracts with Customer Group A: (i) the maximum credit term shall not exceed the current credit term, i.e. 90 days (after issuance of invoice) or 30 days after posted all advertisements; (ii) the aggregate annual contract sum for all new contracts or contracts to be renewed should not exceed HK$12.8 million, which approximates to the revenue from Customer Group A for the year ended 31 December 2013, otherwise the payment term shall be progress billing or better; (iii) progress billing or better payment term must be adopted in the Group's contracts involving future new magazines. Therefore, the Directors believe that although Customer Group A has not adopted progress billing for all of its contracts, (i) by continuously encouraging Customer Group A to switch to progress billing, and setting the above limits to ensure that the issue of long payment terms will not worsen in future; and (ii) through soliciting new Advertising Package customers with progress billing, the Group's risk factor of long trade receivables settlement periods and credit risks is likely to reduce in future.

Trade receivable turnover days for the sales to Advertising Package customers subject to progress billing were approximately 166 days for the year ended 31 December 2013 and 119 days for the eight months ended 31 August 2014. The reason why such trade receivable turnover days are over 90 days was that (i) customers are required to make payments in intervals of one month to three months under the relevant Advertising Package with progress billing during the Track Record Period; and (ii) some trade receivables for Advertising Package customers subject to progress billing were past due as well. The percentage of these trade receivables past due between 1 to 60 days was 99.6% and 14.4% as at 31 December 2013 and 31 August 2014. The reason that (i) the trade receivable turnover days for the sales to Advertising Package customers subject to progress billing dropped and (ii) the percentage of trade receivable past due as at 31 December 2013 was higher mainly because as at 31 December 2013 the trade receivable due from Customer Group O of approximately HK$1.6 million was overdue by around one month as Customer Group O which was a new customer in the end of 2013, and it took more time for Customer Group O to cross-check the actual advertisements posted in the Magazines and payment for advertising fee for the first time. As at 31 August 2014, Customer Group O had no trade receivable overdue as it has settled the payment on time.

You may refer to the sub-section headed "Principal income statement components" of the "Financial information" section on pages 214 to 228 of this document for details.

MAJOR FINANCIAL RATIOS

The following table sets out major financial ratios for the Group during the Track Record Period:

	Year ended 31 December			Eight months ended 31 August
	2011	2012	2013	2014
Return on equity	143.8%	148.2%	121.1%	47.2%
Return on total assets	78.9%	46.1%	46.6%	8.3%
Current ratio (unit: times)	2.2	1.4	1.6	1.2
Gearing ratio	38.8%	195.4%	122.9%	379.9%
Debt-to-equity ratio	23.4%	185.5%	48.1%	–4.8%
Interest coverage (unit: times)	88.2	20.6	22.1	3.2

You may refer to the sub-section headed "Major financial ratios" under the section headed "Financial information" on pages 249 to 251 of this document for details.

WORKING CAPITAL

Based on the cashflow forecast covering the period for the eighteen months ending 29 February 2016, the Directors are of the opinion that, taking into account the estimated net proceeds of the [REDACTED], the unutilized banking facilities available to the Group, settlement of all outstanding trade receivables when due and its retained resources, being the assumptions based on which the working capital forecast is compiled, the Group will have sufficient working capital for at least the next 12 months from the date of this document.

MAJOR RISK FACTORS

The Group's business and financial performance may be affected by a number of factors. Among all risk factors, the major risk factors being: "Large portion of the Group's turnover was generated from a few major customers and lack of long-term contracts with these customers", "Long trade receivables settlement periods allowed for certain customers may affect the cash flow of the Group and credit risks of customers", "There can be no assurance that by adopting progress billing, the Group's long trade receivable turnover days will be reduced. This could have material adverse effect on the Group's business", "Reliance on a small number of independent printers for printing of Magazines", "Reliance on a single Distributor for distribution of Magazines", "Possible fluctuations in gross profit margin in future", "Reliance on business partners" and "Reliance on key executives and management" under the "Risk factors" section on pages 25 to 30 of this document.

HISTORICAL NON-COMPLIANCE MATTERS

During the Track Record Period, Ocean Media failed to comply with (i) RLNO and the Newspapers Regulations; (ii) BRO; (iii) registration and other requirements in relation to the distribution of Motoz Trader in Macau; (iv) section 122 of the Former Companies Ordinance; and (v) the permitted usage of the Former Leased Property. The Group has taken remedial actions for all the historical non-compliances and no penalty has been imposed on the Group so far. The Group has already adopted measures to avoid the recurrence of the non-compliance incidents. The Group is subject to maximum penalty and fines of approximately HK$854,000 in respect of non-compliance of the above laws and regulations. The Directors considered that the possibility of imposing penalty is low or remote and the amount of penalty, if any, cannot be reasonably estimated. Pursuant to the Deed of Indemnity, the Controlling Shareholders have undertaken to fully compensate the Group for any loss arising from such non-compliances. Accordingly, provision for penalty has not been made in the financial statements.

To prevent the recurrence of the non-compliances, the Group has, amongst other things, (i) established a Corporate Governance Committee in January 2015; (ii) kept a register to monitor the prompt delivery of magazines to regulatory bodies since November 2012; (iii) appointed the Consultant to review each issue of the magazines of the Group in April 2013; (iv) appointed an independent internal control adviser to perform detailed evaluation of the adequacy and effectiveness of the Group's internal control system and recommend action plans for improvements in May 2012 and January 2014; (v) since April 2013, appointed the then non-executive Director, the financial controller and company secretary to monitor the regulatory compliance in relation to the business of the Group and company secretarial and financial reporting matters etc. ; (vi) used the New Leased Property as its new office according to the permitted use commencing from 25 June 2013. You may refer to sub-section headed "Litigation and compliance matters" of the "Business" section on pages 150 to 158 of this document for details of the historical non-compliance matters of the Group during the Track Record Period.

DIVIDENDS AND DIVIDEND POLICY

The Group declared dividend of HK$4 million to its Shareholders on 21 January 2015 and paid HK$950,000 and HK$3.05 million on 21 January 2015 and 22 January 2015 respectively. The Group declared and paid interim dividend of approximately HK$8.7 million, HK$11.9 million, HK$8.9 million and HK$9.1 million for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively. Dividends may be paid out by way of cash or by other means that the Group considers appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

LISTING EXPENSE AND RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

The financial results of the Group will be affected by the non-recurring expenses in relation to the Listing. The estimated listing expenses in relation to the Listing are approximately HK$[16.1] million (based on the [REDACTED] of HK$[REDACTED], being the midpoint of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED]), of which approximately HK$[3.7] million is directly attributable to the issue of [REDACTED] under the [REDACTED] and is expected to be accounted for as a deduction from equity. The remaining listing expenses of approximately HK$[0.1] million, HK$[0.5] million, HK$[3.7] million, HK$[3.6] million and HK$[4.5] million has been/is expected to be charged to the statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2012, 31 December 2013, the eight months ended 31 August 2014, the remaining of the year ended 31 December 2014 and the year ending 31 December 2015 respectively. The listing expenses do not include the underwriting commission for the [REDACTED] Shares, which shall be borne by the Selling Shareholder. The Selling Shareholder shall individually be responsible for any fixed transfer duty, ad volerum stamp duty in respect of the sale and transfer of the [REDACTED] Shares, the Stock Exchange [REDACTED] fee and the SFC transaction levy in respect of the sale of the [REDACTED] Shares, where applicable. Apart from the above, all the listing expenses were and will be borne by the Group. During the two years ended 31 December 2013 and the eight months ended 31 August 2014, the Group had recognised [REDACTED] application expenses in relation to the previous attempt for [REDACTED] of approximately HK$[1.4] million, HK$[2.8] million and HK$0.2 million respectively in the consolidated statement of profit or loss and other comprehensive income.

The Company's attempt for [REDACTED] in 2013 failed because (i) the Stock Exchange was of the view that the Company's operating cashflow during the non-compliance period was not generated in the ordinary and usual course of business; and therefore, this resulted in the Company not being able to meet the eligibility requirement under Rule 11.12A(1) of the GEM Listing Rules. Please refer to the sub-paragraphs headed "Historical non-compliance of the RLNO and Newspapers Regulations" and "Historical non-compliance with the BRO" under the sub-section headed "Litigation and compliance matters" of the "Business" section in this document for details on non-compliance period; and (ii) the sustainability of the Company's business has yet to be demonstrated. Subsequently, the Group has subsequently rectified all non-compliances by the end of October 2012 and the Group was able to meet the minimum cash flow requirement under Rule 11.12A(1) of the GEM Listing Rules after excluding all the income generated from the Non-compliance Magazines in the recent track record period for the two years ended 31 December 2012 and 2013. To demonstrate the sustainability of the Group's business, the Group has (i) diversified its customer base and reduced the reliance on its major customer; (ii) reduced the credit terms with customers and applied progress billing to its Advertising Package customers; and (iii) reduced its bank borrowing.

The Company's attempt for [REDACTED] in early 2014 failed because the Stock Exchange considered that VC Capital was not an independent sponsor under Rule 6A.07 of the GEM Listing Rules due to Mr. Wong Man Hin Charles's subscription of the Pre-[REDACTED] Convertible Bond. Please refer to the sub-paragraph headed "Background of the Pre-[REDACTED] Convertible Bondholders" under the sub-section headed "Pre-[REDACTED] investments" of the "History and Developments" section and the "Joint Sponsors' Interest and Independence" section in this document for relevant details. To address the concerns of the Stock Exchange, on 17 July 2014 the Company appointed Ample Capital as one of the two joint sponsors in addition to VC Capital. Ample Capital has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules.

The Group declared dividend of HK$4 million to its Shareholders on 21 January 2015 and paid HK$950,000 and HK$3.05 million on 21 January 2015 and 22 January 2015 respectively. For the three months ended 30 November 2014 after the Track Record Period, the turnover of the Group increased slightly by 3.2% as compared with the three months ended 30 November 2013. Such increase was mainly due to advertisements posted by a new customer. Also, the revenue from the major existing customer, Customer Group A, increased by HK$1.6 million between the three months ended 30 November 2013 and 2014, as in 2014 the Customer Group A posted most advertisements in October and November 2014, whereas in 2013 Customer Group A posted most advertisements in August 2013 because Customer Group A focused on promoting some new beauty products of a Korean brand in around August 2013. You may refer to the sub-section headed "The financial performance of the Group for the three months ended 30 November 2014" of the "Financial information" section on page 228 of this document for details.*(note)*

On 29 January 2015, the Company allotted and issued 124,500 Shares each to each of the two Pre-[REDACTED] Convertible Bondholders for the conversion of the Pre-[REDACTED] Convertible Bonds pursuant to the Pre-[REDACTED] Covertible Bonds Subscription Agreements.

NO MATERIAL ADVERSE CHANGE

The Directors confirmed that there has been no material adverse change in the financial or [REDACTED] position of the Group since 31 August 2014 (being the date to which the latest audited consolidated financial statements were prepared which was set out in the accountants' report in Appendix I to this document) to the date of this document.

COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

According to the Competitive Analysis issued by Ipsos, there were about 479 magazine publishers, with a total of about 699 magazine publications in Hong Kong in 2013. About 10.6% of the total magazines publications were handled by six famous publishers during 2013. There were about 174 free magazine publications in Hong Kong in 2013, which represented about 24.9% of the total magazines publications; and the remaining were paid magazines publications. The over 1,000 distribution points of the free Group's magazines publications in Hong Kong in 2013 was higher than the industry average of roughly 150 outlets and spots across the same period. You may refer to the sub-paragraphs under "Magazines market share in Hong Kong" under the sub-section headed "Magazines readership and market share in Hong Kong" of the "Industry Overview" section on pages 63 to 65 of this document for information on the market share of magazines in Hong Kong; and the sub-section headed "Competition" of the "Business" section on pages 173 to 174 of this document for details on competitive landscape of magazine publication industry in Hong Kong. The Directors believe that the followings are the competitive strengths of the Group: (1) cross-selling of advertising spaces in magazines to clients; (2) extensive network for sales and distribution; (3) effective cost control and ability to solicit advertising customers of better profit margins; and (4)

Note: The unaudited financial information of the Group in relation to 30 November 2014, including the Group's revenue for the three months ended 30 November 2014, information of the Group's net current assets and indebtedness as at 30 November 2014, are extracted or derived from the Group's unaudited consolidated financial statements for the eleven months ended 30 November 2014 prepared by the Directors in accordance with the Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the HKICPA, which were reviewed by the Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA.

dynamic and experienced management team. You may refer to the sub-section headed "Competitive strengths" of the "Business" section on pages 101 to 103 of this document for details.

BUSINESS STRATEGIES

The business strategies of the Group are: (1) enhance public awareness to the Group's magazines; (2) publish new magazines; and (3) enhance corporate image and strengthen marketing activities. You may refer to the sub-section headed "Business strategies" of the "Business" section on pages 103 to 104 of this document for details.

[REDACTED] STATISTICS

[REDACTED]

USE OF PROCEEDS

Net proceeds of the [REDACTED], after deducting underwriting commission and other expenses relating to the [REDACTED] payable by the Company and based on a [REDACTED] of HK$[REDACTED], being the midpoint of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED], is expected to be approximately HK$[REDACTED] million. The non-recurring expenses relating to the [REDACTED] has been/is expected to be charged to the financial results of the Group up to the eight months ended 31 August 2014, the year ended 31 December 2014 and the year ending 31 December 2015. You may refer to the "Future plans and use of proceeds" section on pages 178 to 183 of this document for details of the use of proceeds of the [REDACTED]. The Directors presently intend that the net proceeds will be applied for the following purposes: i) up to approximately HK$[REDACTED] million to enhance public awareness to the Group's magazines; ii) up to approximately HK$[REDACTED] million to publish new magazines; iii) up to approximately HK$[REDACTED]] million to enhance corporate image and strengthen marketing activities by purchasing an office property in Kowloon Bay, Hong Kong; and iv) the remaining net proceeds of approximately HK$[REDACTED] million will be applied as general working capital of the Group.

Among the [REDACTED], there are [REDACTED] [REDACTED] Shares [REDACTED] by the Selling Shareholder at the [REDACTED]. The net proceeds to be received by the Selling Shareholder is expected to be approximately HK$[REDACTED] million based on a [REDACTED] of HK$[REDACTED] being the midpoint of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED]. The Group will not receive any of the proceeds from the sale of the [REDACTED] Shares under the [REDACTED].

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings:

"Advertising Package(s)"	as classified by the Group, for the Track Record Period and up to the Latest Practicable Date, contract(s) that is/was entered between Ocean Media and its (group of) customers with annual advertising fee of HK$[300,000] or more and covers more than one Magazine
"Ample Capital"	Ample Capital Limited, a corporation licensed to carry on business in types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO, and one of the Joint Sponsors of the [REDACTED]
"Articles" or "Articles of Association"	the articles of association of the Company conditionally adopted on [23 January 2015] with effect from the [REDACTED] and as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"BRO"	Books Registration Ordinance (Chapter 142 of the Laws of Hong Kong)
"Business Day"	a day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"[REDACTED]"	the issue of [REDACTED] Shares (of which [REDACTED] Shares are [REDACTED] Shares) to be made upon capitalisation of a certain sum standing to the credit of the share premium account of the Company referred to in the sub-paragraph headed "Written resolutions of the sole Shareholder passed on 23 January 2015 and 29 January 2015" under the paragraph headed "Further information about the Group" in Appendix V to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

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"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"close associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Winto Group (Holdings) Limited (惠陶集團(控股)有限公司), a company incorporated in Cayman Islands on 7 December 2012 as an exempted company with limited liability
"Conflicted Director(s)"	any Director(s) who is/are also a director or a legal representative (if applicable) of those companies controlled by the Controlling Shareholder(s)
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"connected transactions"	the transactions stipulated and specified in rules 20.21 to 20.28 of the GEM Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and in the context of this document, means Mr. Kwan, Ms. Yip and Fuwin
"Corporate Governance Committee"	the corporate governance committee of the Board
"Director(s)"	the director(s) of the Company

DEFINITIONS

"Distribution (for free) Agreements	means all the legally binding distribution agreements entered into between Ocean Media and the Distributor for the distribution of magazines for free distribution to the public and free reading by the public
"Distribution (for sales) Agreements"	the legally binding distribution agreements (as supplemented) entered into between Ocean Media and the Distributor on 9 June 2009, 11 March 2010, 29 March 2010, 13 May 2010, 7 December 2010, 18 October 2011 and 5 September 2012 for the distribution of the magazines of the Group for sales to the public
"Distributor"	an Independent Third Party, and the sole external distributor for the Magazines [for the Track Record Period and] up to the Latest Practicable Date
"ECO"	Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
"Exchange Website"	the internet website at www.hkexnews.hk operated by the Stock Exchange
"First 6-Month Period"	the period commencing on the date of this document and ending on the date which is 6 months from the [REDACTED] Date
"Former Companies Ordinance"	the pre-amended Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"Former Leased Property"	Workshop 27, 11/F, Thriving Industrial Centre, Nos. 26-38 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, the principal place of business of the Group in Hong Kong until the termination of the lease agreement effective from 19 July 2013
"Fuwin"	Fuwin Group (Holdings) Limited (富唯集團(控股)有限公司), a company incorporated in the BVI on 14 November 2012 with limited liability, and the equity interest of which are owned by Mr. Kwan as to 60% and Ms. Yip as to 40% respectively and a Controlling Shareholder
"Galaxy Star"	Galaxy Star Entertainment Company Limited (formerly known as Excel Hill Limited which was subsequently changed to Global Media Advertising Company Limited on 15 December 2010 and then to the existing name on 3 December 2013), a company incorporated in Hong Kong with limited liability on 6 December 2002; it was wholly owned by Ocean Media and was subsequently disposed of pursuant to an agreement dated 3 December 2012 between Ocean Media and Mr. Kwan

DEFINITIONS

"GBP"	British pound(s), the lawful currency of United Kingdom
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the [REDACTED] of Securities on GEM (as amended, supplemented or otherwise modified from time to time)
"Grand Powerful"	Grand Powerful Group Limited, a company incorporated in the BVI on 11 June 2013 and is wholly owned by an Independent Third Party, Mr. Cheng Ming Kit. It is one of the Pre-[REDACTED] Convertible Bondholders
"Group"	the Company, together with its subsidiaries and where the context so requires, in respect of the period before the Company becoming the holding company of its present subsidiaries, the companies that are the present subsidiaries of the Company and/or their predecessors (as the case may be)
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$" and "cents"	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants)
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong Legal Advisers"	Michael Li & Co., the legal advisers to the Group as to Hong Kong law in relation to the [REDACTED]
"Hong Kong Legal Counsel"	Mr. William M.F. Wong, a senior counsel in Hong Kong, the Hong Kong legal counsel to the Group in respect of Ocean Media's non-compliance with certain provisions of the RLNO and the Newspapers Regulations and the compliance issue under the ECO
"Independent Third Party(ies)"	individual(s) or a company(ies) who is/are not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive, or substantial shareholders of the Company, its subsidiaries or any of their respective close associates
"Joint Lead Managers"	[REDACTED] and [REDACTED]

"Joint Sponsors"	VC Capital and Ample Capital, the joint sponsors to the Company in respect of the [REDACTED]
"Latest Practicable Date"	23 January 2015, being the latest practicable date for ascertaining certain information prior to the printing of this document
"[REDACTED]"	the [REDACTED] of Shares on GEM
"[REDACTED] Date"	the date on which [REDACTED] in the Shares on GEM first commence
"Macau"	the Macau Special Administrative Region of the PRC
"Macau Legal Advisers"	Rato, Ling, Vong, Lei & Cortés - Advogados, the legal advisers to the Group as to Macau law
"Magazine(s)"	Chinese-language free and priced magazines published by the Group in Hong Kong, namely, "Motoz Trader", "Motoz Trader (Free)", "Motoz Xpress/Shopping Monthly" (2-in-1 version), "Motoz Xpress/Shopping Monthly (Free) 2010" (2-in-1 version) (only for the period from 9 April 2010 to 9 October 2010), "Motoz Xpress/Shopping Monthly (Free)" (2-in-1 version), "Pets Buyer" and "Bplus" and where the context otherwise requires, also refer to any one of the magazines published by the Group
"Main Board"	the main board of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company adopted on 7 December 2012 and as amended from time to time
"MGIB"	the Macau Government Information Bureau
"MOP"	Macau Pataca, the lawful currency of Macau
"Motoz Xpress/ Shopping Monthly (Free) 2010"	A 2-in-1 free monthly magazine mainly focused on (i) new car models and second-hand car market in Hong Kong; (ii) car installment and parts; and (iii) updated information on consumer products. It was published in Hong Kong between 9 April 2010 and 9 October 2010. It was a free version of Motoz Xpress/Shopping Monthly and the content of Motoz Xpress/Shopping Monthly (Free) 2010 was the same as Motoz Xpress/ Shopping Monthly

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"Motoz Xpress/ Shopping Monthly (Free)"	A 2-in-1 free monthly magazine launched in June 2013 which mainly focuses on (i) new car models and second-hand car market in Hong Kong; (ii) car installment and parts; and (iii) updated information on consumer products. It is a free version of Motoz Xpress/Shopping Monthly but only part of content of Motoz Xpress/Shopping Monthly would be extracted to Motoz Xpress/Shopping Monthly (Free)
"Mr. Kwan"	Mr. Kwan Shun Keung Timmy, spouse of Ms. Yip, a Hong Kong resident, a Controlling Shareholder and an executive Director
"Mr. Tsang"	Mr. Tsang Hin Man Terence, the non-executive Director
"Ms. Yip"	Ms. Yip Tsz Lam, spouse of Mr. Kwan, a Hong Kong resident, a Controlling Shareholder and an executive Director
"New Shares"	the [REDACTED] new Shares being offered by the Company at the [REDACTED], representing approximately 66.67% of the [REDACTED]
"Newspapers Regulations"	Newspapers Registration and Distribution Regulations (Cap. 268B of the Laws of Hong Kong)
"Nomination Committee"	the nomination committee of the Board
"Non-compliance Magazines"	the Magazines involved in the RLNO & Newspaper Regulation Non-compliance Incidents and the non-compliance incidents under the BRO, namely "Motoz Trader", "Motoz Trader (Free)", "Motoz Xpress/Shopping Monthly" (2-in-1-version), "Motoz Xpress/Shopping Monthly (Free) 2010" (2-in-1-version) (only for the period from 9 April 2010 to 9 October 2010), "Pets Buyer" and "Bplus"
"Ocean Media"	Ocean Media (Hong Kong) Limited (formerly known as Beauti-Year Limited), a company incorporated in Hong Kong with limited liability on 28 June 2007 and a wholly-owned subsidiary of Winsing and the Company
"p.a."	per annum
"[REDACTED]"	the conditional [REDACTED] by the Underwriters on behalf of the Company and the Selling Shareholder of the [REDACTED] for cash at the [REDACTED], details of which are described under the section headed "Structure and conditions of the [REDACTED]" in this document

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"[REDACTED]"	the [REDACTED] per [REDACTED] (exclusive of a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange [REDACTED] fee of 0.005%) which is expected to be not more than HK$[REDACTED] and not less than HK$[REDACTED], such price to be agreed upon by the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date
"[REDACTED]"	[REDACTED] Shares comprising [REDACTED] New Shares being offered by the Company for subscription and [REDACTED] [REDACTED] Shares being offered for sale by the Selling Shareholder at the [REDACTED] under the [REDACTED]
"PRC" or "China"	the People's Republic of China which shall, for the purpose of this document, exclude Hong Kong, Macau and Taiwan
"Pre-[REDACTED] Convertible Bondholders"	each of Grand Powerful and the Second Pre-[REDACTED] Convertible Bondholder, being independent of each other and are Independent Third Parties
"Pre-[REDACTED] Convertible Bonds"	the bonds issued by the Company held by the Pre-[REDACTED] Convertible Bondholders pursuant to the Pre-[REDACTED] Convertible Bonds Subscription Agreements
"Pre-[REDACTED] Convertible Bonds Subscription Agreement"	the respective subscription agreement for the Pre-[REDACTED] Convertible Bonds entered into on 10 September 2013 between the Company and the Pre-[REDACTED] Convertible Bondholders
"Price Determination Agreement"	the agreement in letter form expected to be entered into between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date, for the purpose of fixing the [REDACTED]
"Price Determination Date"	the date expected to be on or before 10 February 2015 or such later date as may be agreed by Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), on which the [REDACTED] is fixed for the purpose of the [REDACTED]
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the corporate reorganisation arrangements undergone by the Group in preparation for the [REDACTED], details of which are set out in the paragraph headed "Reorganisation" under the section headed "History and development" in this document

DEFINITIONS

"Replacement Banking Facility"	The banking facility letter from the Group's major bank to Ocean Media dated 5 January 2015
"Reporting Accountants"	CCIF CPA Limited, the auditors and reporting accountants of the Group
"RLNO"	Registration of Local Newspapers Ordinance (Chapter 268 of the Laws of Hong Kong)
"RLNO & Newspapers Regulations Non-compliance Incidents"	Ocean Media's historical non-compliance with the RLNO and the Newspapers Regulations, details of which are described under the paragraph headed "Litigation and compliance matters" of the "Business" section in this document
"[REDACTED] Shares"	the [REDACTED] Shares to be sold by the Selling Shareholder under the [REDACTED], representing approximately [33.33%] of the [REDACTED]
"Second Pre-[REDACTED] Convertible Bondholder"	Mr. Wong Man Hin Charles
"Selling Shareholder"	Fuwin, the particulars of which are set out in the sub-paragraph headed "Selling Shareholder" under the paragraph headed "Other Information" in Appendix V to this document
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company on [23 January] 2015, the principal terms of which are summarised in the section headed "Share Option Scheme" in Appendix V to this document
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

"Takeovers Code"	the Code on Takeovers and Mergers and Share Repurchase of Hong Kong (as amended, supplemented or otherwise modified) from time to time
"Track Record Period"	the three financial years ended 31 December 2011, 2012 and 2013 and the eight months ended 31 August 2014
"Underwriters"	the underwriters of the [REDACTED] named in the paragraph headed "Underwriters" in the section headed "Underwriting" in this document
"Underwriting Agreement"	the underwriting agreement relating to the [REDACTED] dated [[REDACTED] 2015], amongst others, between the Company, the executive Directors, the Controlling Shareholders, the Selling Shareholder, the Joint Sponsors, the Joint Lead Managers, and the Underwriters, the particular of which are summarised in the section headed "Underwriting" in this document
"VC Capital"	VC Capital Limited, a company incorporated in Hong Kong with limited liability, a corporation licensed under the SFO to carry on Type 6 (advising on corporate finance) regulated activity and one of the Joint Sponsors in respect of the [REDACTED]
"Winsing"	Winsing Group (Holdings) Limited（惠晟集團(控股)有限公司）, a company incorporated in the BVI with limited liability on 14 November 2012, a wholly-owned subsidiary of the Company and an intermediate holding company of Ocean Media
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent.
"sq.m."	square meters

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are not historical facts but relate to the Company's intentions, beliefs, expectations or predictions for future events and conditions which may not occur. Even though these statements have been made by the Directors after due and careful consideration and on bases and assumptions fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks are listed in the section headed "Risk Factors" and elsewhere in this document. In some cases, you can identify these forward-looking statements by words such as "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "might", "plan", "potential", "propose", "seek", "should", "will", "would" or similar expressions, or their negatives. These forward-looking statements include, without limitation, statements relating to:

- operation and business prospects, including development plans for existing and new businesses of the Group;
- business objectives, business strategies and implementation plans;
- the regulatory environment of the Group's industry in general;
- the Group's ability to maintain existing relationships with major customers and major suppliers;
- availability of bank loans and other forms of financings;
- the Group's future business development, results of operations and financial condition;
- the Group's planned use of proceeds;
- future development, trends, conditions and competitive environment in the Groups industry; and
- risks identified under the section headed "Risk Factors" in this document.

It is not guaranteed that the transactions and events described in the forward-looking statements in this document will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in the section headed "Risk Factors" in this document. You should read this document in its entirety and with the understanding that actual future results may be materially different from what the Company expects. The forward-looking statements made in this document relate only to events as at the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since the Group operates in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. The Company undertakes no obligation, beyond what is required by law to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made even when situation may have changed.

Subject to the requirements of the GEM Listing Rules, the Company does not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

Potential investors of the [REDACTED] should carefully consider all of the information set out in this document and, in particular, the following risks and special considerations associated with an investment in the Company before making any investment decision in relation to the Company. If any of the possible events as described below materialises, the Group's business, financial position and prospects could be materially and adversely affected and the market price of the [REDACTED] could fall significantly, and you may lose part or all of your investment.

RISKS RELATING TO THE GROUP

Large portion of the Group's turnover was generated from a few major customers and lack of long-term contracts with these customers

The five largest customers of the Group during the Track Record Period are all advertising customers, which in aggregate generated revenue of approximately HK$17.3 million, HK$15.5 million, HK$25.5 million and HK$13.9 million, representing approximately 89.5%, 89.3%, 90.8% and 87.1% of the total turnover of the Group and without taking unallocated expenses and unallocated adjustments into consolidation, such customers contributed an aggregate profit attributable to owners of the Company of approximately 89.5%, 89.3%, 90.8% and 87.1% of the total of the Group and constituted an aggregate operating cash flow before changes in working capital of approximately 89.5%, 89.3%, 90.8% and 87.1% of the total of the Group, respectively for the three years ended 31 December 2013 and the eight months ended 31 August 2014.

The Group regards those customers having common shareholder/director/management as a single customer group. The five largest customers of the Group for the year ended 31 December 2011 included Customer Group A and Customer Group C. The five largest customers of the Group for the year ended 31 December 2012 included Customer Group A. The five largest customers of the Group for the year ended 31 December 2013 and for the eight months ended 31 August 2014 both included Customer Group A and Customer Group O. The combined revenue of Customer Group A was approximately HK$17.0 million, HK$10.9 million, HK$12.8 million and HK$5.8 million for each of the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively, representing approximately 87.9%, 62.5%, 45.7% and 36.3% of the Group's total revenue for the respective periods. The combined revenue of Customer Group O was nil, nil, approximately HK$3.1 million and HK$3.0 million for each of the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively, representing approximately 0%, 0%, 11.0% and 19.0% of the Group's total revenue for the respective periods. The combined revenue of Customer Group C was approximately HK$79,000, representing approximately 0.4% of the Group's total revenue for the year ended 31 December 2011. The other top five customers are individual customers.

There is no assurance that the Group would be able to attract new customers to reduce its reliance on major customers. Moreover, the Group does not enter into long-term sales contracts with any of its advertising customers except that advertising customers with the intention to place more advertisements on the Group's magazines normally maintain Advertising Packages with the Group which mostly, are on one year term. Advertising income generated from Advertising Packages accounted for approximately 91.9%, 91.3%, 95.4% and 93.7% of the total advertising income of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively. Please refer to the sub-section headed "Credit policies and control" of the "Business" section of this document for details. There is no assurance that the customers will continue to place orders for advertisements in the Magazines; or their future orders will be at comparative level or on similar terms as in prior years and/or the Group would be able to retain the major advertising customers or solicit new advertising customers to offset impact from any loss of advertising customers. Any reduction in advertising expenditures from existing advertising customers and/or any loss of the major advertising customers could have a material adverse effect on the profitability and financial performance of the Group.

Long trade receivables settlement periods allowed for certain customers may affect the cash flow of the Group and credit risks of customers

Generally, the Group allows a credit period ranging from 0 to 180 days (after posted all advertisements) to its advertising customers as at the Latest Practicable Date. Trade receivables of the Group amounted to approximately HK$14.4 million, HK$15.1 million, HK$22.1 million and HK$12.1 million as at 31 December 2011, 31 December 2012 and 31 December 2013 and 31 August 2014 respectively. The trade receivables turnover days were approximately 270 days, 317 days, 287 days and 185 days during the Track Record Period respectively as (i) the Group granted credit period of 181 days to 1 year to Customer Group A with long term business relationship, established reputation and good repayment history during the year ended 31 December 2011 and, (ii) the Group would only issue invoices to customers who have Advertising Package with the Group after the publication of all the advertisements included in the Advertising Package or the period end of the Advertising Package. The credit terms for those customers who have Advertising Package range from 30 days to 180 days for the three years ended 31 December 2013 and most of these Advertising Packages last for one year. Advertising income generated from Advertising Packages accounted for approximately 91.9%, 91.3%, 95.4% and 93.7% of the total advertising income of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively.

Whether the Group will be able to continue improving the mismatch of its trade receivables turnover and cashflow will depend on its ability to agree on shorter credit term and/or progress billing when renewing contracts and/or when entering into new contracts with customers. Please refer to the sub-section headed "Credit policies and control" of the "Business" section of this document for details of payment terms. The financial position, profitability and cash flow of the Group depend on whether customers are/will be able to settle the outstanding balances owed to the Group in a timely manner. The Group's credit rating with its bankers may also be affected if any delay and defaults in payments by the customers, which in turn may impact on the Group's capacity to continue with obtaining bank financing. If there is any delay or defaults in payments by the customers, the financial position, profitability and cash flow of the Group may be adversely affected.

There can be no assurance that by adopting progress billing, the Group's long trade receivable turnover days will be reduced. This could have material adverse effect on the Group's business

The Group started adopting progress billing for all new Advertising Package customers from May 2013 such that the total advertising fees under the respective Advertising Packages will be paid by instalments on dates specified in the relevant contract or within one month from the date of issue of monthly invoice or one month from the date of publication of relevant magazine. For the year ended 31 December 2013 and the eight months ended 31 August 2014, there are four and seven Advertising Package customers with progress billing arrangement respectively. Please refer to the sub-section headed "Credit policies and control" of the "Business" section of this document for details of payment terms. Despite adopting progress billing, the Company in essence has no control over when its customers will settle the Group's invoices. Therefore, there is no guarantee that the Group's long trade receivable turnover days will be reduced. This could have material adverse effect on the Group's business.

Reliance on a small number of independent printers for printing of Magazines

As at the Latest Practicable Date, printing of the Magazines was handled by four printers, which are Independent Third Parties, in their factories located in Hong Kong and the PRC. The Group has not entered into any long term agreement with the printers in respect of the printing services. The total printing costs amounted to approximately HK$1.3 million, HK$1.5 million, HK$1.7 million and HK$1.4 million, representing approximately 83.0%, 87.9%, 91.1% and 94.0% of the Group's total cost of sales, respectively for the three years ended 31 December 2013 and the eight months ended 31 August 2014.

The largest printer of the Magazines accounted for approximately 64.8%, 58.6%, 63.7% and 68.7% of the Group's cost of sales respectively for the three years ended 31 December 2013 and the eight months ended 31 August 2014. There is no assurance that the existing printers will not increase the printing fees charged to the Group in the future. Should there be any disruption in the production process of any of the Group's existing printers or any increase in the printing fees (for example, as a result of increase in the material cost of paper, ink, etc. that cannot be absorbed by the printers) charged to the Group by any of these printers or any termination of the provision of the printing services by any of these printers and replacement printers cannot be found in a timely manner, the Group's profitability and/or business operations may be adversely affected. In addition, the printing costs of the Magazine from alternative printers may be higher than those of the existing printers.

Reliance on a single Distributor for distribution of Magazines

As at the Latest Practicable Date, the Magazines were distributed by the Distributor, which is an Independent Third Party, in Hong Kong. The costs paid to the Distributor in relation to the distribution of the paid version of the Group's magazines amounted to approximately HK$0.3 million, HK$0.2 million, HK$0.2 million and HK$0.1 million, representing approximately 17.0%, 12.1%, 8.9% and 6.0% of the Group's cost of sales respectively for the three years ended 31 December 2013 and the eight months ended 31 August 2014.

There is no assurance that the Distributor will not increase the distribution costs charged to the Group in the future. Should there be termination or term variations in adverse manner to the Group of any of such distribution agreements or increase in distribution costs charged to the Group by the Distributor, and the Group is unable to find appropriate replacement distributor(s) in a timely manner, the Group's profitability, business and operations may be adversely affected. In addition, the distribution costs charged to the Group from alternative distributor(s) may be higher than those charged by the Distributor.

Possible fluctuations in gross profit margin in future

During the Track Record Period, the turnover of the Group comprises advertising income and sales of magazines. Market demand for placing advertisements on magazines could be affected by the amount of advertisements willing to be spent by companies targeting potential consumers in the retail market or any reallocation of their advertising expenditure or budgets to other advertising media as a result of any material change in global or local economic environment or fluctuations in global or local markets or economic sentiment. The sales of magazines will be affected by the launch of new magazines or increase/decrease in price and number of copies of the Group's magazines available for sale in the market and the acceptability of the Group's magazines to the market. Cost of sales of the Group comprises mainly the printing costs and the costs paid to the Distributor in relation to the distribution of the paid version of the Group's magazines. Please refer to the sub-sections "Reliance on a small number of independent printers for printing of Magazines" and "Reliance on a single Distributor for distribution of Magazines" above for factors which may affect the printing costs and the costs paid to the Distributor by the Group.

The fluctuations of the advertising income were approximately 137.6%, 9.6%, 64.6% and 13.5%; and the fluctuations of the sales of magazines were approximately 62.9%, 28.7%, 19.4% and 14.8% for the three years ended 31 December 2013 and the eight months ended 31 August 2014 (as compared with the eight months ended 31 August 2013) respectively. The fluctuations of printing costs were approximately 17.3%, 13.1%, 12.6% and 39.5% and the fluctuations of the costs paid in relation to the distribution of the paid version of the Group's magazines were approximately 49.6%, 23.7%, 19.9% and 15.9% for the three years ended 31 December 2013 and the eight months ended 31 August 2014 (as compared with the eight months ended 31 August 2013) respectively. For reference, a sensitivity analysis of turnover, cost of sales, gross profits and net profits of the Group during the Track Record Period, which shows the effect of (i) approximately 137.6%, 9.6%, 64.6% and 13.5% increase/decrease of the advertising income representing the fluctuation of the advertising income during the three years ended 31 December 2013 and the eight months ended 31 August 2014 (as compared with the eight months ended 31 August 2013) respectively; (ii) approximately 62.9%, 28.7%, 19.4% and 14.8% increase/decrease of the sales of magazines, representing the fluctuation of the sales of magazines during the three years ended 31 December 2013 and the eight months ended 31 August 2014 (as compared with the eight months ended 31 August 2013) respectively; (iii) approximately 17.3%, 13.1%, 12.6% and 39.5% increase/ decrease of the printing costs, representing the fluctuation of the printing costs during the three years ended 31 December 2013 and the eight months ended 31 August 2014 (as compared with the eight months ended 31 August 2013) respectively; and (iv) approximately 49.6%, 23.7%, 19.9% and 15.9% increase/decrease of the costs in relation to the distribution of the paid version of the Group's magazines, representing the fluctuation of the costs in relation to the distribution of the paid version of the Group's magazines respectively during the three years ended 31 December 2013 and the eight months ended 31 August 2014 (as compared with the eight months ended 31 August 2013) respectively, is set out as follows:

	% change	Increase/ decrease in turnover	Increase/ decrease in cost of sales	Increase/ decrease in gross profit	Increase/ decrease in net profits
		HK$	*HK$*	*HK$*	*HK$*
	(approximately)	*(approximately)*	*(approximately)*	*(approximately)*	*(approximately)*
For the eight months ended 31 August 2014					
Advertising income	+/– 13.5%	+/– 2,110,310	–	+/– 2,110,310	+/– 1,762,109
Sales of magazines *(Note)*	+/– 14.8%	+/– 40,935	+/– 13,780	+/– 27,155	+/– 22,675
Printing charge	+/– 39.5%	–	+/– 571,146	–/+ 571,146	–/+ 476,907
Selling & distribution expenses	+/– 15.9%	–	+/– 14,804	–/+ 14,804	–/+ 12,362
For the year ended 31 December 2013					
Advertising income	+/– 64.6%	+/– 17,822,617	–	+/– 17,822,617	+/– 14,881,886
Sales of magazines *(Note)*	+/– 19.4%	+/– 94,463	+/– 32,086	+/– 62,377	+/– 52,085
Printing charge	+/– 12.6%	–	+/– 212,300	–/+ 212,300	–/+ 177,270
Selling & distribution expenses	+/– 19.9%	–	+/– 32,913	–/+ 32,913	–/+ 27,482
For the year ended 31 December 2012					
Advertising income	+/– 9.6%	+/– 1,609,311	–	+/– 1,609,311	+/– 1,343,774
Sales of magazines *(Note)*	+/– 28.7%	+/– 173,423	+/– 59,275	+/– 114,148	+/– 95,314
Printing charge	+/– 13.1%	–	+/– 195,946	–/+ 195,946	–/+ 163,615
Selling & distribution expenses	+/– 23.7%	–	+/– 48,948	–/+ 48,948	–/+ 40,872
For the year ended 31 December 2011					
Advertising income	+/– 137.6%	+/– 25,505,116	–	+/– 25,505,116	+/– 21,296,772
Sales of magazines *(Note)*	+/– 62.9%	+/– 532,774	+/– 170,281	+/– 362,494	+/– 302,682
Printing charge	+/– 17.3%	–	+/– 228,716	–/+ 228,716	–/+ 190,978
Selling & distribution expenses	+/– 49.6%	–	+/– 134,275	–/+ 134,275	–/+ 112,120

Note: As the Distributor would earn an agreed percentage on the retail price as service fee for the Distributor's services, it is assumed that cost of sales changed in the same percentage as the change in the sales amount of magazines.

Reliance on business partners

During the Track Record Period, the Group entered into agreements with business partners for placing Motoz Trader (Free) at different locations during the Track Record Period in Hong Kong. Please refer to the paragraph headed "Overview" of the "Business" section of this document for details of the cooperation between the Group and business partners for the distribution of the free magazines or magazines for free reading during the Track Record Period and up to the Latest Practicable Date. In the event that any of such cooperation is terminated and/or the Group is held liable for violations of the terms of the agreements, the Group may not be able to place its magazines at such locations and its magazines may become less attractive to advertising customers, which would adversely affect the Group's business performance, financial position and results of operations.

Reliance on key executives and management

The success of the Group to a large extent is attributable to the continued services of its key executives, in particular, management of each of the editorial, design and sales departments and the executive Directors. The Group operates in an industry where there is intense competition for experienced editorial personnel as well as sales personnel who solicit advertising customers for magazines. The success of the Group depends on the continued efforts of such key executives, their experience and knowledge of market preferences towards contents of magazines and/or their established relationships with customers. It cannot be assured that the Group will be able to retain its key executives. The loss of services of key executives without immediate and adequate replacements could have a material adverse effect on the Group. Besides, the executive Directors formed business strategies for the Group's business operation over the years and have maintained good relationship with the Distributor and certain customers and suppliers, there may be material adverse impact in the profitability of the Group should any of the executive Directors cease to participate in the Group's business operation.

Seasonal impact on the Group's business

The Group generated higher advertising income in November and December (i.e. before Christmas and Chinese New Year) in the past. Historically, the aggregate advertising income generated in November and December in the years 2011, 2012 and 2013 represented approximately 32.0%, 17.8% and 36.6% of the total advertising income, respectively; and the Directors are of the view that in general, customers may be more willing to place advertisements to promote their products/services before Christmas and Chinese New Year. However, turnover of the Group for the year ended 31 December 2012 did not reflect such pattern mainly due to the reduction of advertising orders from Customer Group A, who was one of the top five customers in each of the Track Record Period. On the other hand, the relevant customer increased its budget to advertise in the Group's magazines for the year ended 31 December 2013 mainly for promoting its new products. The contracts signed between the Group and its customers generally state the number of advertisements to be published on the magazines within a specific period, however, specific information about the regularity of the advertisement being published within the stated period is not stated in the contracts. Customers would communicate with the Group for the exact timing for publishing the advertisements on the magazines so that the timing for publishing advertisements would match the customers' need to promote their products or services. As a result of the seasonal impact on business, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be solely relied on as indicators of the Group's performance. Moreover, any seasonal fluctuations reported in the future may not match expectations of the investors and this could cause the [REDACTED] price of the Shares to fluctuate.

Consequences of the historical non-compliance of the RLNO and Newspapers Regulations

Pursuant to section 7 of the RLNO and the Newspapers Regulations, every local newspaper shall be registered in accordance with the Newspapers Regulations. In addition, pursuant to section 17 of the RLNO, the publisher of every local newspaper shall deliver or caused to be delivered to the Registrar a copy of the published local newspaper on the date of publication or the next day following. Regulation 8 of the Newspapers Regulations also provides that no person shall publish or continue to publish any local newspaper unless all the requirements of the Newspapers Regulations have been complied with.

Since the Magazines contain news, intelligence, occurrences, and matters of public interest, which are printed or produced for sale or free distribution in Hong Kong and published at intervals not exceeding six months, and do not comprise exclusively the items specified in the schedule to the RLNO, they fall within the definition of "local newspaper" under the RLNO and thus are required to be registered and delivered to the registrar of newspapers in accordance with sections 7 and 17 of the RLNO and the Newspapers Regulations.

Ocean Media failed to comply with the requirements under sections 7 and 17 of the RLNO and regulations 2, 3, 4 and 8 of the Newspapers Regulations during the period from 16 April 2009 to 17 June 2012. The details of Ocean Media's historical RLNO & Newspapers Regulations Non-compliance Incidents are set out below:

Name of the Magazine	First publication date	Publication frequency	Registration date	Non-compliance period
Motoz Trader	16 April 2009	Fortnightly	18 June 2012	16 April 2009 to 17 June 2012
Motoz Trader (Free)	16 April 2009	Fortnightly	18 June 2012	16 April 2009 to 17 June 2012
Motoz Xpress/Shopping Monthly	12 March 2010	Monthly	18 June 2012	12 March 2010 to 17 June 2012
Motoz Xpress/Shopping Monthly (Free) 2010	9 April 2010	Monthly	–	9 April 2010 to 9 October 2010
Pets Buyer	10 December 2010	Bi-monthly	18 June 2012	10 December 2010 to 17 June 2012
Bplus	18 October 2011	Quarterly	18 June 2012	18 October 2011 to 17 June 2012

Pursuant to regulation 19 of the Newspapers Regulations, any person who contravenes regulations 2, 3, 4 or 8 shall be guilty of an offence and shall be liable on summary conviction to a maximum fine of HK$1,000 and to imprisonment for 6 months. Under section 20(2) of the RLNO, every printer or publisher of a local newspaper who contravenes the provisions of section 17 of the RLNO is liable on summary conviction to a maximum fine of HK$1,000. Ocean Media is liable to a maximum penalty of HK$280,000 for all the RLNO & Newspapers Regulations Non-compliance Incidents.

As advised by the Hong Kong Legal Counsel, the directors of Ocean Media who are also the Directors will not be personally liable under the RLNO or the Newspapers Regulations, nor will they be secondarily liable for Ocean Media's commission of the offences in relation to the RLNO & Newspapers Regulations Non-compliance Incidents.

Should there be any legal proceedings in respect of the RLNO & Newspapers Regulations Non-compliance Incidents, the business and operations of the Group may be adversely affected.

Consequences of the historical non-compliance of the Books Registration Ordinance (Chapter 142 of the Laws of Hong Kong)

Pursuant to section 3(1) of the BRO, the publisher of a new book shall, within 1 month after the book is published, printed, produced or otherwise made in Hong Kong, deliver to the Books Registration Office free of charge 5 copies of the book, together with all maps, prints or other engravings belonging thereto. Under the BRO, books includes magazines.

Ocean Media failed to deliver 5 copies of the Magazines published between the period from 16 April 2009 to 2 August 2012 to the Books Registration Office for registration within the prescribed 1-month period and thus did not comply with the requirement under section 3 of the BRO.

Pursuant to section 3(3) of the BRO, any person who contravenes section 3(1) of the BRO shall be guilty of an offence and shall be liable on conviction to a maximum fine of HK$2,000. Ocean Media is liable to a maximum penalty of HK$278,000 for all the non-compliance incidents under the BRO. In the event that there are any legal proceedings in respect of the past non-compliance with the BRO by Ocean Media, the business and operations of the Group may be adversely affected.

Consequences of the historical non-compliance with the registration and other requirements in relation to the distribution of Motoz Trader in Macau

Motoz Trader was distributed by the Distributor to Macau during the period from April 2009 to October 2012. The distribution of Motoz Trader to Macau ceased from October 2012.

Under the applicable Macau law, Motoz Trader is considered a periodical publication. Pursuant to the Macau Press Ordinance and the Macau Press Registration Regulation, periodical publications must be registered with the MGIB. Such registration must be requested by the periodical publication's director, on behalf of the owner of the publication. During the period from April 2009 to October 2012, Ocean Media failed to request for registration of Motoz Trader with the MGIB. According to the relevant provisions of Macau law, the director of the periodical publication is liable to a maximum penalty of MOP8,000 for non-compliance with the obligation to register the periodical publication with the MGIB. Ocean Media, as the owner of Motoz Trader, is jointly liable to a maximum penalty of MOP8,000.

Periodical publications distributed in Macau shall have at least one responsible person living in Macau assuming the position/function of director of the periodical publication. During the period from April 2009 to October 2012, Ocean Media failed to nominate a director for Motoz Trader distributed in Macau and thus did not comply with the requirements of the relevant Macau law. Ocean Media is liable to a maximum penalty of MOP8,000 for such non-compliance.

Pursuant to Macau Press Ordinance, the director of a periodical publication shall, within 5 days after each publication, deliver free of charge 2 copies of such publication to each of the MGIB, the Central Library of Macau and the Public Prosecutions Office of Macau. The director of a periodical publication is liable to a maximum penalty of MOP3,000 for non-compliance with such requirement for each issue of Motoz Trader. During the period from April 2009 to October 2012, Ocean Media failed to deliver the requisite number of copies of Motoz Trader to the relevant government authorities in Macau. As no director was nominated for Motoz Trader in Macau, Ocean Media, as the owner of Motoz Trader, is jointly liable to a maximum penalty of MOP279,000 in respect of the non-compliance of the delivery requirement for Motoz Trader.

Pursuant to Macau Press Ordinance, periodical publications must adopt an editorial statute, which defines the editorial orientation and objectives of the publications. Such editorial statute should be inserted in the first issued edition (i.e. the first issue) of the publication. The penalty for the failure to adopt an editorial statute which defines the orientation and objectives of the periodical publication ranges from MOP 4,000.00 to MOP 10,000.00, applicable to the director of the publication. The owner of the publication is jointly responsible for the payment of the fine applied to the director. As the magazine Motoz Trader did not formally adopt an editorial statute as required under the Macau Press Ordinance, Ocean Media was in breach of the above requirement. As no director was nominated for Motoz Trader in Macau, Ocean Media, as the owner of Motoz Trader, is jointly liable to a maximum penalty of MOP10,000 in respect of the non-compliance of the editorial statute requirement for Motoz Trader.

Should there be any legal proceedings in respect of the historical non-compliance with the relevant laws in Macau for the past distribution of Motoz Trader in Macau, the business and operations of the Group may be adversely affected.

Potential litigations

The nature of the Group's business exposes the Group from time to time to the risk of litigation claims from, among others, parties whose activities or products are described in the Magazines published by the Group and who may perceive that references to them in the Magazines are damaging their reputation. Moreover, civil claims may be filed against the Group for fraud, defamation, negligence, copyright or trademark infringement or other violations due to the nature and content of the information or articles contained in the Magazines. No assurance can be given that any such claims and actions will not be initiated against the Group in the future. Expenses of litigation, possible losses from lawsuits and delays in proceedings in respect of outstanding and possible future claims may have a material adverse effect on the operations and the financial performance of the Group. Currently, the Group does not have any insurance coverage on contingent liabilities arising out of such claims. As at the Latest Practicable Date, [the Directors were not aware of any material claim against the Group.]

Incomplete registration of trademarks

The applications for registration of and in classes 16, 35 and 41 in the name of Ocean Media were rejected by the Trade Marks Registry of Hong Kong on 29 October 2012 and 21 October 2013 respectively for the reasons that the marks consist exclusively of signs which may serve in trade or business to designate the characteristics of the applied-for goods and services; and they are devoid of any distinctive character. The Group may not have exclusive rights under the Trade Marks Ordinance to use and in Hong Kong. In such circumstances, it may be more difficult for the Group to take legal action for the infringement of the unregistered marks by third parties. Any failure to protect or safeguard our intellectual property rights could materially and adversely affect our business, financial condition and results of operations.

Unauthorised use of the Group's registered trademarks could have an adverse effect on the Group's business

During the Track Record Period, the Group marketed and sold its Magazines in Hong Kong using "Motoz Trader", "Motoz Trader Free", "Motoz Xpress/Shopping Monthly" (2-in-1 version), "Pets Buyer" and "Bplus" as the title names of the Magazines since their respective establishment. As at the Latest Practicable Date, [the Group was the owner of the trademark registrations for the trademarks , , , , , , and in Hong Kong.] Title names are important to the Group's continuous development within the Hong Kong market. Any unauthorised use of the Group's brand names or trademarks could also have an adverse effect on the Group's business. The Group may not be able to prevent third parties from infringing upon its intellectual property rights through unauthorised use of the Group's brand names and registered trademarks. Any failure to protect or safeguard the Group's intellectual property rights could materially and adversely affect its business, financial condition and results of operations. The Group may, from time to time, be required to instigate litigation, arbitration or other proceedings upon discovering any such unauthorised use to enforce its intellectual property rights. This would likely be time-consuming and expensive and would divert the Group's management's time and attention regardless of its outcome. Even if the Group is able to successfully enforce its rights, any harm done to the Group's brand names could materially affect its business. Please refer to the paragraph headed "Intellectual properties" in the section headed "Business" in this document for further details.

Uncertain protection of the Group's own intellectual property rights and possible infringement of third parties' intellectual property and other rights

In the course of conducting its business, the Group, as a publisher, may not be able to protect its own rights and could be found liable for having infringed third parties' rights, which might include, among others, intellectual property rights.

Any unauthorized uses of intellectual property rights (including copyrights, trademarks and etc.) of the Group by third parties may adversely affect its business and reputation. The Group relied on the protection of the relevant intellectual property laws to protect such intellectual property rights. It may be possible for third parties to infringe the Group's intellectual property rights by copying or otherwise obtaining and using the Group's intellectual property, including text, typography, photograph and design layout. Infringement also extends to the use of the Group's publishing titles without authorisation. Should the Group fail to protect or be unable to assert its intellectual property rights, there might be an adverse impact on its marketing plans and business of the Group.

It is also possible that in the course of conducting its business, the Group could be found liable for having infringed third parties' rights including, among others, intellectual property rights. There is no assurance that the proprietary interests in such intellectual property rights provided by third parties to the Group are authorised for use by the Group or will not be challenged, invalidated or circumvented. Should the Group be found to have infringed the rights of others, the Group could be exposed to liabilities including substantial monetary damages and other sanctions. Such sanctions may include the loss of the right of the Group to source all or some of the contents that it licenses. As at the Latest Practicable Date, [the Directors are not aware of any infringement of any third party's rights by the Group.]

Possible impact of certain non-recurring expenses to the financial performance of the Group

Notwithstanding the financial performance of the Group for the three years ended 31 December 2013 mentioned in this document, the Group's financial results will be affected by non-recurring expenses in relation to the Listing. The estimated listing expenses in relation to the Listing are approximately HK$[16.1] million (based on the [REDACTED] of HK$[REDACTED], being the midpoint of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED]), of which approximately HK$[3.7] million is directly attributable to the issue of [REDACTED] under the [REDACTED] and is expected to be accounted for as a deduction from equity. The remaining listing expenses of approximately HK$[0.1] million, HK$[0.5] million, HK$[3.7] million, HK$3.6 million and HK$[4.5] million have been/are expected to be charged to the statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2012, 31 December 2013, the eight months ended 31 August 2014 and the remaining year ended 31 December 2014 and the year ending 31 December 2015 respectively. During the two years ended 31 December 2013 and eight months ended 31 August 2014, the Group had recognised [REDACTED] application expenses in relation to the previous attempt for [REDACTED] of approximately HK$[1.4] million, HK$[2.8] million and HK$0.2 million respectively in the statement of profit or loss and other comprehensive income. Expenses in relation to the Listing are non-recurring and were not incurred during the Track Record Period. Accordingly, the Board wishes to inform the Shareholders and potential investors that the Group's financial results for the year ended 31 December 2014 and the year ending 31 December 2015 would be/will be affected by the estimated expenses in relation to the Listing.

The Group's turnover and profit during the Track Record Period may not sustain in future

The turnover of the Group decreased by approximately 10.4% from approximately HK$19.4 million for the year ended 31 December 2011 to approximately HK$17.4 million for the year ended 31 December 2012. The decrease in turnover for the year ended 31 December 2012 was due to the decrease in both the advertising income and sales of magazines. The decrease in advertising income was mainly due to the decrease of orders on placing advertisements on the Group's magazines from Customer Group A, who was one of the top five customers in each of the Track Record Period. To the best knowledge of the Directors, the decrease was mainly due to the decision of Customer Group A to spend less on advertising in the Group's magazines for the year ended 31 December 2012 due to smaller budget on advertisements. The decrease in sales of Magazines (except for Bplus which was launched in October 2011) was mainly attributable to the Group's effort on promoting the sales of the Magazines by engaging an Independent Third Party to print and distribute promotion leaflets in the second half of 2010, which improved the sales of the Magazines for the year ended 31 December 2011. While the Directors considered that the Magazines has obtained certain public awareness as some of the Magazines had been launched for about a year, no such activities to boost the sales have been carried out by the Group thereafter and the sales of the Magazines (except for Bplus which was launched in October 2011) for the year ended 31 December 2012 was lower as compared with the year ended 31 December 2011. Taking into account the listing expenses of approximately HK$1.5 million newly incurred during the year ended 31 December 2012, the net profit of the Group decreased by approximately 32.9% from HK$13.0 million for the year ended 31 December 2011 to approximately HK$8.7 million for the year ended 31 December 2012.

The turnover of the Group increased by approximately 61.7% from approximately HK$17.4 million for the year ended 31 December 2012 to approximately HK$28.1 million for the year ended 31 December 2013. Advertising income increased by approximately 64.6% from approximately HK$16.8 million for the year ended 31 December 2012 to approximately HK$27.6 million for the year ended 31 December 2013. Sales of the Magazines decreased by approximately 19.4% from approximately HK$0.6 million for the year ended 31 December 2012 to approximately HK$0.5 million for the year ended 31 December 2013. The increase in advertising income was mainly due to (i) the increase of orders on placing advertisements on the Group's magazines from two existing major customers; and (ii) additional orders on placing advertisements on the Group's magazines from new major customers who were solicited during the year ended 31 December 2013. The decrease in sales of Magazines was mainly attributable to the fact that only one issue of Motoz Trader was published in February 2013 because of the Chinese New Year as compared to two issues of Motoz Trader were published in February 2012 and the allocation of more printing resources to the printing of Motoz Trader (Free) for the year ended 31 December 2013.

The turnover of the Group increased by approximately 12.9% from approximately HK$14.1 million for the eight months ended 31 August 2013 to approximately HK$15.9 million for the eight months ended 31 August 2014. Advertising income increased by approximately 13.5% from approximately HK$13.8 million for the eight months ended 31 August 2013 to approximately HK$15.6 million for the eight months ended 31 August

2014. Sales of the Magazines decreased by approximately 14.8% from approximately HK$0.32 million for the eight months ended 31 August 2013 to approximately HK$0.28 million for the eight months ended 31 August 2014. The increase in advertising income was mainly because advertisements posted by six new Advertising Package customers between September 2013 and August 2014.

For the three years ended 31 December 2013 and the eight months ended 31 August 2014, the gross profit margins of the Group were approximately 91.8%, 90.2%, 93.4% and 90.3% respectively. Please refer to the relevant paragraphs under sub-section headed "Principal income statement components" of the "Financial Information" section of this document for details. The sustainability of the Group's turnover, net profits and gross profit margin depends largely on the Group's ability to exert effective cost control and/or maintain existing advertising customers or solicit new advertising customers which can yield attractive profit margins to the Group.

Relatively high gearing ratios

The gearing ratio (which is equal to total borrowings including convertible bond divided by the total equity as at the end of the respective reporting period and multiplied by 100%) of the Group increased from approximately 38.8% as at 31 December 2011 to approximately 195.4% as at 31 December 2012 mainly due to the increase in bank borrowings and large decrease in retained profits as a result of dividend paid of approximately HK$11.9 million during the year. The gearing ratio of the Group decreased from approximately 195.4% as at 31 December 2012 to approximately 122.9% as at 31 December 2013 mainly due to the repayment of bank borrowings and the increase in retained profits despite the issue of convertible bonds during the year ended 31 December 2013. Nevertheless, the gearing ratio remained relatively high at over 100%. The gearing ratio rebounded to 379.9% as at 31 August 2014 mainly because of the issuance of the second tranche of the Pre-[REDACTED] Convertible Bonds with an aggregate principal amount of HK$15.0 million which was completed on 27 January 2014. The relatively high gearing ratio of the Group could limit its ability to obtain the necessary financing or obtain favourable terms for funding future capital expenditures and working capital. There will be no assurance that the Group will be able to diversify its source of funding by raising equity. Please refer to the paragraph headed "Indebtedness" of the "Financial information" section of this document for details of the Group's indebtedness.

Dilution effect and impact of exercise of options granted under the Share Option Schemes

The Company has conditionally adopted the Share Option Scheme. As at the Latest Practicable Date, no option was granted under the Share Option Scheme. Following the grant of any options under the Share Option Scheme in the future and the issue of new Shares upon exercise of the options may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of the Shareholders which may also result in a dilution or reduction of the earnings per Share or net asset value per Share.

In addition, the fair value of the options to be granted to employees of the Group under the Share Option Scheme will be charged to the combined statements of comprehensive income of the Group over the vesting periods of the options. Accordingly, the financial results and profitability of the Group may be adversely affected.

No guarantee on declaration of dividends in the future

The Group declared dividend of HK$4 million to its Shareholders on 21 January 2015 and paid HK$950,000 and HK$3.05 million on 21 January 2015 and 22 January 2015 respectively. The Group declared and paid dividend of approximately HK$8.7 million, HK$11.9 million, HK$8.9 million and HK$9.1 million for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively. The dividend distribution recorded during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared and paid by the Company to the Shareholders in the future after [REDACTED]. There is no assurance that any dividends will be declared by the Group after the [REDACTED]. The declaration, payment and amount of any future dividends are subject to the discretion of the Board depending on, among other things, the Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors.

The Group's business strategies and future plans may not be implemented successfully and may need additional funding to meet future business requirements and plans

The Group's business strategies and future plans are set out under the paragraph headed "Business strategies" in the section headed "Business" in this document and the section headed "Future plans and use of proceeds" in this document respectively. The successful implementation of these strategies and plans depends on a number of factors including, among other things, changes in the media and advertising markets, the availability of funds, competition and the Group's ability to retain and recruit competent employees. Some of these factors are beyond the control of the Group and by nature, are subject to uncertainty. There is no assurance that the business strategies and future plans can be implemented successfully. Any failure or delay in the implementation of any or all of these strategies and plans may have a material adverse effect on profitability and prospects of the Group.

The Group may come across other opportunities to expand its business. In such circumstances, the proceeds from the issue of [REDACTED] may not be sufficient to capitalise on and develop these opportunities and the Group may need to obtain additional financing to fund its future capital expenses. If the Group is unable to secure adequate funds for its business needs in a timely manner, the Group may not be able to fully implement its future plans effectively and successfully.

The Group may not have adequate insurance coverage

The Group maintained insurance coverage in accordance with the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) and life insurance for one of the executive Directors. It also maintained insurance coverage up to HK$0.12 million over its office contents which is a broad, all risks protection against accidental loss or damage (such as fire, typhoon, water damage or theft) to the insured contents in office. Such insurance also covers (i) additional expenditure (such as the costs of fitting out temporary office) up to HK$0.5 million (and up to an indemnity period of three months) necessarily and reasonably incurred to avoid or diminish interruption of business in consequence of the damage; (ii) third-party liability up to HK$5.0 million (within the office premises only); and loss of money with maximum limit of HK$0.5 million for crossed cheques/postal and money order/banker's draft and credit card sales vouchers. Should any major claims be made on the Group which are not covered by adequate insurance, the Group's business and financial performance may be materially and adversely affected.

RISKS RELATING TO THE PUBLICATION INDUSTRY

No entry barrier to the publication industry and the Group may not be able to sustain its profit margins and/or market share

The Directors consider that the Group faces potential competition from various local magazine publishers as there is no significant entry barrier to the publishing business in Hong Kong; and competition within the business of Chinese-language lifestyle magazines in Hong Kong is keen where pricing of the magazines and the advertising spaces in magazines is one of the key factors affecting the business performance of local magazine publishers. Should the Group fail to compete with other magazine publishers and/or other advertising media by maintaining its competitive advantages or responding rapidly to a fast changing business environment and readers' preferences, the Group's operation may be adversely affected.

Some of the competitors may have more financial resources than the Group, which could enable them to initiate and sustain price competition strategies. The Group may also face competition from new entrants who may deliberately lower their magazine or advertising prices so as to gain access to the industry. Any increase in competition can adversely affect the Group's market share, which may lead to price reductions and an increase in the Group's spending on business development activities, and could have a material adverse effect on the Group's profit margins, profitability, business operations and prospects.

Changes in advertising trends and economic conditions

The major source of the revenue of the Group is derived from the sale of advertising spaces in the Magazines, which accounted for approximately 95.6%, 96.5%, 98.3% and 98.3% of the total turnover of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014. Advertising revenue is cyclical and dependent upon general economic conditions. In general, any variances in advertising revenue have corresponded with general economic condition as a whole. The ability of the Group to generate significant advertising revenue is dependent, among others, on the level of spending by the advertising customers, which is affected by a number of factors, including the general economic conditions, changes in consumer behaviour and changes in the retail environment.

Increasing competition in the print media advertising industry and competition from e-magazines

The Group faces keen competition from other print media as well as from other types of media, such as television, radio, internet websites and outdoor media, where all of these are potentially competing with the Group for advertising sales. Besides, the increase in the variety and availability of other forms of advertising media such as the social network websites may further intensify the competition for advertising business.

According to the Competitive Analysis issued by Ipsos, the continuous demand for physical version of magazines publications are still substantial and will not be replaced by online versions in the near future, because the enhancement of the printing technology enables the magazine publications to be more attractive and, without the limitation of bandwidth of the internet, reading on papers can be a better option in comparison to reading on computers or smartphones or tablets to view authentic pictures and photos. However, the emergence of e-magazines through online channels, especially those can be freely viewed online, has been threatening the physical version of magazine publications in Hong Kong. As the internet and smartphone and tablet penetration increases further and awareness of environmental protection in Hong Kong increases, e-magazines or usage of online channels are expected to be more popular. Advertisers may consider shifting more advertisement spending on online channels.

The financial performance of the Group and the sustainability of the profitability of its business may be materially and adversely affected if the Group's customers and/or potential customers reallocate their advertising expenditure or budgets to other print media, e-magazines or other advertising media.

RISKS RELATING TO HONG KONG

Economic, political and social conditions

The Group is principally engaged in the sales and free distribution of Magazines in Hong Kong and sales of advertising spaces in the Magazines. The revenue of the Group is entirely derived from its business activities carried out in Hong Kong and therefore the business of the Group is subject to the general economic conditions of Hong Kong and the level of domestic consumption. Any adverse changes in the economic conditions of Hong Kong could cause the demand for Magazines published by the Group to shrink and the advertising expenditures in Magazines to decrease. As a result, the financial performance of the Group and in turn the profitability of its business may be adversely affected.

Besides, as the Group's assets and operations are currently located in Hong Kong. Should there be any significant change in current governmental policies, economic and social conditions and business environment in Hong Kong in the future, the business and operation of the Group may be adversely affected.

Political risks associated with doing business in Hong Kong

The Group's business and operations are currently located in Hong Kong. Hong Kong is a Special Administrative Region of the People's Republic of China, with its own executive, judicial and legislative branches. Hong Kong enjoys a high degree of autonomy from China under the principle of "one country, two systems". However, the Group can give no assurance that Hong Kong will continue to enjoy the same level of autonomy from China. Any intervention by the government of China in the affairs of Hong Kong, in breach of the "one country, two systems" principle, may adversely affect our revenues and operations.

Recently, thousands of residents of Hong Kong engaged in civil disobedience protests. Activists protested outside key government buildings and occupied several major city intersections, causing major disruption to traffic and trade in the affected areas. Any political and social instability in Hong Kong, if significant and prolonged, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

RISKS RELATING TO THE [REDACTED]

Termination of the Underwriting Agreement

Prospective investors of the [REDACTED] should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by the Joint Lead Managers (for themselves and on behalf of the Underwriters) giving notice in writing to the Company upon the occurrence of any of the events stated in the paragraph headed "Grounds for termination" under the "Underwriting" section of this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED] Date. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic, act of terrorism, earthquake, strike or lock-out.

Marketability and possible price and [REDACTED] volume volatility of the Shares

The [REDACTED] is by way of [REDACTED] and the Shares have not been listed or allotted on any stock exchange or open market before completion of the [REDACTED]. There is no assurance that there will be an active [REDACTED] market of the Shares on GEM upon [REDACTED]. In addition, the market price of the Shares to be traded on the GEM may differ from the [REDACTED] and investors should not treat the [REDACTED] as an indicator of the market price of the Shares to be traded on GEM.

Upon [REDACTED], the [REDACTED] volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the income, profit, and cash flow of the Group, new products, services and/or investments of the Group, changes of senior management of the Group, and general economic conditions. There is no assurance that such factors will or will not occur and it is difficult to quantify the impact on the Group and on the [REDACTED] volume and market price of the Shares.

Sale or perceived sale of substantial amounts of the Shares in the public market after the [REDACTED] could adversely affect the prevailing market price of the Shares

The Shares beneficially owned by the Controlling Shareholders are subject to certain lock-up periods under the GEM Listing Rules. There is no assurance that the Controlling Shareholders will not dispose of these Shares following the expiration of the lock-up periods. Sale of a substantial number of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares.

As the Company is incorporated in Cayman Islands, protection of minority Shareholders may be different from those available to shareholders of companies established under the laws of Hong Kong or other jurisdictions

The corporate affairs of the Company are governed by the Memorandum, the Articles, the Cayman Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to protection of the interests of minority shareholders differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. Such differences may mean that the remedies available to the minority Shareholders may differ from those they would have under the laws of Hong Kong or other jurisdictions. Please see paragraph headed "Protection of minorities" of Appendix IV to this document for information on protection of minorities under the laws of the Cayman Islands.

RISKS ASSOCIATED WITH THIS DOCUMENT

Statistics and facts from governmental source in this document have not been independently verified

This document includes certain statistics and facts that have been extracted from official sources and publications. These statistics and facts from these sources have not been independently verified by the Company, the Selling Shareholder, the Joint Sponsors, the Underwriters, any of their respective directors or any other party involved in the [REDACTED] and therefore, the Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Forward-looking statements contained in this document may prove inaccurate and therefore investors should not place undue reliance on such information

This document contains certain forward-looking statements and information relating to the Group that are not historical facts but relate to the Company's intentions, beliefs, expectations or predictions for future events and conditions which may not occur. These statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Accordingly, you should not place undue reliance on any forward-looking information. See the section headed "Forward-looking statements" for further details.

In preparation for the [REDACTED], the Company has sought the following waivers from strict compliance with the relevant provisions of the GEM Listing Rules and exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

FINANCIAL STATEMENTS IN THIS DOCUMENT

According to Rules 7.03(1) and 11.10 of the GEM Listing Rules, the Accountants' Report contained in this document must include the consolidated results of the Group in respect of the two financial years ended 31 December 2014 (being the two financial years immediately preceding the issue of this document).

Pursuant to section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a company incorporated outside Hong Kong and proposing to offer shares to the public in Hong Kong must state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of that schedule in its document.

According to Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Group is required to include in this document a statement as to the gross [REDACTED] income or sales turnover of the Company for the three years ended 31 December 2014 including an explanation of the method used for the computation of such income or turnover and a reasonable break-down between the more important [REDACTED] activities. According to Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Group is required to include in this document a report by the auditors of the Company in respect of the profits and losses and assets and liabilities of the Company for the three years ended 31 December 2014.

The Accountants' Report for the three years ended 31 December 2013 and the eight months ended 31 August 2014 is set out in Appendix I to this document. However, strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rules 7.03(1) and 11.10 of the GEM Listing Rules would inevitably delay the timetable significantly as the financial statements are required to be audited up to 31 December 2014 and the reporting accountants would have to undertake a considerable amount of work to prepare, update and finalise the accountant's report to cover such period. This would not only involve additional costs but also require substantial work to be carried out for audit purposes. It would also be unduly burdensome for the audited results for the financial year ended 31 December 2014 to be finalised in a short period of time.

In such circumstances, the Joint Sponsors have, on behalf of the Company, applied for [a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules, and the Stock Exchange has granted the Company, a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules, on the conditions that:

(i) the Shares are listed on the Stock Exchange on or before [REDACTED];

(ii) the Company obtains a certificate of exemption from the SFC from strict compliance with similar requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(iii) if this document is to be issued on or before [REDACTED] 2015, the Company will include (a) a profit estimate for the year ending 31 December 2014 in this document which complies with Rules 14.29 to 14.31 of the GEM Listing Rules; and (b) a statement made by the Directors in this document that there has been no material adverse change to the financial and [REDACTED] positions or the prospects of the Group since 31 August 2014.]

An application has also been made to the SFC for a certificate of exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the inclusion of the Accountants' Report for the full year ended 31 December 2014 in this document on the ground that it would be unduly burdensome to do so within a short period of time after 31 December 2014. [A certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption are set out in this document; and (ii) the document is issued on or before [REDACTED] 2015.]

The Directors and the Joint Sponsors confirmed that all information that is necessary for the public to make an informed assessment of the business, assets and liabilities, financial position and profitability of the Group has been included in this document, as such the waiver granted by the Stock Exchange from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules and the exemption granted by the SFC from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will not prejudice the interests of the investing public.

The Directors and the Joint Sponsors confirm that they have performed sufficient due diligence to ensure that, up to the date of this document, there has been no material adverse change in the Group's financial and [REDACTED] positions or prospects since 31 August 2014 and there is no event since 31 August 2014 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Kwan Shun Keung Timmy (關信強)	House 86 Boulevard Du Lac The Beverly Hills Sam Mun Tsai Road Tai Po, New Territories Hong Kong	Chinese
Ms. Yip Tsz Lam (葉子霖)	House 86 Boulevard Du Lac The Beverly Hills Sam Mun Tsai Road Tai Po, New Territories Hong Kong	Chinese
Non-executive Director		
Mr. Tsang Hin Man Terence (曾憲文)	Flat B 7/F Wisteria Mansion Taikoo Shing 4 Taikoo Wan Road Hong Kong	British
Independent non-executive Directors		
Mr. Lee Kwok Tung Louis (李國棟)	Flat B, 16/F, Tower 1 Grand Promenade 38 Tai Hong Street Hong Kong	Chinese
Mr. Tsang Ho Ka Eugene (曾浩嘉)	Flat D, 28/F, Tower 1 Sky Tower, The Arch 1 Austin Road West Kowloon	Chinese
Mr. YU Chon Man (余俊敏)	Flat D, 19/F, Hong Fook Court Bedford Garden 153 Tin Hau Temple Road North Point Hong Kong	Chinese

Further information of the Directors are disclosed in the section headed "Directors, Senior Management and Staff" of this document

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**VC Capital Limited** 28th Floor, The Centrium 60 Wyndham Street Central Hong Kong *(a licensed corporation permitted to engage in type 6 (advising on corporate finance) regulated activity under the SFO)*
	Ample Capital Limited Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong *(a licensed corporation permitted to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)*
Sole Bookrunner, Joint Lead Manager and Underwriter	[REDACTED]
Joint Lead Manager and Underwriter	[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to the Company	*As to Hong Kong law:* **Michael Li & Co.** 19/F., Prosperity Tower No. 39 Queen's Road Central Central Hong Kong *(Solicitors, Hong Kong SAR)* *As to Hong Kong law in respect of Ocean Media's non-compliance with certain provisions of the RLNO and the Newspapers Regulations and the compliance issue under the ECO:* **William M.F. Wong** 38/F Gloucester Tower The Landmark, Central Hong Kong *(Senior Counsel, Hong Kong SAR)* *As to Macau law:* **Rato, Ling, Vong, Lei & Cortés – Advogados** Avenida da Amizade, no555 Macau Landmark Office Tower 23, 2301-2302 Macau *(Lawyers, Macau)* *As to Cayman Islands law:* **Conyers Dill & Pearman (Cayman) Limited** Cricket Square PO Box 2681 Grand Cayman KY1-1111 *(Cayman Islands attorneys-at-law)*
Legal advisers to the Joint Sponsors	*As to Hong Kong law:* **D.S. Cheung & Co.** 29/F., Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong *(Solicitors, Hong Kong SAR)*
Legal advisers to the Underwriters	[REDACTED]
Auditors and reporting accountants	**CCIF CPA Limited** *Certified Public Accountants* 9/F., Leighton Centre 77 Leighton Road Causeway Bay Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	Unit 4, 7th Floor, Nan Fung Commercial Centre 19 Lam Lok Street Kowloon Bay, Kowloon Hong Kong
Authorised representatives	Mr. Kwan Shun Keung Timmy (關信強) House 86 Boulevard Du Lac The Beverly Hills Sam Mun Tsai Road Tai Po, New Territories Hong Kong Ms. Yip Tsz Lam (葉子霖) House 86 Boulevard Du Lac The Beverly Hills Sam Mun Tsai Road Tai Po, New Territories Hong Kong
Company secretary	Mr. Mak Wai Kit (麥偉杰), *CPA* Flat A, 29/F, Block 4 Kingsford Terrace 8 King Tung Street Diamond Hill Kowloon
Compliance officer	Mr. Kwan Shun Keung Timmy (關信強)
Members of the Audit Committee	Mr. Lee Kwok Tung Louis (李國棟) *(Chairman)* Mr. Tsang Ho Ka Eugene (曾浩嘉) Mr. Yu Chon Man (余俊敏)
Members of the Remuneration Committee	Mr. Tsang Ho Ka Eugene (曾浩嘉) *(Chairman)* Mr. Kwan Shun Keung Timmy (關信強) Mr. Yu Chon Man (余俊敏)
Members of the Nomination Committee	Mr. Yu Chon Man (余俊敏) *(Chairman)* Mr. Kwan Shun Keung Timmy (關信強) Mr. Lee Kwok Tung Louis (李國棟)

CORPORATE INFORMATION

Members of the Corporate Governance Committee	Mr. Tsang Hin Man Terence (曾憲文) *(Chairman)* Mr. Kwan Shun Keung Timmy (關信強) Mr. Lee Kwok Tung Louis (李國棟) Mr. Tsang Ho Ka Eugene (曾浩嘉) Mr. Mak Wai Kit (麥偉杰)
Compliance adviser	**VC Capital Limited** 28th Floor, The Centrium 60 Wyndham Street Central Hong Kong *(a licensed corporation permitted to engage in type 6 (advising on corporate finance) regulated activity under the SFO)*
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
Principal share registrar and transfer office in Cayman Islands	[REDACTED]
Hong Kong branch share registrar and transfer office	[REDACTED]
Company's website	http://oceanmediahk.com (information contained on this website does not form part of this document)

INDUSTRY OVERVIEW

This section contains information derived or extracted from publicly available or official sources referred to in this document or other market sources. The Company believes that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Such information has not been independently verified by the Company, the Selling Shareholder, the Joint Sponsors, the Joint Lead Managers, the Underwriters or any other party involved in the [REDACTED], and no representation is given as to its accuracy.

OVERVIEW OF THE PUBLISHING INDUSTRY IN HONG KONG

As mentioned in the "Publishing Industry in Hong Kong" published by the Hong Kong Trade Development Council, Hong Kong is backed by a highly developed printing industry. The publishing industry benefits from Hong Kong's excellent communications network. For example, satellite communications enable international publishers to transmit texts and high-quality images to Hong Kong for producing their Asian editions. Freedom of expression and liberal attitude towards the press are important factors attracting a concentration of prestigious international publications in Hong Kong. Accordingly, many major international publishers of newspapers, magazines and books have their Asian headquarters in Hong Kong. A large number of them use Hong Kong as the base to perform some or all of the functions of local market adaptations, printing, advertising sales and subscription. The range of products provided by the publishing industry in Hong Kong can be classified as "newspapers and magazines", "books" and "non-book publications" (such as multimedia CD-ROMS and on-line publishing). Hong Kong is a major centre for Chinese-language publications. Some local Chinese newspapers and magazines are also distributed in Taiwan, the Chinese mainland and overseas communities where there are significant Chinese publications.

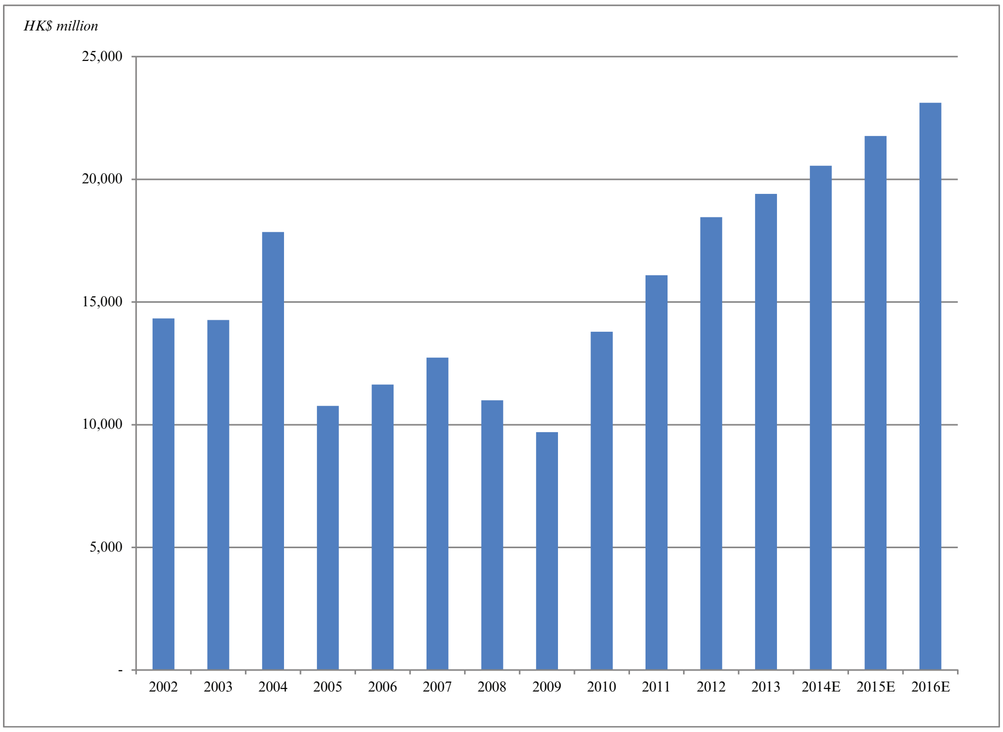
According to the website of Office for Film, Newspaper and Article Administration (OFNAA) (which was set up on 1 April 2012 to take up the functions of the former Television and Entertainment Licensing Authority in relation to film classification, control of obscene and indecent articles and newspaper registration) as at 9 January 2015, there were 56 newspapers (including electronic newspapers) and 719 periodicals in Hong Kong.

Generally, the major sources of revenue for magazines are advertising income and circulation income. Therefore, circulation (or readership) and advertising are one of the most appropriate measurements of the market share of Hong Kong's magazine publishers.

ADVERTISING EXPENDITURES IN HONG KONG

A total fee of GBP1,425 was paid to ZenithOptimedia for the "advertising expenditure forecasts – April 2014" report published by ZenithOptimedia (the "**ZenithOptimedia Report**"). ZenithOptimedia, an Independent Third Party, is one of the global media services agencies with 250 offices in 74 countries. ZenithOptimedia provides forecasts based on their knowledge of local market conditions, the spending plans of their clients, price negotiations with media owners, and the campaigns run by their competitors. According to the ZenithOptimedia Report, consumer confidence has been affected by relatively high inflation and weak government policy. Consequently, advertisers' budgets have been found to be on the conservative side. Overall, total advertising expenditure rose by around 5.0% in 2013, and ZenithOptimedia forecasts an annual growth of approximately 6.0% over the next three years. Internet is growing very fast as more cheap entry level opportunities become available for advertisers. Improvements in measurability have also helped. The ongoing decline in print advertising spending continues, especially in paid-for titles.

Total advertising expenditures at current prices



Source: ZenithOptimedia Report (April 2014)

Note: "E" denotes estimated figures which are derived with reference to the forecasts provided by experts in the relevant medium based on their knowledge of local market conditions, the spending plans of their clients, price regulations with media owners, and the campaigns run by their competitors.

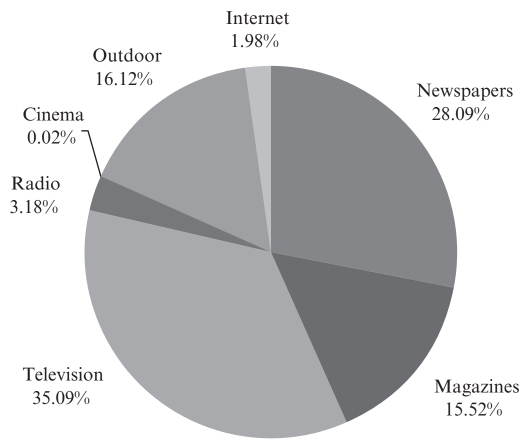
According to admanGo, a research company commissioned by the Group, it is estimated that in 2013 for the advertising expenditure on 135 consumer-oriented magazines in Hong Kong, approximately 91.4% advertising expenditure was spent on

Chinese magazines, while the remaining 8.6% was spent on English or bilingual magazines. Since the advertising expenditure on non-Chinese consumer-oriented magazines in Hong Kong was not significant, the advertising expenditure by language is not separately disclosed.

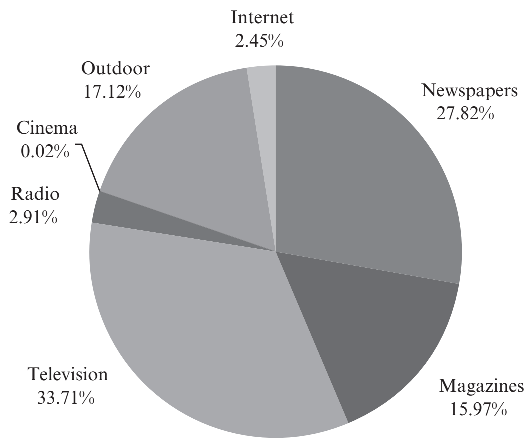
Advertising expenditures by medium

According to data provided by ZenithOptimedia along with the ZenithOptimedia Report, advertising expenditures on television, newspaper, outdoor and magazines in Hong Kong accounted for the largest shares of the total advertising expenditures in 2011, 2012 and 2013. The breakdown of advertising expenditures by medium for the three years is as follow:

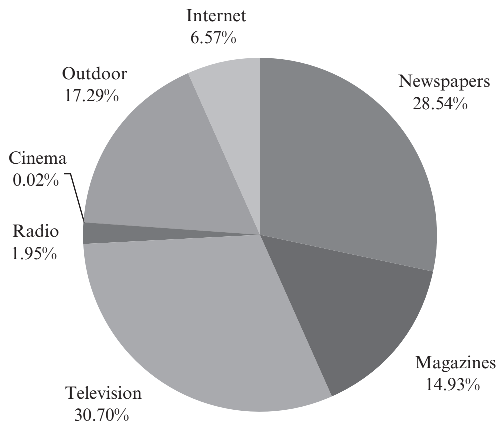
Advertising expenditures by medium in 2011



Advertising expenditures by medium in 2012



Advertising expenditures by medium in 2013

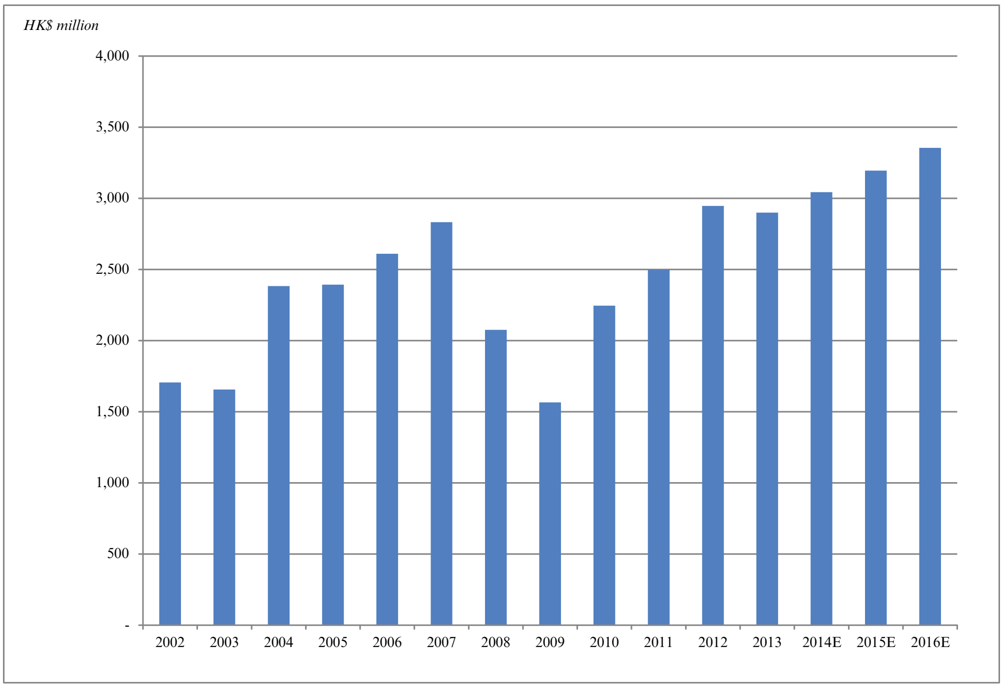


Source: Reproduced from data provided by ZenithOptimedia (April 2014)

Advertising Expenditures on Magazines

According to the ZenithOptimedia Report, total advertising expenditures on magazines in Hong Kong amounted to approximately HK$2.9 billion in 2013, which is similar to the level in 2012.

Total advertising expenditures on magazines at current prices



Source: ZenithOptimedia Report (April 2014)

Note: "E" denotes estimated figures which are derived with reference to the forecasts provided by experts in the relevant medium based on their knowledge of local market conditions, the spending plans of their clients, price negotiations with media owners, and the campaigns run by their competitors.

Threats from the internet

According to the ZenithOptimedia Report, advertising expenditures on internet medium (e.g. e-magazines, mobile advertising, etc) in Hong Kong grew steadily over the past few years. In 2013 advertising expenditures on internet medium accounted for approximately 6.6% of the total advertising expenditure. Internet is growing fast as more cheap entry-level opportunities become available for advertisers. It is projected that the advertising expenditure on internet medium will continue to grow, taking shares of advertising expenditure from other medium including the traditional newspapers, magazines and television.

The Group faces keen competition from other print media as well as from other types of media, such as television, radio, internet websites and outdoor media, where all of these are potentially competing with the Group for advertising sales. Besides, the increase in the variety and availability of other forms of advertising media such as the social network websites may further intensify the competition for advertising business.

According to the Competitive Analysis issued by Ipsos, the continuous demand for physical version of magazines publications are still substantial and will not be replaced by online versions in the near future. The enhancement of the printing technology enables the magazine publications to be more attractive and, without the limitation of bandwidth of the internet, reading on papers can be a better option in comparison to reading on computers or smartphones or tablets to view authentic pictures and photos. However, the emergence of e-magazines through online channels, especially those can be freely viewed online, has been threatening the physical version of magazine publications in Hong Kong. As the internet and smartphone and tablet penetration increases further and awareness of environmental protection in Hong Kong increases, e-magazines or usage of online channels are expected to be more popular. Advertisers may consider shifting more advertisement spending on online channels.

Advertising expenditures by advertiser categories

The Company has commissioned admanGo, an Independent Third Party, to prepare a research report namely "Advertising expenditure report" dated 14 May 2014 on the data in relation to advertising expenditure by advertiser categories in Hong Kong (the "**admanGo Report**"). Total fee paid for the admanGo Report is HK$165,000. Established in 1999, admanGo is the market leader in the provision of competitive advertising and advertisement monitoring service through an online platform, covering all major advertising media channels. According to the admanGo Report, in 2008, admanGo acquired and merged AC Nielsen's Advertising Monitoring Service and became the only advertisement monitoring service in Hong Kong. Currently, admanGo is the official supplier for advertising creative and advertising expenditure data for the Association of Accredited Advertising Agencies of Hong Kong (HK4As).

Magazine advertising activity is monitored in 135 consumer-oriented magazines on a continual basis through subscriptions, newsstand purchases as well as periodic collections. AdmanGo's magazine analysts record all reported data elements about the issue and all specifics for advertisements, meeting the 1/8th of a page minimum advertisement size.

Magazines included in the admanGo database typically have a minimum circulation of approximately 10,000 and with advertising insertions of not less than 15 pages. Details of the reported data included, among others, publication name, the page which the advertisement appears (including cover, cover banner, insider cover, back cover as well as other inside pages of the magazines), size of the advertisement, rate card reference which shows category of rates and advertisement size represented in the rate card. Magazine rate cards are provided by magazine publishers. Rate information is reviewed and updated annually. Advertising expenditure is derived based on the sizes and positions of advertisements placed in the magazine with the published rate of the relevant sizes and positions stated in the rate cards of the respective magazines.

The following table shows the number of insertions, the number of advertising pages and the amount of advertising expenditure by industries of advertisers on magazines for the year ended 31 December 2013:

	For the year ended 31 December 2013		
Advertisers' categories	**Insertion** *(Note 5)*	**Advertising page**	**Advertising expenditure** *(approx. in HK$'000)*
Cosmetics & skincare	17,029	26,556	2,870,892
Jewels, watches & clock	10,792	14,044	1,399,634
Fashion, accessories & eyewear	10,692	15,850	1,312,615
Beauty, slimming & fitness *(Note 1)*	11,686	12,933	1,257,571
Mass Media *(Note 2)*	10,519	11,063	752,069
Banking and investment, accounting, consulting, legal services *(Note 3)*	5,834	6,183	518,858
Education & training	8,911	6,856	326,126
Property & real estate	2,603	2,738	150,814
Motor vehicles retailers and distributors	1,762	2,612	59,843
Pets	3,075	3,298	46,298
Car rental	18	43	2,955
Others *(Note 4)*	76,688	85,298	5,640,325
Total	159,609	187,474	14,338,000

Note:

1. Beauty, slimming & fitness included beauty & slimming salons, beauty, slimming & fitness equipment, beauty food supplements, fitness centres, health food supplements, etc.

2. Mass media included newspaper & magazines, online services, recruitment, television, etc.

3. Banking & investment included securities brokerages & investment services, personal loan & financing, gold & commodities, etc.

4. Others included advertisers in beverages, books, gifts & stationary, bridal, construction, entertainment, food, government, hotels, resorts & service apartments, retail, restaurants, telecommunication, mobile phone & services, etc.

5. Insertion means count of advertisements inserted in magazines

Source: admanGo Report

Based on the information from the admanGo Report, advertising expenditure per insertion and advertising expenditure per advertising page by industries of advertisers for the year ended 31 December 2013 can be derived and is shown in table below:

	For the year ended 31 December 2013	
Advertisers' categories	**Advertising expenditure per insertion** *(approx. in HK$'000)*	**Advertising expenditure per advertising page** *(approx. in HK$'000)*
Cosmetics & skincare	168.6	108.1
Jewellery, watches & clock	129.7	99.7
Beauty, slimming & fitness	107.6	97.2
Banking and investment, accounting, consulting, legal services	88.9	83.9
Fashion, accessories & eyewear	122.8	82.8
Car rental	164.2	68.7
Mass Media	71.5	68.0
Property & real estate	57.9	55.1
Education & training	36.6	47.6
Motor vehicles retailers and distributors	34.0	22.9
Pets	15.1	14.0

MAGAZINES READERSHIP AND MARKET SHARE IN HONG KONG

The Company has subscribed from Ipsos, an Independent Third Party, (i) a research report on the data in relation to the readerships of different types of magazines in Hong Kong; and (ii) a research report on competitive analysis for magazine publication in Hong Kong. Ipsos, founded in France in 1975, is an independent market research company controlled and managed by research professionals. With offices in 86 countries, Ipsos delivers insightful expertise across six research specializations: advertising, customer loyalty, marketing, media, public affairs research, and survey management. The "Media Atlas Hong Kong – Magazine readership" dated 22 February 2013 and further updated on 24 February 2014 published by Ipsos (the "**Media Atlas**") comprises readerships data on monthly, weekly and semi-weekly magazines in Hong Kong and is prepared based on the results of computer aided telephone interviewing with individuals aged 12-64 in Hong Kong. The "Competitive Analysis for Magazine Publication Industry in Hong Kong" dated 12 March 2014 published by Ipsos (the "**Competitive Analysis**") comprises data on revenue and respective market shares of the top five paid magazines and top five free magazines in Hong Kong respectively; and is prepared based on a full-circle information collection method. This includes (i) desk search from the sources of government, official company websites, news or annual reports; (ii) consultation to obtain the background information of the Company; and (iii) primary research through interviews with certain key stakeholders and industry experts in Hong Kong such as magazines publishers. Interviewees are selected based on their working experiences in the magazine publication industry, and the relevancy of their responsibility to the topics in the research. They should possess at least two years of working experiences and were familiar with the topics addressed. Intelligence gathered has been analyzed, assessed and validated using Ipsos' in-house analysis models and techniques (the Competitive Analysis together with the Media Atlas, the "**Ipsos Reports**"). We have obtained the right to use and reproduce the contents of the Ipsos Reports in this document upon total payment of fees of HK$202,800 and without any commission.

Magazine readership in Hong Kong

According to the Media Atlas, estimated number of people aged 12-64 in Hong Kong was approximately 5.5 million for both the five years ended September 2013 and the year ended December 2013 respectively. The survey has interviewed around 6,000 respondents aged 12 to 64 over a 12 month period. The data collection method of the Media Atlas is random sampling via home telephone interviewing. Random household sampling method was employed with a quota set for individuals to ensure that the individuals selected are representative of the Hong Kong population and projectable to the latest Hong Kong population from government statistics.

The following table shows the number of readership of different types of magazines in Hong Kong during the five years from October 2008 to September 2013 and the year from January to December 2013.

	Oct 2008 – Sep 2009			Oct 2009 – Sep 2010			Oct 2010 – Sep 2011			Oct 2011 – Sep 2012			Oct 2012–Sep 2013			Jan 2013–Dec 2013		
Magazine category	Monthly	Weekly	Semi-weekly	Monthly	Weekly	Semi-weekly	Monthly	Weekly	Semi-weekly	Monthly	Weekly	Semi-weekly	Monthly	Weekly	Semi-weekly	Monthly	Weekly	Semi-weekly
	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)
Lifestyle	95 11.0%	722 31.7%	–	100 13.4%	624 28.0%	–	73 10.9%	599 28.2%	–	108 15.4%	541 28.4%	–	85 13.2%	437 26.9%	–	84 13.6%	419 26.5%	–
Automobile	133 15.4%	–	–	102 13.6%	–	–	76 11.3%	–	–	88 12.5%	–	–	134 20.8%	–	–	110 17.8%	–	–
Fashion	342 39.7%	87 3.8%	–	302 40.3%	87 3.9%	–	280 41.7%	61 2.9%	–	255 36.3%	44 2.3%	–	253 39.3%	45 2.8%	–	234 37.9%	41 2.6%	–
Education	55 6.4%	–	–	–	–	–	–	92 4.3%	–	–	99 5.2%	–	–	67 4.1%	–	–	66 4.2%	–
Property	–	154 6.8%	–	–	148 6.6%	–	–	128 6.0%	–	–	112 5.9%	–	–	71 4.4%	–	–	65 4.1%	–
Public Affairs	–	762 33.5%	–	–	721 32.3%	–	–	711 33.5%	–	–	672 35.3%	–	–	564 34.7%	–	–	539 34.1%	–
Entertainment	73 8.5%	1,496 65.7%	–	55 7.3%	1,496 67.1%	–	43 6.4%	1,371 64.6%	–	55 7.8%	1,206 63.3%	–	39 6.1%	1,019 62.6%	–	38 6.1%	990 62.7%	–
Technology	–	337 14.8%	–	–	362 16.2%	–	–	277 13.0%	–	–	252 13.2%	–	–	192 11.8%	–	–	190 12.0%	–
Business/Finance	128 14.8%	187 8.2%	–	107 14.3%	203 9.1%	–	95 14.2%	212 10.0%	–	134 19.1%	183 9.6%	–	116 18.0%	127 7.8%	–	119 19.3%	126 8.0%	–
Recruitment	–	41 1.8%	201 100.0%	–	30 1.3%	185 100.0%	–	28 1.3%	173 100.0%	–	31 1.6%	166 100.0%	–	–	155 100.0%	–	–	160 100.0%
Others	296 34.3%	–	–	258 34.4%	–	–	237 35.3%	–	–	267 38.0%	–	–	231 35.9%	–	–	224 36.2%	–	–
Total	**1,122**	**3,786**	**201**	**924**	**3,671**	**185**	**804**	**3,479**	**173**	**907**	**3,140**	**166**	**858**	**2,522**	**155**	**809**	**2,436**	**160**
Readership adjusted (note)	*(260)*	*(1,510)*	*0*	*(175)*	*(1,440)*	*0*	*(133)*	*(1,356)*	*0*	*(204)*	*(1,234)*	*0*	*(214)*	*(895)*	*0*	*(191)*	*(857)*	*0*
***Adjusted total** (note)*	***862***	***2,276***	***201***	***749***	***2,231***	***185***	***671***	***2,123***	***173***	***703***	***1,906***	***166***	***644***	***1,627***	***155***	***618***	***1,579***	***160***

Note: Adjusted total number of readership for all type of magazines in Hong Kong after eliminating common readership among different types of magazines during the five years from October 2008 to September 2013 and the year from January to December 2013.

The Group considered that Motoz Trader, Motoz Xpress/Shopping Monthly, Pets Buyer and Bplus fall into the categories of magazines of lifestyle, others and fashion respectively. However, magazines of the Group were not included in the table shown above.

Source: Media Atlas issued by Ipsos

It is noted from the Media Atlas that Fashion magazines had the largest readership amongst the monthly magazines which accounted for approximately 39.7%, 40.3%, 41.7%, 36.3%, 39.3% and 37.9% of the total readership of monthly magazines in Hong Kong for the five years ended September 2013 and the year ended December 2013 respectively. Readership of lifestyle magazines ranked top 3 among readerships of weekly magazines in Hong Kong, accounting for approximately 31.7%, 28.0%, 28.2%, 28.4%, 26.9% and 26.5% for each of the five years ended 30 September 2013 and the year ended December 2013 respectively. This illustrates, to a certain extent, that lifestyle magazines are one of the most popular categories of magazines in Hong Kong.

Magazines market share in Hong Kong

Paid magazines

According to the Competitive Analysis, the top five paid magazines contributed approximately 15.9% of the total revenue of the paid magazines publication industry in the year 2013. The breakdown of revenue by top five paid magazines in Hong Kong is as follows:

Top 5 paid magazines in Hong Kong

Rank		**Revenue in 2013** *(Note)*	**Share of total industry revenue**	**Frequency of publishing**	**Types of magazine and target readers**
		(HK$ million)	*(%)*		
1	Magazine A	222.6	4.5	Weekly	Gossips
2	Magazine B	184.3	3.8	Weekly	(1) News, finance and business related (2) Gossips
3	Magazine C	134.4	2.7	Weekly	Gossips
4	Magazine D	125.0	2.5	Weekly	Gossips
5	Magazine E	120.0	2.4	Weekly	(1) News, finance and business related (2) Gossips
Others		4,125.4	84.1		
Total		**4,911.7**	**100.0**		

Note: Revenue numbers are estimated to the whole year of 2013 because annual reports for the full year 2013 of the five companies (which had fiscal year end of 31 March) have not yet been released. The estimation is based on calculation by Ipsos having taking into account of the average monthly revenue in 2012 fiscal year, the revenue of the 6 months in the year 2013 and the average monthly revenue of the 6 months in the year 2013.

Source: Competitive Analysis issued by Ipsos based on half-year reports and annual reports of the publishers of magazines listed in the table, Ipsos interview and analysis

Paid magazines published by the Group generated total turnover of approximately HK$15.1 million for the year ended 31 December 2013; thus, representing approximately 0.3% of the total paid magazines market revenue in the year 2013. Unlike the top five paid magazines, the Group's paid magazines were published fortnightly, monthly, bi-monthly or quarterly.

Free magazines

According to the Competitive Analysis, the top five free magazines contributed approximately 14.9% of the total revenue of the free magazines publication industry in the year 2013. The breakdown of revenue by top five free magazines in Hong Kong is as follows:

		Top 5 free magazines in Hong Kong			
Rank		**Revenue in 2013** *(Note)* *(HK$ million)*	**Share of total industry revenue** *(%)*	**Frequency of publishing**	**Types of magazine and target readers**
1	Magazine A	103.0	6.3	Weekly	Life (such as education, property, healthcare, recruitment etc.)
2	Magazine B	60.0	3.7	Twice a week	Life (such as education, property, healthcare, recruitment etc.)
3	Magazine C	36.4	2.2	Weekly	Leisure (dining, entertainment and travel)
4	Magazine D	24.0	1.5	Twice a week	Life (such as education, property, healthcare, recruitment etc.)
5	Magazine E	20.0	1.2	Twice a week	Life (such as education, property, healthcare, recruitment etc.)
Others		1,393.9	85.1		
Total		**1,637.3**	**100.0**		

Note: Revenue numbers are estimated to the whole year of 2013 because annual reports for the full year 2013 of the five companies (which had fiscal year end of 31 March) have not yet been released. The estimation is based on calculation by Ipsos having taking into account of the average monthly revenue in 2012 fiscal year, the revenue of the 6 months in the year 2013 and the average monthly revenue of the 6 months in the year 2013.

Source: Competitive Analysis issued by Ipsos based on half-year reports and annual reports of the publishers of magazines listed in the table, Ipsos interview and analysis

Free magazines published by the Group generated total turnover of approximately HK$13.0 million for the year ended 31 December 2013; thus, representing approximately 0.8% of the total free magazines market revenue in the year 2013. The Group's free magazines were published fortnightly (i.e. twice a month) or monthly.

Magazines free picking sites and free reading sites in Hong Kong

The Group has commissioned the Centre for the Advancement of Social Sciences Research ("**CASR**") in the Faculty of Social Sciences of Hong Kong Baptist University, an Independent Third Party, to conduct a research on the data in relation to the number of free picking up sites and the number of free reading sites for magazines in Hong Kong during the period from October 2013 to February 2014. Total fee paid for the research report, namely "Report on free magazines distribution points" dated 27 February 2014 (the "**BU Report**") is HK$7,800. In the BU Report, "Free picking up sites" is defined as locations where people can take away free available copies; and "free reading sites" is defined as locations where people can only read and cannot take the copies away.

CASR attempted to cover 166 lifestyle, finance and business, fashion and beauty, automobile, pets, dining and jewelry and watch magazines registered under RLNO by searching the homepage of such magazines, going to retail stores such as convenience stores and going to the libraries. The data was then collected by checking distribution points information printed in the magazines and calling the publishers of the magazines. According to the BU Report, 23 magazines either have no homepage, no address available on internet or no phone number can be found from yellow pages; and 4 magazines have not been published any more.

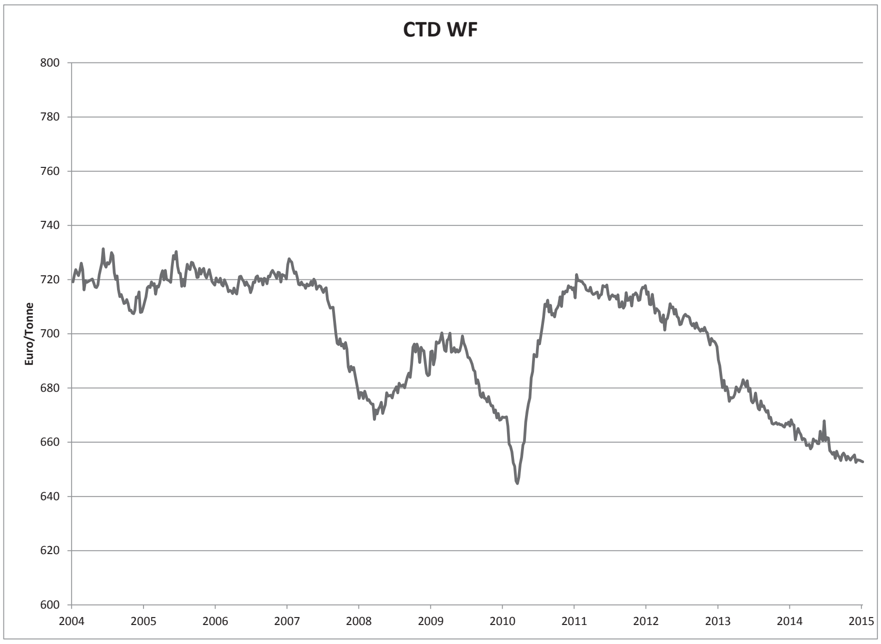
Of the 139 successfully researched magazines, 9 magazines have a total of 1,459 free picking up sites. Of these, 533 are located at bars/restaurants, 120 are at department stores and 117 are at universities. One magazine has the most free-picking up sites of 611. Motoz Trader (Free) was ranked 6th and Motoz Xpress/Shopping Monthly (Free) was ranked 7th with 53 and 48 free picking up sites respectively. Of the 139 successfully researched magazines, 32 magazines have a total of 6,286 free reading sites of which 2,835 were located at coffeeshops and 2,691 were located at spa/hair salons/beauty salons. Motoz Trader (Free) has the most free reading sites of 992 while Motoz Xpress/Shopping Monthly (Free) and Pets Buyer came second and third with 940 and 935 free reading sites respectively. Bplus ranked 11th with 231 sites for free reading.

Trend of the paper price

According to the information released from the website of FOEX Indexes Ltd (www.foex.fi), an Independent Third Party located in Helsinki, Finland specialised in operating as a provider of audited, trade-mark registered pulp, paper, recovered paper and wood based bioenergy/biomass price indices, the PIX indexes (trademark registered by FOEX Indexes Ltd) are benchmark price indexes for various grades of pulp, paper, paperboard as well as recovered paper and biofuels prepared and published by FOEX

Indexes Ltd. The PIX price indexes are calculated from price data received from buyers and sellers of the commodity or product in question for real sales traded during the reporting week, published the following Tuesday. The prices are reported for regular business for delivery during the current or, at the latest, the following month. The PIX indexes for paper can be identified as (i) A4 B-copy; (ii) Ctd WF; (iii) LWC; and (iv) Newsprint Europe which reflect the average prices of paper used mainly for (i) photocopying; (ii) commercial printing, high quality magazines and catalogues; (iii) offset printing of magazines and catalogues; and (iv) newspaper, also catalogues and supplements respectively. The Directors confirmed that the type of paper used for printing of the Group's magazines is mainly Ctd WF.

The PIX index of Ctd WF is set out as below:



Source: Bloomberg

The price of Ctd WF was at the highest in June 2004 over the 10-year period, of approximately Euro 731/tonne, and thereafter the price of Ctd WF fluctuated ups and downs steadily over years. The price of Ctd WF reached the bottom of approximately Euro 645/tonne in March 2010. Since then the price of Ctd WF rebounded to approximately Euro722/tonne in January 2011 before moving on a downward trend to the average price of approximately Euro 654/tonne in December 2014.

COMPETITIVE LANDSCAPE

As disclosed in the paragraphs headed "Competition" of the "Business" section of this document, the Directors consider that all publishers engaged in the sales and distribution of Chinese language lifestyle, in particular, fashion and beauty, automotive and pets magazines, in Hong Kong are, to certain extent, competitors of the Group. According to the Competitive Analysis issued by Ipsos, there were about 479 magazine publishers, with a total of about 699 magazine publications in Hong Kong in the year 2013. About 10.6% of the total magazines publications were handled by six famous publishers and about 89.4% were handled by the rest publishers during the year 2013. There were about 174 free magazine publications in Hong Kong in the year 2013, which represented about 24.9% of the total magazines publications; and the remaining were paid magazine publications. The over 1,000 outlets and spots for the distribution and free reading of the free magazines publications of the Group in Hong Kong in the year 2013 was higher than the industry average of roughly 150 outlets and spots across the same period. Please refer to the sub-paragraphs under "Magazines market share in Hong Kong" under the paragraph headed "Magazines readership and market share in Hong Kong" above for information on the market share of top five paid magazines and top five free magazines in Hong Kong in the year 2013; and the paragraphs headed "Competition" of the "Business" section of this document for details on competitive landscape of magazine publication industry in Hong Kong.

Free distribution of magazines broadened the readership of the Magazines. Extensive exposure of the Magazines can effectively impress both existing and potential advertising clients and attract more advertising businesses to the Group. The Group also publishes a broad range of magazines for its customers to place their advertisements. It has developed a portfolio of Magazines with focus of contents on different areas of the lifestyle sector (i.e. automotive, pets, beauty and fashion) accompanying other lifestyle information such as property, dining, electronic products, etc. As a result, an advertising client of one particular magazine of the Group may wish to advertise its products or services in other magazine(s) or a combination of magazines of the Group; and the Group can seize the opportunity to cross-sell advertising spaces in its other magazine(s).

The Magazines were distributed by the Distributor in Hong Kong. To the best knowledge of the Directors, there are five other distributors in Hong Kong who are engaged on the provision of similar distribution services.

Compared with certain peers in the lifestyle magazine publication in Hong Kong, the Group is a relatively new company with a smaller scale. The Group has only around five-year magazine operation history. Some of the peers have much longer operation history of over 10 years and they are more mature companies with greater turnover base and may have mature customer base; whereas the Group seeks opportunities to grow its business and expand its turnover by attracting more advertising orders from major customers and companies which have not yet become its customers. Therefore, the Group can have higher turnover growth than certain peers.

Business models of magazine companies in the lifestyle magazine publication industry in Hong Kong vary: (a) some magazine companies in general allocate more resources to editorial, interviews and photo-taking works; (b) whereas others allocate less resources to editorial, interviews and photo-taking works; (c) some magazine companies in general focus on increasing circulation volume; and (d) others focus more on other aspects of the magazines and less on circulation volume. For model (a), generally higher editorial cost will be incurred which may lower the profit margin, and for model (c), generally higher printing cost and/or paper cost will be incurred which may lower the profit margin. On the contrary, for model (b), generally less editorial cost will be incurred which may raise the profit margin, and for model (d), generally less printing cost and/or paper cost will be incurred which may raise the profit margin. The Company's business model involves (b) less resources to editorial, interviews and photo-taking works and (d) focus more on expanding its network for free distribution/free reading rather than increasing circulation volume to attract advertising customers. The Group mainly used information provided by its advertising customers for the content of the Magazines instead of writing the Magazines on its own. Also, certain advertisements themselves already formed contents of the Magazines. Large portion of the contents of advertisements on magazines of the Group (i.e. Motoz Trader, Motoz Trader (Free), Motoz Xpress/Shopping Monthly and Motoz Xpress/Shopping Monthly (Free)) are relating to new car and second-hand car trades which is also regarded as magazine contents by readers who are interested in obtaining the newest and latest information on prices and models of motor vehicles available in the market. The Group also strives to increase its readership by expanding network of locations for free reading, which will not involve large printing volume of magazines as magazine copies are not allowed to be taken away from the sites; and the copies of each issue will be left at the sites for certain period of time; thus, it is expected that each copy should have more than one reader.

Based on the above, the Directors consider that it is understandable for peers of the Company in the lifestyle magazine publication in Hong Kong to have lower profit margin than the Group even if they may charge higher prices for magazines and/or advertisements given their more established names in the market.

The Directors believe that the above distinction of business models is not relevant to the difference in revenue growth of different magazine companies. As the Group has a short operating history of around 5 years and a smaller scale as compared with some other established magazines, the Group was able to capture high turnover growth through attracting more advertising orders from new customers.

The Directors approached several independent research houses and public relations firms in attempt to understand the payment practices of advertising package customers to magazines publishers in Hong Kong. Based on the feedbacks (if any) from such independent research houses and public relations firms and to the best knowledge of the Directors, the Directors understood that (i) there is no dominating industry norm in relation to payment term by customers [REDACTED] advertisements with magazines; (ii) the payment term is negotiated between individual customers and magazines on case by case basis; and (iii) both progress billing (i.e. by installments) for advertising packages and issuing invoices to advertising package customers after the publication of all advertisements/the end of the package are normal market practices.

According to the latest annual report of One Media Group Limited (stock code: 426), as at 31 March 2014 approximately 50.3% of the total trade receivables were overdue. According to the latest annual report of New Media Group Holdings Limited (stock code: 708), as at 30 June 2014, approximately 46.7% of the total trade receivables were past due. New Media Group Holdings Limited and One Media Group Limited are two major Hong Kong listed media companies with principal business activities of magazine publishing and over 95% turnover generated from circulation/subscription sale of magazines/periodicals. Based on the above public information and to the best understanding and knowledge of the advertising industry of the Directors, it is an industry norm that advertisers settle payment beyond the due dates.

LAWS AND REGULATIONS RELATING TO THE OPERATIONS AND THE BUSINESS OF THE GROUP IN HONG KONG

Registration of Local Newspapers Ordinance (Chapter 268 of the Laws of Hong Kong) and the Newspapers Registration and Distribution Regulations (Chapter 268B of the Laws of Hong Kong)

Publication and distribution of magazines in Hong Kong are subject to the registration and licensing requirements under the RLNO and a subsidiary legislation under such ordinance. Where a magazine falls within the definition of "local newspapers" under the RLNO, it shall be registered with the Registrar of Newspapers in accordance with the Newspapers Regulations. The registration fee is HK$905. An annual fee of HK$680 is required to be paid for every year during which registration under the RLNO remains in force. No magazine shall be registered by a name which is identical with the name by which another magazine or local newspaper is already registered. The publisher of the magazine is required to deliver to the Registrar of Newspapers a copy of the magazine and of every published second or other varied edition or impression on the day of or on the day next following (other than a public holiday) its publication. If any magazine ceases publication for a consecutive period of not less than six months, the registration thereof shall be deemed to have lapsed under the RLNO.

Under the RLNO, persons registered as the proprietor, printer, publisher and editor of a magazine are imposed with a rebuttable presumption of responsibility and could be vicariously responsible in the event of any offence such as libel arising from the publication of any article or other material such as advertisement in that magazine.

Where any particular is by the RLNO or by any regulation made thereunder required to be furnished and any particular furnished by way of compliance with such requirement is incorrect, the person who certified the correctness of such particular shall be deemed to have committed an offence against the RLNO unless he proves:

(a) that he believed that the particular furnished was correct; and

(b) that he could not with the exercise of reasonable diligence have discovered its incorrectness.

Pursuant to the Newspapers Regulations, distribution of magazines for sale in Hong Kong is permitted only by licensed newspaper distributors though no license is required for retail sale of magazines to the public.

Any person who commits any offence against the RLNO (other than section 17 of the RLNO) shall be liable on summary conviction to a fine of HK$5,000 and to imprisonment for one year; and upon conviction on indictment to a fine of HK$15,000 and to imprisonment for three years.

Every printer or publisher of a local newspaper who contravenes the provisions of section 17 of the RLNO as to the delivery of copies of such local newspaper at the office of the Registrar of Newspapers shall be liable on summary conviction to a fine of HK$1,000.

Any person who contravenes the relevant regulations under the Newspapers Regulations shall be guilty of an offence and shall be liable on summary conviction to a fine of HK$1,000 and to imprisonment for 6 months provided that a contravention of regulation 15 of the Newspapers Regulations as to the delivery of copies of every newspaper printed or produced outside Hong Kong and distributed by a licensed newspaper distributor shall be punishable only by such fine.

Books Registration Ordinance (Chapter 142 of the Laws of Hong Kong)

Under the BRO, the publisher of a magazine which issues its editions less than four times a week shall, within one month after such magazine is first published, printed, produced or otherwise made in Hong Kong, deliver free of charge five copies of each edition of such magazine to the Secretary for Home Affairs of Hong Kong for registration. Any person who contravenes such requirement under the BRO shall be guilty of an offence and shall be liable on conviction to a fine of HK$2,000.

Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong)

Subject to the defence provided in the Control of Obscene and Indecent Articles Ordinance, any person who publishes, possesses for the purpose of publication or imports for the purpose of the publication, any obscene article, whether or not he knows that it is an obscene article, commits an offence and is liable for a fine of HK$1 million and imprisonment for three years. It is also an offence to publish any indecent article without sealing such article in wrappers and displaying a notice as prescribed by the Control of Obscene and Indecent Articles Ordinance. In any event, subject to the defence provided in the Control of Obscene and Indecent Articles Ordinance, it is an offence to publish any indecent article to a person who is a juvenile, whether it is known that it is an indecent article or that such person is a juvenile. Such offences impose a fine of HK$400,000 and imprisonment of 12 months on first conviction. A second or subsequent conviction will give rise to a fine of HK$800,000 and imprisonment of 12 months.

The Obscene Articles Tribunal is empowered to refuse an application to make a classification of an article, to classify an article as neither obscene nor indecent, indecent or obscene or to determine whether articles published in magazines in Hong Kong are obscene or indecent.

Undesirable Medical Advertisement Ordinance (Chapter 231 of the Laws of Hong Kong)

Undesirable Medical Advertisement Ordinance Restricts the publication of advertisements for medicine, surgical appliance or treatment that may induce the seeking of improper management of certain health conditions, and it also prohibits advertisements from claiming curative or preventive effects on certain diseases. The maximum penalty for contravening the provisions of the Undesirable Medical Advertisement Ordinance is, on first conviction, a fine of HK$50,000 and imprisonment for six months and upon second or subsequent convictions, a fine of HK$100,000 and imprisonment for one year.

Other applicable laws and regulations

In Hong Kong, freedom of press, publication and expression is specifically protected by the Basic Law of Hong Kong (Instrument A101 of the Laws of Hong Kong) and the Hong Kong Bill of Rights Ordinance (Chapter 383 of the Laws of Hong Kong). Nevertheless, the publication and distribution of magazines in Hong Kong are regulated by a number of statutory provisions and the common law.

Apart from the above, the publication and distribution of magazines in Hong Kong may also be subject to other various ordinances in Hong Kong including, *inter alia*, the Smoking (Public Health) Ordinance (Chapter 371 of the Laws of Hong Kong), the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), the Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong), the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong), the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong), the Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong), the Prevention of Child Pornography Ordinance (Chapter 579 of the Laws of Hong Kong), the Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong), the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and laws in the areas of, *inter alia*, libel and defamation, intellectual property rights, public security, solicitation, gambling, pornography, confidentiality, advertisement, contempt of court and infringement of third parties' rights.

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

The Business Registration Ordinance requires every person who carries on a business in Hong Kong to apply for business registration within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business.

Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offence, and shall be liable to a fine of HK$5,000 and to imprisonment for 1 year.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The ECO establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to an employee injured in an accident arising out of and in the course of his employment.

According to section 40 of the ECO, no employer shall employ any employee in any employment unless there is in force of a policy of insurance to cover their liabilities both under the ECO and at common law for injuries at work in respect of their employees, irrespective of length of employment contract or working hours, full time or part-time employment.

An employer who fails to comply with the ECO to secure an insurance cover is liable on conviction to a fine of HK$100,000 and imprisonment for two years.

Taxation

(i) Corporate profits tax

In general, persons, including corporations, partnerships, trustees and bodies of persons carrying on any trade, professional or business in Hong Kong are liable for tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. The corporate tax rate of Hong Kong was 16.5% for the Track Record Period.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of Shares registered on the Hong Kong branch register of members. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred on each of the seller and purchaser. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5.00. Where a sale or purchase of Shares registered on the Hong Kong branch register is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon and the transferee shall be liable to pay such duty.

(iii) Dividends

Under the current practice of the Inland Revenue Department, no profits tax is payable in Hong Kong in respect of dividends paid by the Group.

LAWS AND REGULATIONS RELATING TO THE MAGAZINE INDUSTRY IN MACAU

Basic Law of Macau

In Macau, freedom of speech, of the press and of publication is protected under Article 27 of the Basic Law of Macau. However, publication and distribution of magazines in Macau are specifically regulated under the Macau Press Ordinance (Law 7/90/M, dated 6 August 1990).

Macau Press Ordinance (Law 7/90/M, dated 6 August 1990)

According to the Macau Press Ordinance, magazines integrate the category of periodical publications, i.e. publications edited or distributed in continuous series, without defined limit of duration, under the same title and comprising determined periods of time.

The Macau Press Ordinance determines that periodical publications must have, at least, one responsible person living in Macau, who will assume the position/function of director of the periodical publication. The director represents the periodical publication in Macau for all purposes, whether in Court or otherwise.

Periodical publications must be registered with the MGIB. The request for registration, as well as any future requests for amendments to the registration, must be addressed by the director of the periodical publication to the director of the MGIB, by registered letter. The registration is free of charge and should be made within 30 days from the date the request was sent to the MGIB. The registration is presumed to have been made within 60 days from the date the request was sent to the MGIB, in case the request has not been refused. The supervening amendments to the registered facts should be communicated to the MGIB within 15 days after the changes have taken place. The director of the periodical publication will be notified of the registration and the corresponding number, as well as of the decisions that refuse or cancel the registration. The request for the registration of periodical publications should include:

i. the title of the publication;

ii. the periodicity of the publication;

iii. the head office of the administration;

iv. the name of the company who owns the publication; and

v. the name of the director of the publication and his substitute, in case there is one.

The request for registration will be refused if any of the elements referred in the above sub-paragraphs is omitted. The request will also be refused if the title of the publication is susceptible of creating confusion, either in the vocabulary aspect, or in the graphical aspect, with previously registered publications or publications whose registration has already been requested. The registration will be cancelled if the publication:

i. does not start being published within 180 days, in case it is a daily publication, or within a year, in case it is not, from the date the registration is made; or

ii. is interrupted for the same period of time.

In case the registration is either refused or cancelled, it is possible to appeal, within 30 days after the notification was received, to the Chief Executive of Macau. Such appeal should contain the reasons as to why the registration should not have been refused or cancelled. It is also possible to appeal the decision of the Chief Executive of Macau to the Courts, under the terms of the Macau Civil and Administrative Procedure Code.

While this registration requirement exists under the Macau Press Ordinance, in practice, and according to the MGIB, not all periodical publications currently being distributed in Macau are registered with the MGIB like they should be. Nevertheless, the non-fulfilment of the registration requirement has not prevented or hindered the distribution of such non-registered periodical publications in Macau.

No one may lawfully impose the insertion, in any publication, of written documents or images for publicity purposes. Every type of publicity, whether written or in graphic form, which as such is not immediately identifiable, must be marked by the word "publicity" or unequivocal abbreviation, in a prominent manner at the beginning of the advertisement and should also contain, whenever not evident, the name of the advertiser.

Publications of weekly periodicity or less cannot refuse the insertion, in any of the two numbers published subsequent to their receipt, of official notices issued by the Chief Executive of Macau and sent to said publications by the MGIB. The insertion of communications, notices or advertisements of legal proceeding ordered by the Courts pursuant to the law is compulsory, irrespective of their correlation with infractions committed through the press.

Any person, single or collective, who feels aggrieved by the insertion of written text or image in a periodical publication which constitutes or contains a direct affront or reference to untrue or erroneous facts, susceptible of affecting his or her good name or reputation, may exercise the right of response, denial or rectification. The rights of response, denial or rectification are independent of the civil or criminal proceedings that may be applicable, and are not prejudiced by the spontaneous correction of the written text or image in question. The director of the periodical publication may refuse the insertion of the response, denial or rectification due to any of the following reasons:

i. no offensive, untrue or erroneous fact has taken place;

ii. there is no direct relation between with the written text or image which has originated the said response, denial or rectification;

iii. the response, denial or rectification contains impolite expressions or involves civil or criminal liability.

If there is no reason for refusal, the response, denial or rectification must be inserted in any of the two issues subsequent to its receipt, if it refers to a daily publication, or in the first issue thereafter, in the remaining cases. The insertion of the response, denial or rectification should be done free of charge, in the same place and with identical prominence as the written text or image which originated it, and without interpolations or interruptions. The response, denial or rectification must not exceed 150 words or 200 Chinese characters, or the dimension equivalent to that of the written text or image which originated it, if larger. The director may insert next to the response a brief note, without giving larger prominence to it, with the sole purpose of pointing out the inaccuracy, mistake in the interpretation or new content therein contained, which could originate a new response, denial or rectification. The insertion of the response, denial or rectification must include reference to the entity which has ordered it.

Whenever, in a periodical publication, there are references, allusions or equivocal words which may imply libel or an affront to anyone, whoever feels affected by them may apply to the Court for the purpose of serving notice to the director and author, if the latter is known, in order to unequivocally declare in writing if such references, allusions or equivocal words refer to him or her. The declaration and explanation should be inserted in the same place and with identical prominence as the written text which originated it, in any of the two subsequent issues, in case of a daily publication, or in the first issue subsequent to the notification, in the remaining cases; a copy of the declaration and explanation must be attached to the legal proceedings.

Periodical publications must adopt an editorial statute, which defines the editorial orientation and objectives of the publications. Such editorial statute should be inserted in the first issued edition (i.e. the first issue) of the publication.

Macau Consumer Protection Law (Law 12/88/M, dated 13 June 1988)

Consumer Protection in Macau is regulated by the Consumer Protection Law, which determines that a consumer is anyone to whom products or services are furnished for their personal use by someone, an individual or a legal person, who professionally develops an economic activity.

Consumers in Macau have the right to protection and safety related to product and service use; the right to accurate product instructions and information; the right to take action against anyone who sells goods and renders services which cause hazard to the economic interests/welfare of consumers. Moreover, consumers in Macau have the right to safeguard from, and compensation for, damages caused; the right to receive fair treatment in the course of any consumer activity; and the right to participate in the implementation of policies which involve the rights or interests of consumers.

Product Safety Regulation (Administrative Regulation 17/2008, dated 7 July 2008)

In Macau, the Product Safety Regulation establishes general product safety guidelines and determines that only products considered safe may be placed on the market. Safe products shall mean any product which, under normal or reasonable foreseeable conditions of use, does not present any risk, or only the minimum risks compatible with the product's use.

Distributors of products in Macau have the obligation not to distribute products which are not safe; to contribute to the safety control of products placed on the market, namely furnishing to consumers all information on risks deriving from such products; to promote and collaborate in actions destined to eliminate the risks of the products, including their withdrawal from the market; and to present a sample of the product for safety testing whenever that is requested by the competent Macau authority.

As advised by the legal advisers of the Company as to Macau law, the Product Safety Regulation applies to all products placed on the market in Macau, including those of the Group. The legal advisers of the Company as to Macau law are of the view that it is essential that the Group and its potential investors are aware of and ensure that the Group complies with the rules established in the Product Safety Regulation.

CORPORATE HISTORY AND DEVELOPMENT

The Company was incorporated under the Cayman Companies Law on 7 December 2012 with limited liability. Pursuant to the Reorganisation as described in the paragraph headed "Reorganisation" in this section, the Company became the holding company of the Group. Ocean Media is the major operating subsidiary of the Group. Before the disposal of the entire shareholding interest by Ocean Media on 3 December 2012 (the "**Disposal**"), Galaxy Star was a subsidiary of Ocean Media.

The history of the Group can be traced back to 2009, when the founders, Mr. Kwan and Ms. Yip, together with Mr. Kwan's parents, acquired Ocean Media with their personal funds. As at the Latest Practicable Date, the Group has [one] operating subsidiary, i.e. Ocean Media, which is engaged in (i) the sales and distribution of Chinese-language lifestyle Magazines in Hong Kong and (ii) the sales of advertising spaces in the Magazines. The other subsidiary, Winsing, is an investment holding company and [did not engage in any business activities during the Track Record Period and up to the Latest Practicable Date.]

Ocean Media

Ocean Media was formed by an Independent Third Party under the former name "Beauti-Year Limited". It was incorporated as a private company on 28 June 2007 with limited liability in Hong Kong with authorised share capital of HK$10,000.00 divided into 10,000 shares of HK$1.00 each. One subscriber share was taken up by the Independent Third Party.

On 28 September 2007, Beauti-Year Limited allotted and issued 2,500 shares, 2,500 shares, 2,499 shares and 2,500 shares to Mr. Kwan, Ms. Yip (spouse of Mr. Kwan), Mr. Kwan Ching Ling (father of Mr. Kwan) and Ms. Huan Siu Hiauw (mother of Mr. Kwan) respectively. On 2 October 2007, the Independent Third Party transferred its entire shareholding interest in Beauti-Year Limited, being the one subscriber share, to Mr. Kwan Ching Ling at a nominal consideration of HK$1. As a result, the equity interest of Beauti-Year Limited was owned as to 25% by each of Mr. Kwan, Ms. Yip, Mr. Kwan Ching Ling and Ms. Huan Siu Hiauw equally.

On 7 January 2009, Mr. Kwan Ching Ling transferred his entire shareholding interest in Beauti-Year Limited, being 2,500 shares at a total nominal consideration of HK$2,500, to Mr. Kwan. On the same day, Ms. Huan Siu Hiauw transferred her entire shareholding interest in Beauti-Year Limited, being 1,000 shares and 1,500 shares, to Mr. Kwan and Ms. Yip at a total nominal consideration of HK$1,000 and HK$1,500 respectively. As a result, the equity interest of Beauti-Year Limited was owned as to 60% by Mr. Kwan and 40% by Ms. Yip.

On 19 January 2009, the company name was changed to Ocean Media (Hong Kong) Limited. Ocean Media commenced operation and published the first magazine, Motoz Trader, as well as its free-of-charge complimentary version in April 2009.

On 2 October 2013, Mr. Kwan and Ms. Yip transferred all of their shares in Ocean Media to Winsing, in consideration of and exchange for which Winsing allotted and issued 10 new shares of US$1.00 each, credited as fully paid at par, to Fuwin at the directions of Mr. Kwan and Ms. Yip. As a results of the abovesaid transfer, Ocean Media was wholly owned by Winsing.

As advised by the Hong Kong Legal Advisers, the abovesaid share transfers were properly and legally completed and settled.

Galaxy Star

Galaxy Star was formed by two Independent Third Parties under the former name "Excel Hill Limited". It was incorporated as a private company on 6 December 2002 with limited liability in Hong Kong with authorised share capital of HK$10,000.00 divided into 10,000 shares of HK$1.00 each. One subscriber share was taken up by each of the Independent Third Parties.

On 29 March 2004, Galaxy Star allotted and issued one share to Mr. Kwan. On 1 April 2004, the two Independent Third Parties transferred their respective one subscriber share of Galaxy Star at consideration of HK$1 to each of Mr. Kwan Ching Ling and Ms. Huan Siu Hiauw. Accordingly, each of Mr. Kwan, Mr. Kwan Ching Ling and Ms. Huan Siu Hiauw owned one issued share of Galaxy Star. On 17 July 2006, Galaxy Star allotted and issued one share to Ms. Yip. Since then, the equity interest of Galaxy Star was owned as to 25% by each of Mr. Kwan, Ms. Yip, Mr. Kwan Ching Ling and Ms. Huan Siu Hiauw equally.

On 9 November 2010, Ocean Media acquired one share of Galaxy Star at consideration of HK$1 from each of Mr. Kwan, Ms. Yip, Mr. Kwan Ching Ling and Ms. Huan Siu Hiauw, which in aggregate, represented the entire equity interest of Galaxy Star. As a result, Galaxy Star became a wholly-owned subsidiary of Ocean Media. The purpose for the acquisition of Galaxy Star was to operate a media agency business by acting as coordinator for customers who wish to place advertisements on media other than the Group's magazines. However, Galaxy Star had not carried out any business activities since its incorporation and up to the completion date of the Disposal.

On 15 December 2010, the company name was changed to Global Media Advertising Company Limited.

On 3 December 2012, Ocean Media disposed its entire shareholding interest in Galaxy Star being 4 shares to Mr. Kwan at consideration of HK$1.00 which is determined based on the net liabilities of Galaxy Star of HK$16,740.2 as at 31 October 2012. As Galaxy Star did not carry out any business operation or generate any revenue to the Group since the acquisition by Ocean Media on 9 November 2010, the exclusion of Galaxy Star from the Group would not materially affect its business operation.

On 3 December 2013, the company name was changed to Galaxy Star Entertainment Company Limited which has involved in the provision of model agency services since January 2014.

As advised by the Hong Kong Legal Advisers, the abovesaid share transfers were properly and legally completed and settled.

HISTORY AND DEVELOPMENT

BUSINESS HISTORY

The following table illustrates the key milestones of business development of the Group:

March 2009	• engaged an Independent Third Party on consignment basis for selling "Motoz Trader" in convenience stores, newsstands and airport in Hong Kong and Macau.
April 2009	• first published "Motoz Trader", with the Chinese name of "名車站、睇樓站、創業站" (now the Chinese name is "名車站"), a fortnightly magazine with focus on providing new and second-hand cars and property and business related information (such as new car models, second-hand cars, properties and business offered for sale and purchase) to public.
	• first published the free-of-charge complimentary version of "Motoz Trader", with the Chinese name of "名車站、睇樓站、創業站" (now the Chinese name is "名車站、睇樓站、生活站"), a fortnightly free magazine ("Motoz Trader (Free)"), on the same day of publication of "Motoz Trader" in order to broaden the readership base for "Motoz Trader". It is expected that more readers can be reached through the free distribution channels. The Directors confirmed that, save for the editorial contents in Motoz Trader, advertisements of the Motoz Trader (Free) were mainly extracted from Motoz Trader. Motoz Trader (Free) was distributed mainly to the locations provided by the business partners in Hong Kong including property agencies, etc. while Motoz Trader was mainly distributed and sold at retail outlets including convenience stores and news stands in Hong Kong and Macau.
March & May 2009	• entered into agreements with three property agencies and a hair products company for [REDACTED] "Motoz Trader (Free)" for pick-up by the public. Thereafter, the Group from time to time entered into agreements with business partners for [REDACTED] free version of its magazines. Please refer to the paragraph headed "Overview" of the "Business" section for details.

June 2009	• terminated the agreement with the previous distributor; and entered into agreement with the Distributor for distribution of "Motoz Trader" to various convenience stores and newsstands in Hong Kong and/or Macau for sales to public. The previous distributor charged Ocean Media with a fixed fee for distribution of Motoz Trader. Having considered that the Distributor was willing not to charge fixed fees for distribution of "Motoz Trader" and only charged Ocean Media based on the actual sales volume, the Company terminated the distribution agreements with the previous distributor in June 2009.
	• changed the Chinese name of "Motoz Trader" and "Motoz Trader (Free)" to "名車站、睇樓站、生活站" since there were not many advertisements in relation to offer for sale and purchase of business.
July 2009	• entered into agreement with the Distributor for distribution of issue number #7 to issue number #47 of "Motoz Trader (Free)" to various despatching points for free pick-ups by the public.
November 2009	• changed the Chinese name of Motoz Trader to "名車站".
March 2010	• first published "Motoz Xpress/Shopping Monthly", a 2-in-1 monthly magazine (named as "Motoz Xpress" with the Chinese name of "搵車快報" on one cover and named as "Shopping Monthly" with the Chinese name of "購物王" on the other cover) with focus on providing information on new and second-hand cars-related information (such as new car models and second-hand cars offered for sale and purchase) to readers in order to expand the Group's market share in local magazines in Hong Kong targeting second-hand car buyers. The major difference in contents between Motoz Xpress and Motoz Trader is that Motoz Xpress also provide information on car installations and parts and it is a 2-in-1 magazine with "Shopping Monthly" which provides more information on other consumer products; and although the two magazines have the same focus, their contents are largely different from each other.
	• entered into agreement with the Distributor for distribution of "Motoz Xpress/Shopping Monthly" to various convenience stores and newsstands in Hong Kong for sales to public.

April 2010	•	first published the free-of-charge complimentary version of "Motoz Xpress/Shopping Monthly", a 2-in-1 free monthly magazine ("Motoz Xpress/Shopping Monthly (Free) 2010"). It was a free version of Motoz Xpress/Shopping Monthly and the content of Motoz Xpress/Shopping Monthly (Free) 2010 was the same as Motoz Xpress/Shopping Monthly.
October 2010	•	ceased the publication of Motoz Xpress/Shopping Monthly (Free) 2010 in Hong Kong.
December 2010	•	first published "Pets Buyer", with the Chinese name of "寵物買家", a bi-monthly magazine with focus on pet-related information (such as pet caring tips and knowledge) to readers in order to broaden readership base by attracting readers who are interested in pets-related information.
	•	entered into agreement with the Distributor for distribution of "Pets Buyer" to various convenience stores in Hong Kong for sales to public; and subsequently extended distribution to cover newsstands in Hong Kong.
February 2011	•	engaged Winning Van Call Centre Company, a company owned by father of Mr. Kwan, namely Mr. Kwan Ching Ling, and mother of Mr. Kwan, namely Ms. Huan Siu Hiauw, for distribution of issue number #48 to issue number #57 (for the period from February 2011 to May 2011) of "Motoz Trader (Free)" to various despatching points for free pick-ups by the public.
June 2011	•	entered into agreement with the Distributor for distribution of "Motoz Trader (Free)" since issue #58 to various despatching points for free pick-ups by the public.
October 2011	•	first published "Bplus" with the Chinese name of "流行季節", a quarterly magazine with focus on beauty and fashion accessories to female readers in order to further broaden base of readers by attracting female readers who are interested in beauty and fashion.
	•	entered into agreement with the Distributor for distribution of "Bplus" to various convenience stores and newsstands in Hong Kong for sales to public.

October 2012	•	ceased the distribution of the Group's magazines for sales in Macau.
November 2012	•	entered into agreement with the Distributor for distribution of the returns of unsold copies of Motoz Trader to foot massage shops and hair salons.
June 2013	•	entered into agreement with the Distributor for distribution of "Motoz Trader (Free)" since issue number #108 to foot massage shops, hair salons, etc. in Hong Kong. Meanwhile, the Directors confirmed that the Group had terminated distribution of returns of unsold paid version of Motoz Trader since June 2013.
	•	first published "Motoz Xpress/Shopping Monthly (Free)", a 2-in-1 free monthly magazine (named as "Motoz Xpress" with the Chinese name of "搵車專線" on one cover and named as "Shopping Monthly" with the Chinese name of "購物專線" on the other cover) launched in June 2013 which mainly focuses on (i) new car models and second-hand car market in Hong Kong; (ii) car installment and parts; and (iii) updated information on consumer products. It is a free version of Motoz Xpress/ Shopping Monthly but only part of content of Motoz Xpress/Shopping Monthly would be extracted to Motoz Xpress/Shopping Monthly (Free).
	•	entered into agreement with the Distributor for distribution of Motoz Xpress/Shopping Monthly (Free) since issue number #1 to various car parking lots.
	•	entered into agreement with the Distributor for distribution of Bplus since issue number #7 to certain beauty shops (for reading by customers in beauty shops only).
December 2013	•	entered into agreement with the Distributor for distribution of "Pets Buyer" since issue number #18 to animal clinics in Hong Kong (for reading by customers in animal clinics only).

January and March 2014	• entered into agreements with the Distributor for distribution of "Motoz Trader (Free)" since issue number #123, "Motoz Xpress/Shopping Monthly (Free) since issue number #8 and "Pets Buyer" since issue number #19 to various locations including foot massage shops and hair salons. The distribution will be conducted at the end of each month for relevant issues of the three magazines issued on the respective month.

Between 2013 and 2014, the Group made two unsuccessful application of [REDACTED] the Company's Shares on the GEM.

The Company's attempt for [REDACTED] in 2013 failed because (i) the Stock Exchange was of the view that the Company's operating cashflow during the non-compliance period was not generated in the ordinary and usual course of business; and therefore, this resulted in the Company not being able to meet the eligibility requirement under Rule 11.12A(1) of the GEM Listing Rules. Please refer to the sub-paragraphs headed "Historical non-compliance of the RLNO and Newspapers Regulations" and "Historical non-compliance with the BRO" under the sub-section headed "Litigation and compliance matters" of the "Business" section in this document for details on non-compliance period; and (ii) the sustainability of the Company's business has yet to be demonstrated. Subsequently, the Group has subsequently rectified all non-compliances by the end of October 2012 and the Group was able to meet the minimum cash flow requirement under Rule 11.12A(1) of the GEM Listing Rules after excluding all the income generated from the Non-compliance Magazines in the recent track record period for the two years ended 31 December 2012 and 2013. To demonstrate the sustainability of the Group's business, the Group has (i) diversified its customer base and reduced the reliance on its major customer; (ii) reduced the credit terms with customers and applied progress billing to its Advertising Package customers; and (iii) reduced its bank borrowing.

The Company's attempt for [REDACTED] in early 2014 failed because the Stock Exchange considered that VC Capital was not an independent sponsor under Rule 6A.07 of the GEM Listing Rules due to Mr. Wong Man Hin Charles's subscription of the Pre-[REDACTED] Convertible Bond. Please refer to the sub-paragraph headed "Background of the Pre-[REDACTED] Convertible Bondholders" under the sub-section headed "Pre-[REDACTED] investments" of the "History and Developments" section and the "Joint Sponsors' Interest and Independence" section in this document for relevant details. To address the concerns of the Stock Exchange, on 17 July 2014 the Company appointed Ample Capital as one of the two joint sponsors in addition to VC Capital. Ample Capital has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules.

REORGANISATION

In preparation for the [REDACTED], the Group underwent the Reorganisation to rationalise the Group’s structure so that:

– the Company became the holding company of the Group; and

– Galaxy Star was disposed by the Group as Galaxy Star was an inactive company without any business at the time of disposal.

The steps of the Reorganisation are set out as follows:

Incorporation and reorganisation of the Company

(a) The Company was incorporated on 7 December 2012 in the Cayman Islands as an exempted company with limited liability.

(b) On 7 December 2012, one subscriber Share with a par value of HK$0.01 which was allotted and issued fully paid was transferred to Fuwin.

Incorporation of Winsing

(a) On 14 November 2012, Winsing was incorporated in the BVI with limited liability with an authorised share capital of US$50,000.00 divided into 50,000 shares of US$1.00 each.

(b) On 14 November 2012, 90 shares of Winsing were allotted and issued to Fuwin.

Disposal of Galaxy Star

On 3 December 2012, Ocean Media sold the entire issued share capital of Galaxy Star to Mr. Kwan in consideration of HK$1.00. Since then and as a result of that, Galaxy Star ceased to be a member of the Group.

Reorganisation of Ocean Media

On 2 October 2013, Winsing acquired the entire issued share capital of Ocean Media from Mr. Kwan and Ms. Yip. In exchange, Winsing allotted and issued ten shares to Fuwin credited as fully paid on the same day.

Reorganisation of Winsing

On 9 October 2013, the Company acquired the entire issued share capital of Winsing from Fuwin. In exchange, the Company allotted and issued 999,999 Shares to Fuwin credited as fully paid on 18 October 2013.

Allotment of Shares to Fuwin

On 29 January 2015, Fuwin subscribed for and the Company allotted and issued 251,000 Shares to Fuwin at par value.

PRE-[REDACTED] INVESTMENTS

Overview

On 10 September 2013, the Company entered into the Pre-[REDACTED] Convertible Bonds Subscription Agreements with Grand Powerful and the Second Pre-[REDACTED] Convertible Bondholder respectively. Pursuant to the Pre-[REDACTED] Convertible Bonds Subscription Agreements, the Company agreed to issue the Pre-[REDACTED] Convertible Bonds in two tranches to each of the Pre-[REDACTED] Convertible Bondholders. The first tranche to each of the Pre-[REDACTED] Convertible Bonds was issued in a principal amount of HK$2.5 million and was completed on 10 September 2013. The second tranche to each of the Pre-[REDACTED] Convertible Bonds was issued in a principal amount of HK$7.5 million and was completed on 27 January 2014. The Pre-[REDACTED] Convertible Bonds will be converted into the Shares upon receiving the approval in principle of the [REDACTED] by the Stock Exchange or other relevant authority or the Stock Exchange having no comments on this document. Upon full conversion of the first tranche and the second tranche of the Pre-[REDACTED] Convertible Bonds, each of the Pre-[REDACTED] Convertible Bondholders will be interested in approximately 8.3% of the entire issued share capital of the Company respectively immediately before the completion of the [REDACTED] and the [REDACTED], rank pari passu with the Shares in issue on the conversion date and be entitled to the [REDACTED].

The Pre-[REDACTED] Convertible Bondholders will not have any special rights which are not generally available to other Shareholders upon [REDACTED], specifically, the Pre-[REDACTED] Convertible Bondholders will not be entitled to appoint or nominate any Directors nor be involved in the management of the Group and have agreed to a lock-up arrangement for six months after the [REDACTED] Date. Furthermore, the Pre-[REDACTED] Convertible Bondholders have not been and will not be granted a put option or any other similar arrangements to put back their Shares whether before or after [REDACTED] after conversion of the Pre-[REDACTED] Convertible Bonds. Details of the respective terms of the Pre-[REDACTED] Convertible Bonds are set out below.

Background of the Pre-[REDACTED] Convertible Bondholders

Grand Powerful was a company incorporated in the BVI and is principally engaged in investment holding. The beneficial owner of Grand Powerful is Mr. Cheng Ming Kit who is a Hong Kong resident. To the best knowledge of the Directors, Grand Powerful and its beneficial owner are Independent Third Parties. Grand Powerful confirmed that the source of funding to subscribe for the Pre-[REDACTED] Convertible Bonds was from its internal resources. Mr. Cheng Ming Kit confirmed that the source of funding to subscribe for the Pre-[REDACTED] Convertible Bonds through Grand Powerful was from his personal savings. Both Grand Powerful and Mr. Cheng Ming Kit confirmed that the subscription for the Pre-[REDACTED] Convertible Bonds was not financed directly and indirectly by connected persons of the Company.

The Second Pre-[REDACTED] Convertible Bondholder, Mr. Wong Man Hin Charles, is a Hong Kong resident. To the best knowledge of the Directors, the Second Pre-[REDACTED] Convertible Bondholder is an Independent Third Party. Mr. Wong confirmed that the source of funding to subscribe for the Pre-[REDACTED] Convertible Bonds was his personal savings and was not financed directly and indirectly by connected persons of the Company.

The Second Pre-[REDACTED] Convertible Bondholder holds the position as managing director of [REDACTED], which is the [REDACTED], one of the [REDACTED], one of the [REDACTED] and a wholly owned subsidiary of the holding company of VC Capital (namely Value Convergence Holdings Limited with stock code: 821). He is also a member of senior management and a non-voting member of the executive committee of Value Convergence Holdings Limited. Please also refer to the section headed "Joint Sponsors' Interest and Independence" in this document.

To the best knowledge of the Directors, the beneficial owners of Grand Powerful and the Second Pre-[REDACTED] Convertible Bondholder did not have any past or present relationships (including, with limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with the Group, shareholders, Directors or senior management and any of their respective associates; and each of them [has been an Independent Third Party] as at the Latest Practicable Date.

To the best knowledge of the Directors, the ultimate beneficial owners of Grand Powerful and the Second Pre-[REDACTED] Convertible Bondholder are not connected with and are independent from each other.

The Directors believe that the issue of the Pre-[REDACTED] Convertible Bonds will enhance cash-flow position and broaden the Group's shareholders base.

Principal terms of the Pre-[REDACTED] Convertible Bonds

Date of Bond Subscription Agreements	Pre-[REDACTED] Convertible Bondholders	Aggregate principal amount for the first tranche and the second tranche of the Pre-[REDACTED] Convertible Bonds	Date of full payment of the subscription money of the first tranche and the second tranche of the Pre-[REDACTED] Convertible Bonds	Number and approximate percentage of shareholding upon [REDACTED] *(note)*	Approximate cost of investment for the first tranche and the second tranche of the Pre-[REDACTED] Convertible Bonds	Approximate percentage of discount to the mid-point [REDACTED]
10 September 2013	Grand Powerful Group Limited	HK$2,500,000 and HK$7,500,000 respectively	10 September 2013 and 27 January 2014 respectively	[REDACTED] Shares or approximately [REDACTED]% of the issued capital of the Company	HK$[REDACTED] per Share	[REDACTED]%
10 September 2013	Mr. Wong Man Hin, Charles	HK$2,500,000 and HK$7,500,000 respectively	10 September 2013 and 27 January 2014 respectively	[REDACTED] Shares or approximately [REDACTED]% of the issued capital of the Company	HK$[REDACTED] per Share	[REDACTED]%

Note: Pursuant to the [REDACTED] under the Reorganisation, [REDACTED] Shares will be issued to the then Shareholders, which has the effect of increasing the number of total issued Shares by [REDACTED] times from 1,500,000 Shares to [REDACTED] Shares (without taking into account the effect of the allotment and issue of [REDACTED] New Shares under the [REDACTED]). Therefore each of the Pre-[REDACTED] Convertible Bondholders who was interested in 124,500 Shares immediately before the Completion of the [REDACTED] would be interested in [REDACTED] Shares (representing [REDACTED] times of 124,500 Shares) immediately after the Completion of the [REDACTED], in proportion to their respective shareholdings before the [REDACTED].

The terms of the Pre-[REDACTED] Convertible Bonds were arrived at arm's length negotiation between each of the respective Pre-[REDACTED] Convertible Bondholders and the Company. The principal terms of the Pre-[REDACTED] Convertible Bonds issued to Grand Powerful and Mr. Wong Man Hin, Charles are generally the same and as follows:

Date of Bond Subscription Agreements	:	10 September 2013	
Aggregate principal amount			
Bond Subscribers		Grand Powerful Group Limited	Mr. Wong Man Hin, Charles
– First tranche	:	HK$2,500,000	HK$2,500,000
– Second tranche		HK$7,500,000	HK$7,500,000
Interest rate	:	12% per annum	
Interest payment date	:	Interest is payable in arrears upon redemption on the Maturity Date (as defined below) No interest shall be payable by the Company if the entire conversion rights attaching to the Pre-[REDACTED] Convertible Bonds are exercised before the Maturity Date	
Maturity Date	:	The date falling the expiry of 18 months from the date of issue of the first tranche of the Pre-[REDACTED] Convertible Bonds, i.e. 10 September 2013, which may be extended, at the discretion of the relevant Pre-[REDACTED] Convertible Bondholder(s), to the date falling six months from the original Maturity Date by service of such Pre-[REDACTED] Convertible Bondholder(s) to the Company of not less than seven days' written notice in advance	

Transferability	:	The Pre-[REDACTED] Convertible Bonds shall not be permitted to be transferred at any time for so long as any part of the principal amount of any Pre-[REDACTED] Convertible Bonds remains outstanding. Notwithstanding, relevant Pre-[REDACTED] Convertible Bondholders shall be permitted at any time to make a transfer of the Pre-[REDACTED] Convertible Bonds to any of his associates or a transfer of the Pre-[REDACTED] Convertible Bonds with prior written consent of the Company
Conversion	:	Provided that the Company has produced documentary evidence to the satisfaction of the Pre-[REDACTED] Convertible Bondholders evidencing the approval in principle of the [REDACTED] by the Stock Exchange or other relevant authority or the Stock Exchange having no comment on this document, the Pre-[REDACTED] Convertible Bondholders shall be deemed to have served on the Company the conversion notice exercising in full the entire conversion rights attaching to the Pre-[REDACTED] Convertible Bonds on the date of the Company producing such documentary evidence (the "**Conversion Date**") On the Conversion Date, the Company shall allot and issue such number of new Shares under the first tranche and the second tranche of the Pre-[REDACTED] Convertible Bonds to the Pre-[REDACTED] Convertible Bondholder(s) pursuant to each Bond Subscription Agreement, which shall represent approximately 8.3% of the entire issued share capital of the Company immediately before the completion of the [REDACTED] and the [REDACTED][*note*], rank pari passu with the Shares in issue on the Conversion Date and be entitled to the [REDACTED]
Redemption	:	The Company shall not be permitted to redeem the entire of or part of the outstanding amount under the Pre-[REDACTED] Convertible Bonds before the Maturity Date Any amount of the Pre-[REDACTED] Convertible Bonds which remains outstanding on the Maturity Date shall be redeemed at its then outstanding principal amount, inclusive of interest as accrued

Note: 8.3% of the entire issued share capital of the Company immediately before the completion of the [REDACTED] and the [REDACTED] represents 124,500 Shares.

Event of default :

(i) Default in the performance or observance by the Company of any of its obligations (including, without limitation, its undertakings) under the Pre-[REDACTED] Convertible Bonds and such default shall continue for not less than fourteen days after the Company has been requested by any of the Pre-[REDACTED] Convertible Bondholder(s) to remedy such default;

(ii) The holder of any encumbrances takes possession or a receiver is appointed of the whole or any substantial part of the asset or undertaking of the Group;

(iii) Any of the Group companies ceases or threatens to cease to carry on its business or a substantial part of its business, the cessation of which would materially and adversely affect the financial or business position of the Group as a whole;

(iv) It becomes unlawful for the Company to perform all or any of its obligations under the Pre-[REDACTED] Convertible Bonds or its conditions or when the Pre-[REDACTED] Convertible Bonds or its conditions shall for any reason cease to be in full force or effect or shall be declared to be void or illegal or to be repudiated or the legality, validity, priority, admissibility in evidence or enforceability thereof shall be contested by the Company or the Company shall deny that it has any, or any further, liability or obligation under or in respect of the same;

(v) Any of the Group companies becomes insolvent or unable to pay its debts when due or commits or permits any act of bankruptcy;

(vi) A moratorium is agreed or declared in respect of any present or future indebtedness of any of the Group companies or any governmental agency or authority confiscates or seizes or compulsorily purchases or expropriates all or a material part of the assets or capital of any of the Group companies;

(vii) A distress, execution or seizure before judgment is levied or enforced upon or sued against any part of the properties of any of the Group companies and is not discharge or stayed within sixty days thereof (or such longer period as the Pre-[REDACTED] Convertible Bondholder may consider appropriate in relation to the jurisdiction concerned);

(viii) Any event which occurs has an analogous effect to any of the events referred to in paragraphs (v) to (vii) above; or

(ix) Any of the Group companies shall be party to any material litigation or arbitration or administrative or criminal proceedings or such as threatened against any of the Group companies.

Without prejudice to the other provisions of the conditions, the principal moneys outstanding under the Pre-[REDACTED] Convertible Bonds, together with any unpaid interest thereunder accrued from the date of issue of the Pre-[REDACTED] Convertible Bonds until the date of payment shall become immediately repayable on the occurrence of any of the above events if the Pre-[REDACTED] Convertible Bondholders by notice in writing to the Company demand repayment of the Pre-[REDACTED] Convertible Bonds.

For each of the Pre-[REDACTED] Convertible Bondholders, the number of conversion Shares is fixed to be 8.3% of the issued share capital of the Company immediately before (i) the completion of the [REDACTED] and (ii) the completion of the [REDACTED]. The number of conversion Shares does not depend on the number of new Shares to be allotted and issued under the [REDACTED] and the [REDACTED] and the [REDACTED], and there will not be any adjustment.

Guarantees

Mr. Kwan and Ms. Yip executed guarantees in favour of the Pre-[REDACTED] Convertible Bondholders for the performance of the obligations of the Company under the Pre-[REDACTED] Convertible Bonds. The guarantees were released on 29 January 2015 upon the conversion of the Pre-[REDACTED] Convertible Bonds.

Voting rights

The Pre-[REDACTED] Convertible Bonds shall not confer on the Pre-[REDACTED] Convertible Bondholders the right to vote at a general meeting of the Company.

Lock-up arrangement

The Pre-[REDACTED] Convertible Bondholders undertake to and covenant with the Company that they shall not, within the period commencing on the [REDACTED] Date and ending on the date falling six months thereafter, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the conversion Shares.

Use of proceeds

The reason for the issue of Pre-[REDACTED] Convertible Bonds is that the Group would like to raise additional fund for its reserve of working capital, payment for listing expenses and reduction of reliance on bank borrowings. The entire net proceeds in the amount of HK$19.9 million (after deducting all costs and expenses incurred) shall not be used for any purpose other than for general working capital purpose. As at the Latest Practicable Date, approximately HK$[1] million out of the net proceeds from the issue of the Pre-[REDACTED] Convertible Bonds had been utilized.

Other matters

In view of (i) both Pre-[REDACTED] Convertible Bondholders and their respective beneficial owners are Independent Third Parties; (ii) the Pre-[REDACTED] Convertible Bonds are not financed directly or indirectly by any connected person(s) of the Company; and (iii) none of the Pre-[REDACTED] Convertible Bondholders will become a Substantial Shareholder upon the [REDACTED], the Shares converted from the Pre-[REDACTED] Convertible Bonds will be considered as part of the public float after the [REDACTED] for the purpose of Rule 11.23 of the GEM Listing Rules.

Since the subscription money for the Pre-[REDACTED] Convertible Bonds have been fully settled on 31 January 2014, the Joint Sponsors are of the view that the issue of the Pre-[REDACTED] Convertible Bonds is in compliance with the the guidance letter (HKEx-GL43-12) on pre-[REDACTED] investments issued by the Stock Exchange.

CONVERSION OF THE PRE-[REDACTED] CONVERTIBLE BONDS

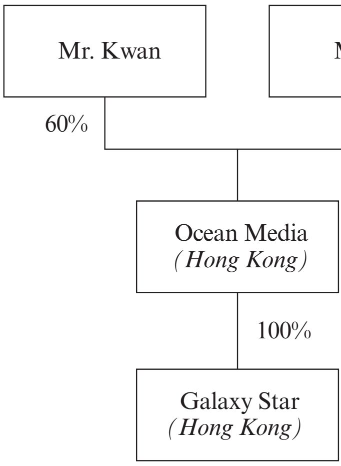
On 29 January 2015 which was the Conversion Date, the Company allotted and issued to each of the Pre-[REDACTED] Convertible Bondholders, credited as fully paid, 124,500 Shares, which represent 8.3% of the entire issued share capital of the Company immediately before the completion of the [REDACTED] and the [REDACTED] and rank pari passu with the Shares in issue on the Conversion Date and shall be entitled to the [REDACTED].

[REDACTED]

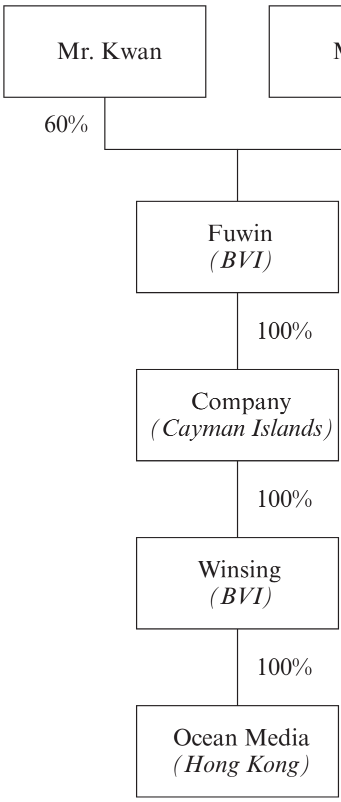
Pursuant to the resolutions in writing of the sole Shareholder passed on 23 January 2015, subject to the share premium account of the Company being credited as a result of the [REDACTED], the Directors were authorised to allot and issue [REDACTED] Shares (including the [REDACTED] Shares), [REDACTED] Shares and [REDACTED] Shares, credited as fully paid at par, to Fuwin, Grand Powerful and the Second-Pre-[REDACTED] Convertible Bondholder respectively by way of capitalisation of a total sum of HK$[REDACTED] standing to the credit of the share premium account of the Company and the Shares to be allotted and issued under the [REDACTED] shall rank pari passu in all respects with the existing issued Shares.

SHAREHOLDING AND CORPORATION STRUCTURE

The shareholding and corporate structure of the Group prior to the Reorganisation is set out as below:

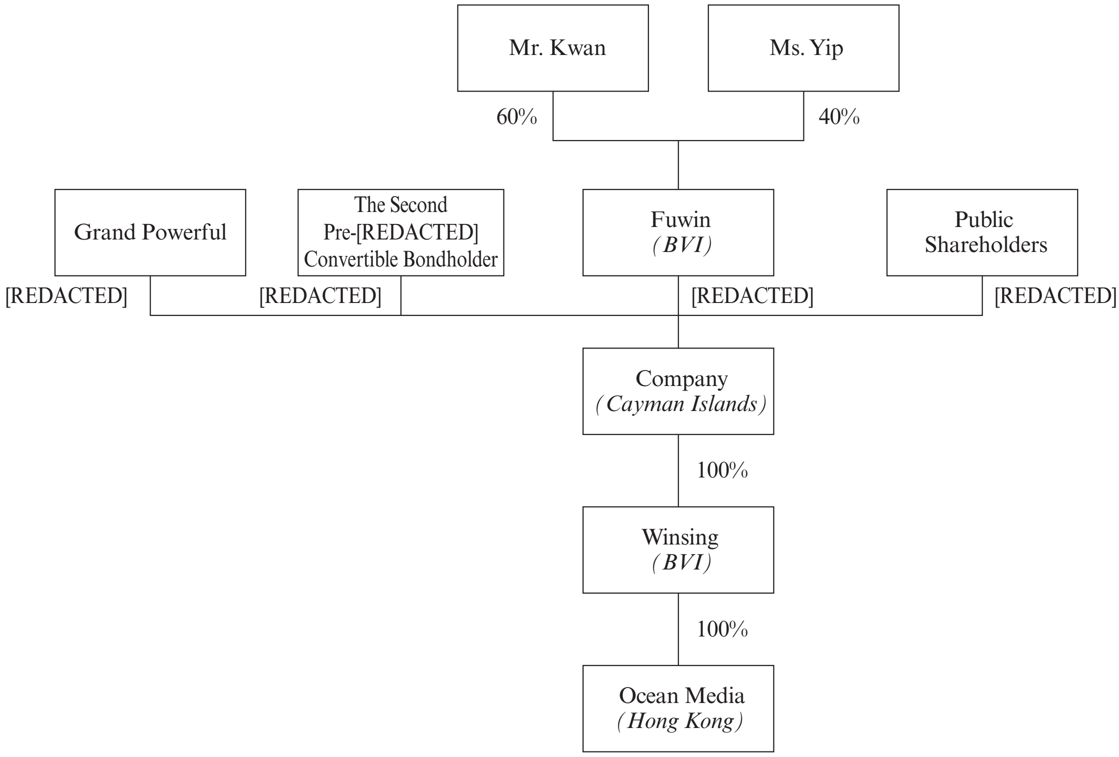


The shareholding and corporate structure of the Group after the Reorganisation but before completion of the full conversion of the Pre-[REDACTED] Convertible Bonds, the [REDACTED] and the [REDACTED] is set out as below:



HISTORY AND DEVELOPMENT

The shareholding and corporate structure of the Group after the Reorganisation and immediately after completion of the full conversion of the Pre-[REDACTED] Convertible Bonds, the [REDACTED] and the [REDACTED] is set out as below:



BUSINESS

OVERVIEW

The Group is principally engaged in (i) the sales and free distribution of Chinese-language lifestyle Magazines in Hong Kong through the distribution services provided by the Distributor, an Independent Third Party; and (ii) the sales of advertising spaces in the Magazines. Sales of magazines accounted for approximately 4.4%, 3.5%, 1.7% and 1.7% of the total turnover of the Group for the three years ended 31 December 2013 and for the eight months ended 31 August 2014 respectively. Currently, the Magazines comprise 2 fortnightly magazines (namely "Motoz Trader" and "Motoz Trader (Free)"), 2 monthly 2-in-1 magazine (one magazine named as "Motoz Xpress" on one cover and named as "Shopping Monthly" on the other cover; and the other magazine named as "Motoz Xpress (Free)" on one cover and named as "Shopping Monthly (Free)" on the other cover), 1 bi-monthly magazine (namely "Pets Buyer"), and 1 quarterly magazine (namely "Bplus").

Magazines

The Magazines cover a wide range of readership by focusing on different areas of interests in lifestyle including automotive, pets, beauty and fashion while some of them cover information on property, dining, electronic products, etc. The table below sets out the description of each Magazine:

	Name of the Magazine	First publication in Hong Kong	Selling price as at Latest Practicable Date	Description of contents and frequency of publications
	Motoz Trader	April 2009	HK$[10] each	Motoz Trader focuses on new car models, second-hand car market and properties while also provides lifestyle information including dining, fashion and beauty. Fortnightly magazine
	Motoz Trader (Free)	April 2009	[Free]	Motoz Trader (Free) is a free version of Motoz Trader available at over 1,000 distribution points as at 31 December 2013 in Hong Kong, such as petrol filling stations, car parking lots, property agencies, hair salons, foot massage shops, cafes and club houses, etc. which have better exposure and chance of reaching a larger number of readership. Only part of the content of Motoz Trader would be extracted to Motoz Trader (Free) and the readers would have to buy Motoz Trader in order to read the full version of the magazine. Fortnightly magazine

	Name of the Magazine	First publication in Hong Kong	Selling price as at Latest Practicable Date	Description of contents and frequency of publications
 	Motoz Xpress/ Shopping Monthly	March 2010	HK$[8] each	Motoz Xpress mainly focuses on new car models and second-hand car market in Hong Kong. The difference between Motoz Xpress and Motoz Trader is that the content of Motoz Xpress also covers car installment and parts. Shopping Monthly is a consumer guide which provides updated information on consumer products. Monthly 2-in-1 magazine
 	Motoz Xpress/ Shopping Monthly (Free) 2010	April 2010 (terminated in October 2010)	–	It was a free version of Motoz Xpress/ Shopping Monthly and the content of Motoz Xpress/Shopping Monthly (Free) 2010 was the same as Motoz Xpress/Shopping Monthly.
	Pets Buyer	December 2010	HK$[15] each	Pets Buyer focuses on pets related information such as pet caring tips and knowledge. Bi-monthly magazine
	Bplus	October 2011	HK$[12] each	Bplus focuses on cosmetic and fashion related contents and most current beauty topics. Quarterly magazine
 	Motoz Xpress/ Shopping Monthly (Free)	June 2013	[Free]	Motoz Xpress/Shopping Monthly (Free) is a free version of Motoz Xpress/Shopping Monthly available at certain car parking lots, and since January 2014, also at foot massage shops and hair salons in Hong Kong. Only part of the content of Motoz Xpress/Shopping Monthly would be extracted to Motoz Xpress/Shopping Monthly (Free) therefore the readers have to buy Motoz Xpress/Shopping Monthly for reading the full version of the magazine. Monthly 2-in-1 magazine

As at the Latest Practicable Date, the Group engaged [four] printers, which are Independent Third Parties, and the Magazines were printed in the printers' factories located in Hong Kong and the PRC. As at the Latest Practicable Date, the Group engaged [one] Distributor, who is also an Independent Third Party, to distribute (i) the paid version of the Magazines for sale at the convenience stores, newsstands, book stores, etc. and (ii) the free version of the Group's magazines at various despatching points in Hong Kong including petrol filing stations, car parking lots, property agencies, hair product company, hair salons, foot massage shops, cafes, club houses, etc. for free pick up by the public or for free reading at the respective locations.

Business partners for distribution

Ocean Media has also cooperated with certain business partners for the distribution of its free magazines including:

Business partner	Term of cooperation covering the Track Record Period and up to the Latest Practicable Date	Offer from Ocean Media	Offer from the business partner
A company operated parking lots in Hong Kong	One year term to 2 September 2010, one year term to 2 September 2011, one year term to 2 September 2012	A page of free advertising space with relevant production in every issue of Motoz Trader during the contract periods from 3 September 2009 to 2 September 2012	At least 30 parking lots operated by this company would be provided for the distribution of Motoz Trader (Free) for the term of the contract
	Two years term to 2 September 2014	A page of free advertising space with relevant production in every issue of Motoz Trader and Motoz Xpress and relevant production during the contract period from 3 September 2012 to 2 September 2014	
	Two years term from 3 September 2014 to 2 September 2016	A page of free advertising space with relevant production in every issue of Motoz Trader and Motoz Xpress during the contract period from 3 September 2014 to 2 September 2016	

Business partner	Term of cooperation covering the Track Record Period and up to the Latest Practicable Date	Offer from Ocean Media	Offer from the business partner
A company operated petrol filling stations in Hong Kong	Period from 1 December 2009 to 31 December 2010	A page of free advertising space in every issue of a magazine of Ocean Media during the contract period from 1 December 2009 to 31 December 2010	Oil stations of this business partner would be provided for the distribution of free version of Ocean Media's automobile magazines during the contract term
	Period from 1 October 2012 to 31 December 2013	A page of free advertising space in every issue of Motoz Trader during the contract period from 1 October 2012 to 31 December 2013	
	Period from 1 January 2014 to 31 December 2014	A page of free advertising space in every issue of Motoz Trader during the contract period from 1 January 2014 to 31 December 2014	
	Period from 1 January 2015 to 31 December 2015	A page of free advertising space in every issue of Motoz Trader during the contract period from 1 January 2015 to 31 December 2015	

Business partner	Term of cooperation covering the Track Record Period and up to the Latest Practicable Date	Offer from Ocean Media	Offer from the business partner
A company operated petrol filling stations in Hong Kong	One year term from 1 December 2009	A free advertising space in a magazine of Ocean Media during the one year term from 1 December 2009	Oil stations of this business partner would be provided for the distribution of free version of Ocean Media's automobile magazines during the contract terms
	Period from 1 December 2010 to 31 December 2012	A free advertising space in every issue of Motoz Trader during the contract period from 1 December 2010 to 31 December 2012	
	Period from 1 January 2013 to 31 December 2013	A free advertising space in every issue of Motor Trader during the contract period from 1 January 2013 to 31 December 2013	
	Period from 1 January 2014 to 31 December 2014	A free advertising space in every issue of Motoz Trader during the contract period from 1 January 2014 to 31 December 2014	
	Period from 1 January 2015 to 31 December 2015	A free advertising space in every issue of Motoz Trader during the contract period from 1 January 2015 to 31 December 2015	
A property agency in Hong Kong *(Note)*	Agreements dated 23 March 2009 which will be terminated by either party upon request (As at the Latest Practicable Date, [no such request is received)]	A free advertising space in every issue of Motoz Trader and a free advertising space in every issue of Motoz Trader (Free) during the contract period from issue number #1 until the termination of contract	The shops of this property agent would be provided for the distribution of Motoz Trader (Free)

Business partner	Term of cooperation covering the Track Record Period and up to the Latest Practicable Date	Offer from Ocean Media	Offer from the business partner
A hair products company in Hong Kong *(Note)*	Agreement dated 21 May 2009 which will be terminated by either party upon request (As at the Latest Practicable Date, [no such request is received)]	A free advertising space in every issue of Motoz Trader and a free advertising space in every issue of Motoz Trader (Free) during the contract period from issue number #4 until the termination of contract	This hair products company provides at least 40 location(s) for the distribution of Motoz Trader (Free)
A property agency in Hong Kong *(Note)*	Agreement dated 1 May 2010 which will be terminated by either party upon request (As at the Latest Practicable Date, [no such request is received)]	A free advertising space in every issue of Motoz Trader and a free advertising space in every issue of Motoz Trader (Free) during the contract period from issue number #29 until the termination of contract	The shops of this property agent would be provided for the distribution of Motoz Trader (Free)
A company operated parking lots in Hong Kong	One year term from 1 June 2013 One year term from 1 June 2014	A fee for each issue of Motoz Xpress/ Shopping Monthly (Free) based on the number of copies to be distributed at each location of the parking lots	Certain parking lots for the distribution of Motoz Xpress/ Shopping Monthly (Free)
A company operated parking lots in Hong Kong	Period from 1 December 2013 to 31 May 2015	A page of free advertising space in every issue of Motoz Xpress/Shopping Monthly (Free) and a page of free advertising space in every issue of Pets Buyer during the contract period from 1 December 2013 to 31 May 2015	Certain parking lots for the distribution of Motoz Xpress/ Shopping Monthly (Free) (from issue number #7 to issue number #24)

Business partner	Term of cooperation covering the Track Record Period and up to the Latest Practicable Date	Offer from Ocean Media	Offer from the business partner
A company operated coffeehouse chain in Hong Kong	Period from 7 October 2013 to 6 January 2014	Total fee of HK$35,640 (or HK$11,880 per month) during the contract period from 7 October 2013 to 6 January 2014	90 selected coffeehouses in Hong Kong to display one copy of the current issue of Bplus in each coffeehouse on the magazine rack
	Period from 7 January 2014 to 6 February 2014	No offer from Ocean Media during the contract period from 7 January 2014 to 6 February 2014	Free of charge — 90 selected coffeehouses in Hong Kong to display one copy of the current issue of Bplus in each coffeehouse on the magazine rack
	Period from 12 February 2014 to 11 August 2014	Total fee of HK$78,300 (or HK$13,050 per month) during the contract period from 12 February 2014 to 11 August 2014	90 selected coffeehouses in Hong Kong to display one copy of the current issue of Bplus in each coffeehouse on the magazine rack
	Period from 12 August 2014 to 11 February 2015	Total fee of HK$78,300 (or HK$13,050 per month) during the contract period from 12 August 2014 to 11 February 2015	90 selected coffeehouses in Hong Kong to display one copy of the current issue of Bplus in each coffeehouse on the magazine rack

Note: No expiry dates have been specified in the cooperation agreements with the two property agencies and the hair product company. The cooperation agreements will be terminated upon request by either party.

The Group has built up a diversified customer base for its advertising business with over 100 customers for the year ended 31 December 2013 and the eight months ended 31 August 2014. Advertisers of the Magazines came from different industries including motor dealers, cosmetic brand owner, property agencies, jewels, professional firms, pet shops, etc. The main source of revenue of the Group was derived from the sales of advertising spaces in the Magazines and, to a lesser extent, the sales of the paid version of the Magazines at convenience stores and newsstands in Hong Kong during the Track Record Period as well as in Macau during the period from April 2009 to October 2012. The table below sets out a breakdown on turnover of the Group by sources of income and by magazines during the three years ended 31 December 2013 and the eight months ended 31 August 2014:

	Year ended 31 December											
	2011			2012			2013			Eight months ended 31 August 2014		
	Advertising income	Sales of magazines	Total	Advertising income	Sales of magazines	Total	Advertising income	Sales of magazines	Total	Advertising income	Sales of magazines	Total
	(HK$)	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*
Motoz Trader	5,505,704	599,972	6,105,676	4,980,403	374,490	5,354,893	7,456,321	296,240	7,752,561	4,332,500	190,300	4,522,800
Motoz Trader (Free)	4,347,491	–	4,347,491	6,851,125	–	6,851,125	10,230,543	–	10,230,543	6,603,724	–	6,603,724
Motoz Xpress/Shopping Monthly	5,687,200	131,045	5,818,245	3,922,987	168,360	4,091,347	5,440,257	128,768	5,569,025	2,879,282	67,544	2,946,826
Motoz Xpress/Shopping Monthly (Free)	–	–	–	–	–	–	2,747,505	–	2,747,505	1,198,546	–	1,198,546
Pets Buyer	2,260,300	106,965	2,367,265	755,020	47,430	802,450	812,713	40,230	852,943	292,263	13,635	305,898
Bplus	735,000	9,036	744,036	254,118	13,980	268,098	901,852	21,684	923,536	325,609	5,112	330,721
Total	18,535,695	847,018	19,382,713	16,763,653	604,260	17,367,913	27,589,191	486,922	28,076,113	15,631,924	276,591	15,908,515

COMPETITIVE STRENGTHS

Cross-selling of advertising spaces in magazines to clients

The Group publishes a broad range of magazines for its customers to place their advertisements. It has developed a portfolio of Magazines with focus of contents on different areas of the lifestyle sector (i.e. automotive, pets, beauty and fashion) accompanying other lifestyle information such as property, dining, electronic products, etc. The Directors believe that the Magazines can generally attract readers who are capable of reading Chinese and are interested in obtaining information in different areas of the lifestyle sector. In general, advertisements placed in the Group's magazines can draw the attention of potential consumers who are interested in products or services relating to lifestyle. As a result, an advertising client of one particular magazine of the Group may wish to advertise its products or services in other magazine(s) or a combination of magazines of the Group; and the Group can seize the opportunity to cross-sell advertising spaces in its other magazine(s).

Among the total of 93, 100, 105 and 104 advertising customers for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively, 13, 9, 16 and 14 advertising customers placed advertisements in more than one magazine of the Group. Subject to the results of negotiation (if any) between the advertising customer and the Group, some advertising customers paid for advertisement(s) on Motoz Trader while the Group granted the same number of advertising space(s) in the same issue of Motoz Trader (Free), in such case, only one advertisement fee was charged for placing advertisement on both Motoz Trader and Motoz Trader (Free). Under such circumstances, Motoz Trader and Motoz Trader (Free) were considered as one magazine. The Company allocates advertising income between paid and free versions of the Magazines in 50: 50 proportions when customers are only charged one advertising fee for both versions. The 50: 50 allocation is made on the basis that the same advertisement will be published in both paid and free versions of the same magazine. As the Group intends to expand its magazine portfolio in the future, the Directors believe that the benefits and effects of cross-selling will be more significant.

Extensive network for sales and distribution

Magazines were sold/distributed through the network of the Distributor covering various districts of Hong Kong and Macau and the cooperation with the business partners. According to the distribution lists provided by the Distributor up to 31 August 2014, the Distributor distributed Motoz Trader, Motoz Xpress/Shopping Monthly, Pets Buyer and Bplus for sale in over 1,300, 850, 250 and 350 convenience stores in Hong Kong respectively and over 550, 650, 300 and 600 newsstands in Hong Kong respectively; and distributed Motoz Trader (Free) and Motoz Xpress/Shopping Monthly (Free) at over 1,000 locations (including petrol filling stations, foot massage shops, salons, cafes, etc.) and certain car parking lots in Hong Kong. The Distributor also distributed (i) copies of current issue of Bplus to certain beauty salons for free reading by customers in the beauty salons only and (ii) Pets Buyer since issue number #18 to animal clinics in Hong Kong for free reading by customers in the animal clinics only. Pursuant to the relevant Distribution (for free) Agreements with the Distributor, Motoz Trader (Free), Motoz Xpress/Shopping Monthly (Free) and Pets Buyer were also distributed by the Distributor to foot massage shops and hair salons. Extensive exposure of the Magazines can effectively impress existing and potential advertising clients and attract more advertising businesses to the Group.

Effective cost control and ability to solicit advertising customers of better profit margins

Certain advertisements also formed contents of the relevant Magazines. Large portion of the contents of advertisements on magazines of the Group (i.e. Motoz Trader, Motoz Trader (Free), Motoz Xpress/Shopping Monthly and Motoz Xpress/Shopping Monthly (Free)) are relating to new car and second-hand car trades which also regarded as magazine contents by readers who are interested in obtaining the newest and latest information on prices and models of motor vehicles available in the market. The Group mainly used information provided by its advertising customers for the content of the Magazines instead of writing the Magazines on its own. Under such circumstances, the Group would be able to save manpower for obtaining information for the content, design and editorial works; and thus, it achieved relatively high profit margins with small operating size and low number of staff during the Track Record Period. In addition, management of the Group was able to exert effective cost control measures in printing cost by changing printers who can offer competitive prices for printing. Please refer to the sub-paragraph headed "Cost of sales" under the paragraph headed "Principal income statement components" of the "Financial information" section of this document for details.

Dynamic and experienced management team

The management team of the Group comprises a group of young and energetic executives. The Group's success is in particular attributable to the ability of (i) the Directors to involve in business development and client relationship, and (ii) sales and marketing staff to develop and maintain advertising customer base by identifying and driving business opportunities for results from time to time. The Directors have participated in soliciting new customers with an aim to source advertising business with better profit margins; and soliciting new printer with an aim to reduce the reliance on existing printers and increase the Group's bargaining power. The management of the Group has years of experience and expertise within the industry. Please refer to the "Directors, senior management and staff" section of this document for biographies of each member of the management team. The Directors believe that the young management team possessing receptive minds which enables the Group to develop and implement strategies efficiently and to react to the rapidly-changing market in a timely manner.

KEY BUSINESS DRIVERS

The Directors believe the three key business drivers of the Group are (i) variety and attractiveness of the Group's magazines; (ii) number of distribution points of the Group's magazines and (iii) number of advertising customers of the Group. Whether the Group's magazines will generate advertising income and sales revenue ultimately depends on whether they are accepted by the market and whether the contents meet the taste of the audience. It is the Directors' view that by providing magazines with different varieties would help capture readers with different preference. In addition, trend of the readers' preference may change time to time, it is a strategy of the Group to maintain different varieties of magazines in the market for different readers. The Directors believe that it may help the Group to generate better income by maintaining certain level of readers who are interested in different varieties of magazines in the market. Furthermore, an advertising client of one particular magazine of the Group may wish to advertise its products or services in other magazine(s) or a combination of magazines of the Group; and the Group can seize the opportunity to cross-sell advertising spaces in its other magazine(s). Also, the more distribution points, the more likely the Group's magazines and advertisement will reach its audience and more business will be brought to the Group. During the Track Record Period, advertising income accounted for over 95% of the Group's total revenue. With more advertising customers, the Group's advertising income and profitability is likely to improve.

BUSINESS STRATEGIES

The Directors have developed the following business strategies:

Enhance public awareness to the Group's magazines

In order to attract potential business partners, advertising customers and talented employees, the Group intends to increase public awareness of the Group's magazines through posting advertisements on media channels including television broadcasts.

Publish new magazines

It is the Group's intention to publish several new magazines in traveling, second-hand commercial vehicles (such as truck and van), yacht and/or dining. In doing so, the Group will be able to capture further advertising business opportunities through cross-selling advertising spaces in its broadened range of magazines to any single customer. The Group intends to increase the manpower of the editorial and design team to cope with the increase in editorial and design work arising from the publishing of new magazines.

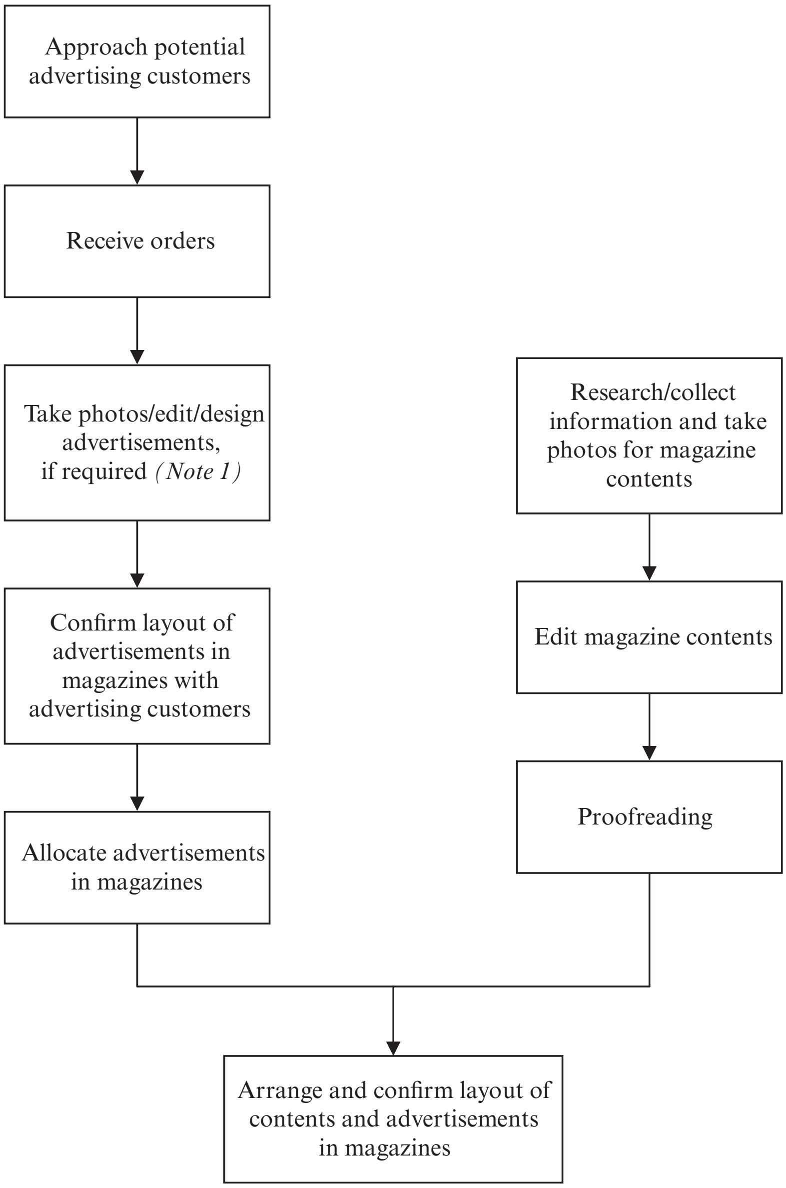
Enhance corporate image and strengthen marketing activities

In order to capture the recurring business from its established base of advertising customers and further explore new advertising customers, the Group plans to put more efforts on marketing and enhancing its corporate image. The Group intends to purchase an office property in Kowloon Bay in Hong Kong, which can accommodate additional manpower to facilitate its business growth and provide reasonable space for holding various discussions with customers; and the Directors believe that this will help enhance professional image of the Group.

MODE OF BUSINESS OPERATION

The simplified diagrams below illustrate the existing workflow of the Group:

Design and editing

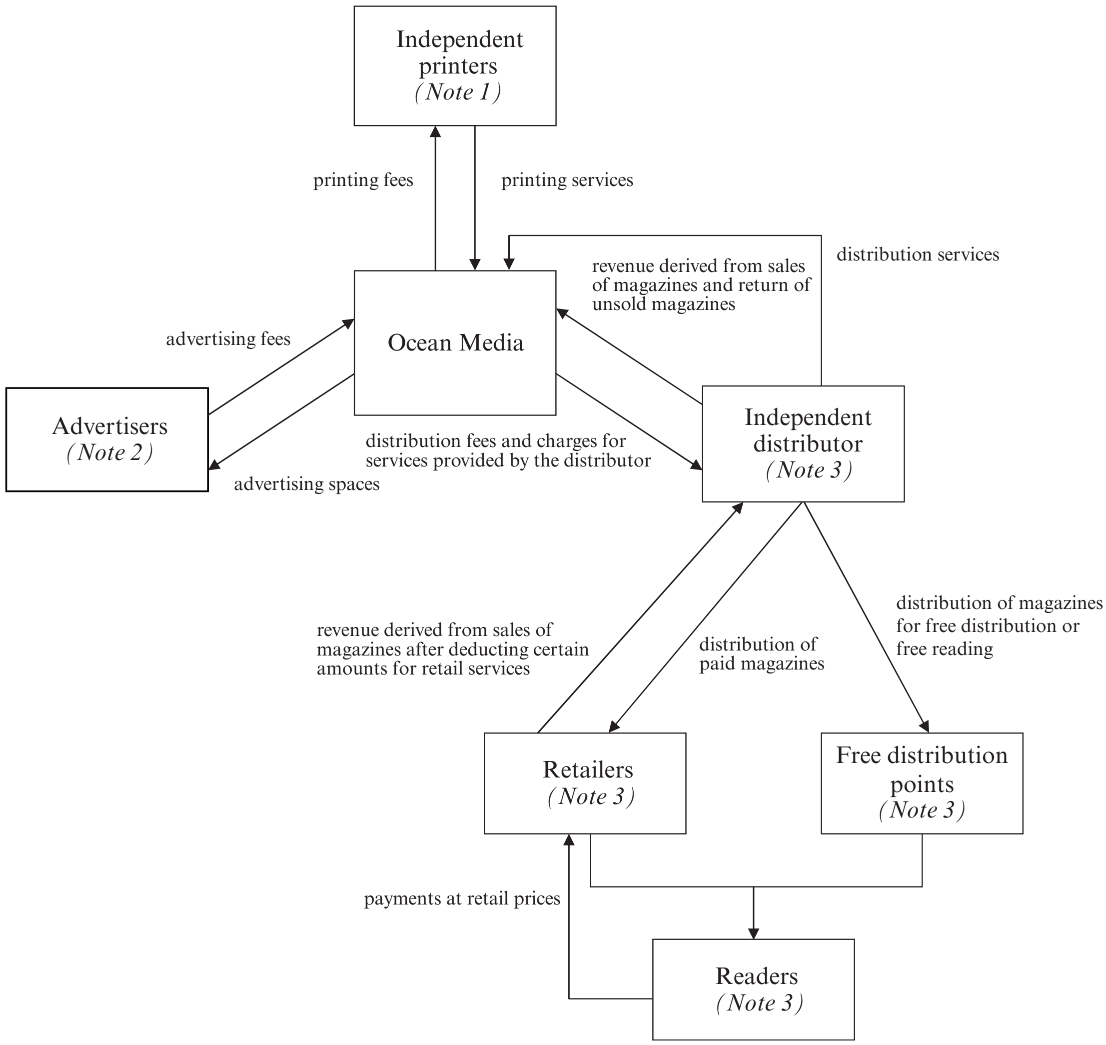


Notes:

1. Advertising customers may provide photos and contents of advertisements to the Group, or else, the editorial team will take photos and edit the relevant advertisements based on the photos taken.

2. Please refer to the paragraph headed "Design, editing and production" in this section of the document for details of the design and editing of the advertisements published in the Magazines of the Group.

Printing, sales and distribution of magazines



Notes:

1. Please refer to the paragraph headed "Suppliers" in this section of the document for details of the printing services provided to the Group by independent printers.

2. Please refer to the paragraph headed "Sales and marketing" in this section of the document for details of the advertisers placing advertisement in the Magazines.

3. Please refer to the paragraph headed "Suppliers" in this section of the document for details of the distribution of the Magazines.

DESIGN, EDITING AND PRODUCTION

The Group's design team and editorial team comprised [3 and 2] full-time staff respectively, as at the Latest Practicable Date.

After confirming the sales orders of the advertising spaces, customers may provide digital files in relation to the photos and contents of the advertisements to the Group, or else, the editorial team will take photos and edit the relevant advertisements based on the photos taken. Depending on the terms agreed with customers, members of the design team will sometimes be required to provide artwork design and scriptwriting services for the advertisements. During the Track Record Period, artwork design or scriptwriting services, if required, were not charged separately.

The design team will also prepare the layout of advertisements for customers' confirmation; and thereafter, they will allocate advertisements in the Magazines on pages as requested by the customers and by the nature of the advertisements. The Group's usual practice is to place advertisements relating to the theme of the relevant Magazines ahead of those relating to other areas. On the other hand, the editorial team will conduct researches and collect information to prepare magazine contents, edit magazine contents such as writing articles and conduct proofreading. After allocating the advertisements to the magazine pages and proofreading the advertisements by the design and editorial teams respectively, the layout of the Magazines will be formed and confirmed by both teams. Before the publication of each issue of the Magazines, final draft of magazines will be reviewed by a part-time contract consultant (the "**Consultant**") (who has over 12 years of experience in the printed media industry) and approval for publication will be obtained from both an executive Director and a joint internal compliance coordinator of the Group. The design team will confirm the details of the contents of the advertisements with the customers.

SALES AND MARKETING

The Group's sales and marketing team comprises [3] staff (not including the executive Directors) as at the Latest Practicable Date. They are primarily responsible for marketing and promoting the Group and the Magazines, selling advertising spaces in the Magazines, soliciting new advertising customers, handling enquiries and requests raised by the advertising customers as well as maintaining business relationship with the Group's past and existing advertising customers.

Marketing

In order to enhance public awareness, the Group has been distributing the free version of Motoz Trader namely Motoz Trader (Free), since its first publication in April 2009. For the purpose of illustrating the quality of the paid version of the Magazines, the Group may occasionally give out copies of such paid version for free to attract potential and existing advertising customers to place advertisements in the Magazines. The Directors confirmed that the Group had also distributed the first issue of the paid version of Motoz Xpress/Shopping Monthly for free. On 5 November 2012, Ocean Media and the Distributor entered into an agreement for the distribution of unsold copies of Motoz Trader to foot massage shops and hair salons. On 3 June 2013, Ocean Media engaged the Distributor for the distribution of Motoz Trader (Free) to foot massage shops and hair salons. The Directors confirmed that the Group had terminated distribution of the unsold paid version of Motoz Trader since June 2013. Please refer to the sub-paragraphs headed "Distribution of the Returns of Motoz Trader" and "Distribution of Motoz Trader (Free)" of "(B) Distribution of Magazines for free reading and the principal terms of the relevant Distribution (for free) Agreements" under the sub-section headed "Suppliers" of the "Business" section for details.

In 2010, the Group placed a full page advertisement on a third party magazine in Hong Kong and printed leaflets for promoting the Group's magazines. In 2011, as the Directors considered that the Group's magazines had obtained certain public awareness as some of the Magazines had launched for about a year, the Directors did not place advertisements on third party magazines in Hong Kong nor print any leaflets in the years 2011, 2012, 2013 and up till the Latest Practicable Date. Ocean Media entered into an agreement with the organiser of the exhibition for exhibiting Motoz Trader, Motoz Xpress/Shopping Monthly and Pets Buyer at a booth in the 9th Hong Kong Mega Showcase and Motor Super X 2011 held in December 2011 and in return, the Group agreed to offer certain advertising spaces in the Group's magazines pursuant to the terms of the relevant agreement.

In 2012, Ocean Media entered into an agreement with the organiser of the exhibition for exhibiting the Magazines (excluding Motoz Trader (Free), and Motoz Xpress/Shopping Monthly (Free) which had not yet been published) at two booths in the 10th Hong Kong Mega Showcase 2012 held in December 2012 and in return, the Group agreed to offer editorials, editorial write up and certain advertising spaces in the Group's magazines pursuant to the terms of the relevant agreement. In the same year, the Group also engaged one of its printers to print banners for the use in the exhibition.

In 2013, Ocean Media entered into an agreement with the organiser of the exhibition for exhibiting the Magazines (excluding Motoz Trader (Free) and Motoz Xpress/Shopping Monthly (Free)) at two booths in the 11th Hong Kong Mega Showcase 2013 held in December 2013 and in return, the Group agreed to offer editorial write up and certain advertising spaces in the Group's magazines pursuant to terms of the relevant agreement.

In 2014, Ocean Media entered into an agreement with the organiser of the exhibition for exhibiting the Magazines (excluding Motoz Trader (Free) and Motoz Xpress/Shopping Monthly (Free)) at two booths in the Hong Kong Car Show (New Edition) 2014 and 12th Hong Kong Mega Showcase *(note)* held in December 2014 and in return, the Group agreed to offer certain advertising spaces in the Group's magazines pursuant to terms of the relevant agreement.

Note: this is one exhibition with two themes.

Sales of advertising spaces

The major source of revenue of the Group is the sales of advertising spaces in the Magazines, which accounted for approximately 95.6%, 96.5%, 98.3% and 98.3% of the total turnover of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively. The Group generally generated higher advertising income in November and December (i.e. before Christmas and Chinese New Year) in the past. Historically, the aggregate advertising income generated in November and December in the years 2011, 2012 and 2013 represented approximately 32.0%, 17.8% and 36.6% of the total advertising income respectively. Turnover of the Group for the year ended 31 December 2012 did not reflect such pattern mainly due to the reduction of advertising orders from Customer Group A, who was one of the top five customers in each of the Track Record Period. To the best knowledge of the Directors, the relevant customer cut down its budget to place advertisements in the Group's magazines for the year ended 31 December 2012 mainly because this customer considered that its Korean brand beauty products has already caught certain public awareness in the market in 2012, as such, the customer reduced the advertising budget on such products for the year ended 31 December 2012. On the other hand, the relevant customer increased its budget to place advertisements in the Group's magazines for the year ended 31 December 2013 mainly for promoting its new products. Nonetheless, the Directors are of the view that in general, customers are more willing to place advertisements to promote their products/services before Christmas and Chinese New Year. Please refer to the "Risk Factors" section of this document for the disclosure of the seasonal impact as a risk factor.

Sales and marketing staff of the Group offer advertising spaces to the customers directly. Advertisements placed by advertising customers in the Magazines cover a wide range of goods and services including, among others, automobiles, beauty, pets, properties, watches and accessories and other consumer products.

The Group regards those customers having common shareholder/director/management as a single customer group. A breakdown on advertising income of the Group by number of customers [REDACTED] advertisements of similar industry types during the Track Record Period is set out below:

	Year ended 31 December											
	2011			2012			2013			Eight months ended 31 August 2014		
Industry type of advertisements	*HK$*	*%*	*No. of customers*	*HK$*	*%*	*No. of customers*	*HK$*	*%*	*No. of customers*	*HK$*	*%*	*No. of customers*
Professional firms *(Note 1)*	81,800	0.4	2	46,100	0.3	2	5,019,350	18.2	4	3,805,813	24.4	3
Beauty	8,410,000	45.4	1	3,500,000	20.9	1	6,443,220	23.4	1	3,332,490	21.3	2
Car beauty	129,300	0.7	12	86,120	0.5	12	15,740	0.0	5	4,000	0.0	1
Education	8,325,000	44.9	2	7,350,000	43.8	2	6,475,000	23.5	2	3,641,728	23.3	1
Jewels	235,300	1.3	8	252,600	1.5	7	384,272	1.4	7	261,428	1.7	6
Motor dealers	881,515	4.8	48	958,823	5.7	60	914,690	3.3	65	753,770	4.8	71
Property agency	313,000	1.7	2	4,461,750	26.6	3	5,542,529	20.0	2	3,095,672	19.8	1
Pet shops	7,900	0.0	5	34,360	0.2	10	48,960	0.2	11	13,240	0.1	7
Limousine service provider	–	–	–	–	–	–	2,680,000	9.7	1	500,000	3.2	1
Others	151,880	0.8	16	73,900	0.5	5	65,430	0.3	9	223,783	1.4	12
Elimination *(Note 2)*	N/A	N/A	(3)	N/A	N/A	(2)	N/A	N/A	(2)	N/A	N/A	(1)
Total	18,535,695	100.0	93	16,763,653	100.0	100	27,589,191	100.0	105	15,631,924	100.0	104

Note:

1. Professional firms include accounting firms, law firms, security brokerage firms, gold brokerage firms and/or money lenders.

2. Some customer groups have companies operating across different industries. The repeated count of customers in the same customer group is eliminated.

The total number of advertising customers of the Group for the year ended 31 December 2011 was 93, of which (i) 54 were existing advertising customers brought forward from the year ended 31 December 2010; and (ii) 39 were new advertising customers attracted during the year ended 31 December 2011. As a result of the loss of 36 advertising customers during the year ended 31 December 2011, there were only 57 advertising customers brought forward to the year ended 31 December 2012.

The total number of advertising customers of the Group for the year ended 31 December 2012 was 100, of which (i) 57 were existing advertising customers brought forward from the year ended 31 December 2011; and (ii) 43 were new advertising customers attracted during the year ended 31 December 2012. As a result of the loss of 36 advertising customers during the year ended 31 December 2012, there were only 64 advertising customers brought forward to the year ended 31 December 2013.

The total number of advertising customers of the Group for the year ended 31 December 2013 was 105, of which (i) 64 were existing advertising customers brought forward from the year ended 31 December 2012; and (ii) 41 were new advertising customers attracted during the year ended 31 December 2013. As a result of the loss of 20 advertising customers during the year ended 31 December 2013, there were only 85 advertising customers brought forward to the year ending 31 December 2014.

The total number of advertising customers of the Group for the eight months ended 31 August 2014 was 104, of which (i) 85 were existing advertising customers brought forward from the year ended 31 December 2013; and (ii) 19 were new advertising customers attracted during the eight months ended 31 August 2014. As a result of the loss of 14 advertising customers during the eight months ended 31 August 2014, there were only 90 advertising customers brought forward to the period beginning from 1 September 2014 to 31 December 2014.

Despite the fact that the major source of revenue of the Group is the sales of advertising spaces in Motoz Trader and Motoz Trader (Free) and most of the advertising spaces in Motoz Trader and Motoz Trader (Free) are related to automobiles, the Group generated a substantial portion of its advertising income from customers of beauty, education and property agency sectors during the Track Record Period. This was mainly because (i) Motoz Trader also provides properties and lifestyle information including dining, fashion and beauty and contents of other Magazines cover pets, and/or other lifestyle information such as dining, fashion and beauty; (ii) the Directors considered that industries with higher profitability in general are more willing to spend higher advertising cost for each page of advertisement in magazines to promote their products/services in order to draw public awareness towards their brand names; and (iii) such customers would also like to post advertisements in various types such as cover icons and/or cover banners.

To the best knowledge of the Directors, the advertising customers of the Group in the education, beauty and property agency industries considered that the Group's magazines can reach their ultimate target customers. It is the belief of the Directors that the distribution network of Motoz Trader (Free) enables the Group's advertising customers to effectively reach their target customers. During the Track Record Period, Advertising Package customers including those in the beauty, education, professional firms, property agency and limousine service industries posted advertisements including cover icons and/or cover banners, therefore, higher advertising rates were charged to such Advertising Package customers. The Group solicited two new Advertising Package customers which are professional firms involved in the finance sector such as accounting, money lending, security brokerage, etc., during the year ended 31 December 2013. The Group also solicited two new Advertising Package customers which are engaged in limousine service business and jewels business respectively during the year ended 31 December 2013. For the eight months ended 31 August 2014, the Group also solicited three new Advertising Package customers, including companies who are engaged in beauty business and restaurant business respectively. The Directors considered that the main reason for professional firms, limousine service provider, jewels firm and beauty firm to place advertisements on the Magazines was the contents of the Magazines. The Group's Magazines, which cover lifestyle information including information on luxury goods such as automobiles and properties, may attract wealthier readers with higher purchasing power and/or more willingness to spend on professional services. Such readers should also be the target customers of professional firms. Please refer to the paragraph headed "Advertising fee" below for basis to determine the advertising fee.

Advertising fee

Revenue from the sales of advertising spaces is recognised upon the publication of the relevant magazine available to the public in which the advertisement is placed. When the outcome of an advertising contract can be estimated reliably, revenue from advertising service is recognised by reference to the stage of completion of the contract. Stage of completion of a contract is the number of advertisement being published as compared to the number of publication contracted for. Advertising fee is charged mainly based on the size and positioning of the advertisement within the Magazines and the belonging industry of the advertisement as classified by the Group.

The Directors confirmed that the information on the number of Magazines sold and distributed is not provided to its advertising customers and thus, the pricing of advertising space is not linked to the number of magazines sold and distributed. The Directors considered that customers that operate in industries with higher profitability in general are more willing to spend on advertisement to promote their products/services; and therefore, the Group strives to obtain orders placed by them. The final prices of advertising spaces are reached subject to negotiations between the Group and the customers and special prices may be given by the Group to selected advertising customers after taking various factors into account including the length of business relationship and the number of advertisements placed and/or to be placed in the Magazines. In any event, the final prices would not be lower than the floor prices for advertisements of its belonging industries stipulated in the internal guidelines of the Group unless approval from the Director(s) has been obtained.

The internal guidelines on floor prices for advertisements of the Group were reviewed and updated on a half-yearly basis by the Directors and head of the sales team with reference to the prevailing market prices. In order to facilitate the Group's advertising customers to track the effectiveness of the advertisements they placed in the Group's magazines, the Group includes descriptions in the rate cards to its advertising customers for Motoz Trader, Motoz Xpress/Shopping Monthly, Pets Buyer and Bplus that the magazines will be available for sale in newstands and/or convenience stores (with name(s) of convenience stores being specified in the rate cards). The Group provided rate cards to its advertising customers which includes addresses and number of despatching points for the distribution of Motoz Trader (Free).

Free advertisements

The Group may also offer free advertising spaces to selected advertising customers. These include (i) customers who purchased advertisement space(s) in the Magazines, in order to encourage them to continuously place advertisements in the Magazines; (ii) customers who request for price reduction on the advertising fees and are offered free advertising spaces for additional advertisement instead, after having considered the length of business relationship between the Group and the relevant customers; (iii) potential customers who had never purchased advertising space(s) in the Magazines and are offered free advertisements as a trial for attracting and soliciting new businesses; (iv) business partners who offer locations for distribution of the Group's free magazines and ask for free advertisements in return; (v) charitable organisations for promoting their charitable activities as donation; and (vi) exhibitions for promoting relevant events pursuant to the terms of the relevant agreements for exhibiting the Magazines at the booths in the events.

The Group assessed the value of the free advertisement spaces granted during the Track Record Period based on the following: under the circumstances of (i) and (ii) above, the value of the free advertisements was made reference to the customers' similar purchases of advertisement spaces from the Group; under the circumstances of (iii), (v) and (vi) above, the value of the free advertisements provided was the abandon cost, i.e. the printing costs and other related cost for providing such free advertisements; and under the circumstances of (iv) above, the value of the free advertisements provided was measured by possible value that the Group may be able to earn if it would charge for such advertisements by making reference to the value of advertisements of similar types.

Apart from the above, please also refer to the paragraph headed "Grant of free advertising spaces" under "Discontinued connected transactions" of the "Connected transactions" section of this document for free advertising spaces offered to the connected persons (as defined under the GEM Listing Rules) of the Company during the Track Record Period.

Sales of magazines and distribution of free magazines

Sales of magazines accounted for approximately 4.4%, 3.5%, 1.7% and 1.7% of the total turnover of the Group for the three years ended 31 December 2013 and for the eight months ended 31 August 2014 respectively. The Directors believe that the Group's advertising customers focus on its distribution network instead of the circulation when placing advertisement in the Magazines. Rather than focusing on circulation volume, the Group strives to increase its readership by expanding network of locations for free reading, a measure that does not involve large printing volume of magazines as magazine copies are not allowed to be taken away from the site; and the copies of each issue will be left at the site for certain period of time. The Directors believe that copies of magazine(s) in each free reading site should have multiple readers as people are not allowed to take the copies away and each issue of magazines will be available for free reading at the respective sites for certain period of time. The Group included lists of its extensive network of locations for free pick-up and free reading in the rate cards of the relevant magazines and on the company's website, allowing existing and potential customers to gauge the effectiveness of advertisements placed in the Group's magazines. Please refer to the paragraphs headed "Magazines free picking sites and free reading sites in Hong Kong" of the "Industry Overview" section of this document for information on number of free picking up sites and number of free reading sites for magazines including the Group's magazines in Hong Kong.

The table below sets out the number of copies printed, sold, distributed and unsold/undistributed for each magazines of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014:

	Printed				Sold				Distributed *(note 1)*				Unsold/undistributed *(note 2)*			
	For the year ended 31 December			For the eight months ended 31 August	For the year ended 31 December			For the eight months ended 31 August	For the year ended 31 December			For the eight months ended 31 August	For the year ended 31 December			For the eight months ended 31 August
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
	Approx.	*Approx.*	*Approx.*	*Approx.*	*Approx.*	*Approx.*	*Approx.*	*Approx.*	*Approx.*	*Approx.*	*Approx.*	*Approx.*	*Approx.*	*Approx.*	*Approx.*	*Approx.*
Motoz Trader	86,500	102,900 *(note 3)*	95,200	59,400	45,400	37,400	29,600	19,000	2,600	8,400	5,600	1,800	38,500	57,100	60,000	38,600
Motoz Trader (Free)	56,200	58,600	115,600	132,000	—	—	—	—	56,200	58,600	115,600	132,000	—	—	—	—
Motoz Xpress/ Shopping Monthly	45,000	47,900	39,600	22,400	26,200	21,000	16,100	8,400	400	1,100	900	400	18,400	25,800	22,600	13,600
Motoz Xpress/ Shopping Monthly (Free)	—	—	9,600	32,000	—	—	—	—	—	—	9,600	32,000	—	—	—	—
Pets Buyer	15,000	12,000	14,000	9,600	7,100	3,200	2,700	900	600	600	700	4,100	7,300	8,200	10,600	4,600
Bplus	5,000	10,000 *(note 4)*	10,000	7,500	800	1,200	1,800	400	—	400	700	1,800	4,200	8,400	7,500	5,300
Total:	**207,700**	**231,400**	**284,000**	**262,900**	**79,500**	**62,800** *(note 5)*	**50,200**	**28,700**	**59,800**	**69,100**	**133,100**	**172,100**	**68,400**	**99,500** *(note 6)*	**100,700**	**62,100**

Notes:

1. The total number of distributed copies of the magazines includes i) free version magazines distributed to the public for free; ii) free version magazines given to relevant personnel of certain despatching points or existing/potential advertising customer for free; and iii) paid version magazines (regardless current or old unsold issues) distributed to foot massage shops and hair salons, etc. for free. The returns of unsold copies of the paid version of Motoz Trader distributed by the Distributor since November 2012 had been included under the "Distributed" column. This arrangement has been terminated in 2013. Approximately 3,800 and 3,000 unsold copies of paid version of Motoz Trader had been distributed by the Distributor for the two years ended 31 December 2013 respectively.

2. The total number of unsold/undistributed copies of the magazines includes i) those magazines disposed of as scrap and ii) those Magazines that are returned to the Group and kept by the Group.

3. The number of printed copies of Motoz Trader for the year ended 31 December 2012 was approximately 102,900, representing an increase of approximately 19.0% as compared to the number of printed copies for the year ended 31 December 2011. The printed copies of Motoz Trader increased mainly because the Group started distributing unsold and returned copies of paid version of Motoz Trader to foot massage shops and hair salons since November 2012. The number of printed copies of Motoz Trader for the year ended 31 December 2013 was approximately 95,200, representing a decrease of approximately 7.5% as compared to the number of printed copies for the year ended 31 December 2012. The number of printed copies dropped mainly because more printing capacity was allocated to the printing of Motoz Trader (Free) for distribution purpose.

4. The number of printed copies of Bplus for the year ended 31 December 2012 was approximately 10,000, representing an increase of approximately 100% as compared to the number of printed copies for the year ended 31 December 2011 because Bplus was launched in October 2011. The number of printed copies of Bplus for the year ended 31 December 2013 was approximately 10,000 and remained the same as the number of printed copies for the year ended 31 December 2012. The number of printed copies of Bplus of approximately 7,500 copies for the eight months ended 31 August 2014 includes (i) approximately 5,000 copies printed during the eight months ended 31 August 2014 and (ii) approximately 2,500 printed in the late December 2013 for the publishing in the year of 2014.

5. The total number of sold copies of the Magazines for the year ended 31 December 2012 was approximately 62,800, representing a decrease of approximately 21.0% as compared to the total number of sold copies for the year ended 31 December 2011. The decrease in the sold copies of the Magazines was mainly due to the Group's effort to promote the sales of the Magazines by engaging an third party to print and distribute promotion leaflets in the second half of 2010, which improve the sales of the Magazines for the year ended 31 December 2011. However, no such marketing activity was carried out by the Group during the year ended 31 December 2012 and consequently the sales of Magazines (except for Bplus which was launched in October 2011) for the year ended 31 December 2012 decreased.

   The Group incurred cost of approximately HK$0.4 million for the year ended 31 December 2010 for the distribution of promotion leaflets. In view that the revenue generated from the sales of magazines for the year ended 31 December 2011 was only approximately HK$0.8 million, the Directors considered that distribution of promotion leaflets was not a cost effective way to attract sales of magazines. They also considered that the two magazines, namely Motoz Trader and Motoz Xpress/Shopping Monthly (which were launched in April 2009 and March 2010 respectively), had attained considerable awareness among the target readers group. As such, the Group decided to cease the distribution of promotion leaflets. However, it did not cease all the marketing activities. Starting from 2011, the Group participated in exhibitions held towards end of each year to exhibit Magazines. Please refer to the sub-paragraph headed "Marketing" under the paragraph headed "Sales and marketing" of this section for details.

   The total number of sold copies of the Magazines for the year ended 31 December 2013 was approximately 50,200, representing a decrease of approximately 20.1% as compared with the number of total number of sold copes for the year ended 31 December 2012. The sold copies of the Magazines dropped mainly because of the fact that only one issue of Motoz Trader was published in February 2013 instead of two issues as compared to February 2012 and the allocation of more printing resources to the printing of Motoz Trader (Free) for the year ended 31 December 2013. In 2012, the Group managed to publish two issues of Motoz Trader in January before the start of the Chinese New Year public holidays on 23 January 2012. In 2013, the Group decided to skip publication of one of the two issues of Motoz Trader in February that was supposed to be published right after last day of the Chinese New Year public holidays in view of lower manpower during the Chinese New Year holidays.

6. The total number of unsold/undistributed copies of the Magazines for the year ended 31 December 2012 was approximately 99,500, representing an increase of approximately 45.5% as compared to the total number of unsold/undistributed copies for the year ended 31 December 2011. The increase in the unsold/undistributed copies of the Magazines was mainly due to the decrease in sold copies of the Magazines as explained under note 5. The total number of unsold/undistributed copies of the Magazines for the year ended 31 December 2013 was approximately 100,700, which was about the similar level compared to the total number of unsold/undistributed copies of the Magazines for the year ended 31 December 2012. A certain number of copies of each issue of Magazines has to be placed at each retail point for sales to attract public's attention. Therefore, number of printed copies cannot be reduced largely otherwise the number of retail points cannot be maintained.

During the Track Record Period, the Group published four magazines, i) Motoz Trader, ii) Motoz Xpress/Shopping Monthly, iii) Bplus and iv) Pets Buyer, for sales at different retail points such as convenience stores and newsstands in Hong Kong. In order to maintain a certain level of exposure in the market, the Group arranged to place a certain number of these four magazines in every retail point, even though not all of these magazine copies will be sold eventually. By doing so, the Group aimed to get the attention of the magazines from the potential customers at the retail points including those who may not buy their magazines but may only check on their magazines at the retail points. The yearly/period average number of magazines per retail point per issue in each respective year/period during the Track Record Period for each of the four magazines ranged from 1.7 copies to 3.8 copies. The yearly/period average number of magazines per retail point per issue in the respective year/period is derived from the number of printed copies distributed to the retail points divided by the aggregate number of retail points of all issues of such magazines in the respective year/period. The Directors believe that this approach could help promote their magazines and maintain a certain level of exposure of their magazines in the market. It is also the Directors' view that the average number of magazines per retail point per issue during the Track Record Period is reasonable and not excessive.

Nevertheless, such approach generated certain unsold/undistributed copies of magazines during the Track Record Period. According to the Group's Distributor, the disposal rate of these four magazines of the Group is within the range of the return rates of other lifestyle/motor magazines that were distributed by the Distributor during the same period. The disposal rate is derived from the number of undistributed/unsold copies divided by the number of printed copies. Furthermore, according to the Distributor, the disposal rates of these four magazines of the Group are considered reasonable.

During the Track Record Period and as at the Latest Practicable Date, the Group engaged [one] Distributor, an Independent Third Party, for distribution of (i) Motoz Trader; (ii) Motoz Xpress/Shopping Monthly; (iii) Pets Buyer; and (iv) Bplus for sales under the Distribution (for sales) Agreements. These magazines were delivered by the Distributor to convenience stores and newsstands for sale at different locations in Hong Kong and/or Macau for sale. The Group made one-off payments amounting to HK$12,000 and HK$16,000 for starting the sale of Motoz Xpress/Shopping Monthly and Pets Buyer respectively at convenience stores in 2010; and HK$19,000 for starting the sale of Bplus at convenience stores in 2011. The Group confirmed that no one-off payment was required for starting the sale of the Group's magazines at newsstands.

The Group also distributes various Magazines to various distribution points in Hong Kong for free distribution or free reading by the public during the Track Record Period under the respective Distribution (for free) Agreements. The distribution of Magazines for such purpose is summarised as below:

Period:	Magazines:	Major distribution points in Hong Kong:
Throughout the Track Record Period	Motoz Trader (Free)	Petrol filing stations, car parking lots, property agents, hair product company, hair salons, foot massage, spa and cafes, etc.
Between April 2010 and October 2010	Motoz Xpress/Shopping Monthly (Free) 2010	Various despatching points
Between November 2012 and June 2013	Unsold paid version of Motoz Trader	Foot massage shops and hair salons
Since June 2013	Motoz Xpress/Shopping Monthly (Free)	Car parking lots (and foot massage stores and salons since January 2014)
	Bplus	100 beauty shops (for free reading in the beauty shops only) (and coffeehouse chain since October 2013)
Since December 2013	Pets Buyer	Animal clinics (for free reading in the animal clinics only) (and foot massage stores and salons since January 2014)

For the principal terms of Distribution (for free) Agreements are set out in the sub-section headed "Distribution services — (B) Distribution of Magazines for free reading and the principal terms of the relevant Distribution (for free) Agreements" in this section.

During the Track Record Period, the Group has been actively expanding its distribution network through increasing distribution points and magazines for distribution. The Group started distribution of Motoz Xpress/Shopping Monthly (Free), Pets Buyer (for free reading only) and Bplus (for free reading only) in 2013. Foot massage stores and salons were added to the distribution list of Motoz Xpress/

Shopping Monthly (Free) and Pets Buyer in January 2014. Occasionally, copies of paid version of Motoz Trader would be given away for free to the relevant personnel of certain despatching points of Motoz Trader (Free) as samples; and Magazines (excluding Motoz Trader (Free) and "Motoz Xpress/Shopping Monthly (Free)") may also be given away for free to potential and existing advertising customers to attract sales of advertising spaces.

Apart from Motoz Trader (Free), the Group had also published another free magazine, Motoz Xpress/Shopping Monthly (Free) 2010 in 2010. The purpose of such distribution and publication of Motoz Xpress/Shopping Monthly (Free) 2010 was to enhance the popularity of the paid version. Content of Motoz Xpress/Shopping Monthly (Free) 2010 was the same as Motoz Xpress/Shopping Monthly. Thus, when the sales of Motoz Xpress/Shopping Monthly became more stable, the Group decided to stop the distribution of the free version in order to prevent possible competition. Besides, the Directors confirmed that the Group had also distributed the first issue of the paid version of Motoz Xpress/Shopping Monthly for free.

The Group started the publication of Motoz Xpress/Shopping Monthly (Free) in June 2013. Only part of the content of Motoz Xpress/Shopping Monthly would be extracted to Motoz Xpress/Shopping Monthly (Free). Therefore, the readers have to buy Motoz Xpress/Shopping Monthly to read the full version of the magazine. With the expanded distribution networks and a wider range of magazines for distribution, it is expected that the Group will be able to capture further advertising business opportunities through cross-selling of advertising spaces in a broadened range of magazines.

Besides, Ocean Media entered into several agreements with a coffeehouse chain in Hong Kong for displaying one copy of current issue of Bplus on magazine rack in each of the 90 selected coffeehouses. Bplus displayed in coffeehouses has been/will be delivered by Ocean Media to the designated address of the coffeehouse chain. The respective terms of agreements are summarised as follow:

Date of agreement	Term of agreement
24 September 2013	from 7 October 2013 to 6 January 2014
15 January 2014	from 7 January 2014 to 6 February 2014
10 February 2014	from 12 February 2014 to 11 August 2014
8 August 2014	from 12 August 2014 to 11 February 2015

The Directors confirmed that save as disclosed above, no unsold copies of the Group's magazines had been distributed for free during the Track Record Period.

Income from sales of magazines

As at the Latest Practicable Date, "Motoz Trader", "Motoz Xpress/Shopping Monthly", "Pets Buyer" and "Bplus" were sold to readers at convenience stores and newsstands in Hong Kong at retail prices of HK$[10], HK$[8], HK$[15] and HK$[12] each respectively. The entire amount paid by readers for purchases of magazines at the retail points has been recognised as turnover of the Group; and the distribution fees deducted by the Distributor for its services has been recognised as cost of sales. Revenue from the sale of magazines is net of return and is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. The Directors or staff designated by the Directors attended counting of unsold magazines returned by the Distributor. The amount of income from sales of magazines is determined based on the number of copies of magazines passed to the Distributor for sale less the number of unsold copies of magazines returned by the Distributor.

Return of unsold magazines

The Distributor may return unsold Magazines (excluding "Motoz Trader (Free)" and "Motoz Xpress/Shopping Monthly (Free)") to the Group; and the Directors or a staff of the Group will attend the counting of unsold magazines as well as confirming the return or disposal of Magazines. The Group is responsible for arranging transportation of returned magazines; or it would pay delivery charges to the Distributor for transportation services. Pursuant to the Distribution (for sales) Agreements, the Group may require the Distributor to return the unsold magazines to its office as samples for potential customers' reference if it does not choose to dispose of the unsold magazines through the disposal services of the Distributor.

If the Group wishes to keep all or part of the returned magazines, it will usually notify the Distributor on or before the date for counting and confirming the returned magazines. The Distributor will pay the Group for the disposal of unsold magazines based on the weight of such magazines. Income generated by the Group from the disposal of unsold magazines was HK$12,449, HK$22,280, HK$26,139 and HK$6,737 for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively. Please refer to the sub-paragraph headed "Other revenue" under the paragraph headed under "Principal income statement components" of the "Financial Information" section of this document for details of the re-classification of income generated from the disposal of scrap papers. The Reporting Accountants confirmed that instead of setting off with the delivery charges, such income should be classified as other revenue in the consolidated statement of profit or loss and other comprehensive income of the Group. However, they considered that income generated from the disposal of scrap papers was immaterial and no adjustment was made to the accounts of the Group for the year ended 31 December 2011. For the years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014, income generated from the disposal of scrap papers amounted to approximately HK$22,280, HK$26,139 and HK$6,737 respectively and has been classified as other revenue in the consolidated statement of profit or loss and other comprehensive income of the Group.

As a result of the Group's late attendance for counting the numbers of unsold magazines for several issues, the Group had finalized its financial statements for the year ended 31 December 2010 without recognising the sales of those magazines and certain cost during the period, approximately HK$145,792 of income from sales of the Magazines was understated for the year ended 31 December 2010 and approximately HK$145,792 was overstated for the year ended 31 December 2011. For further details, please refer to pages 133 and 134 under the subsection headed "Credit policies and control" in this section.

Major customers

Set out below is the information on the top ten customers of the Group during the Track Record Period:

For the eight months ended 31 August 2014:

	Customer *(Note 5)*	Amount of the Group's revenue attributable to the customers	As a % of the Group's revenue attributable to the customers	Background of the customers	Business scope	Year(s) of business relationship with the Group as at 31 August 2014	Credit period	Magazine(s) that the customer placed advertisements under the respective contract
1	Customer Group A *(Note 3)*	HK$5,773,761	36.3%	The earliest year of establishment: 2001 Place of incorporation: Hong Kong	Trading business and [REDACTED] of beauty products *(note 6)*	More than 5 years	30/60 days after posted all advertisements/ 180 days	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Motoz Xpress/Shopping Monthly (Free); Pets Buyer; Bplus
2	Anzac Group Company, Limited	HK$3,095,672	19.5%	Year of establishment: 2012 Place of incorporation: Macau	Investment consultancy and property agency	More than 2 years	30 days after posted all advertisements	Motoz Trader; Motoz Trader (Free)
3	Customer Group O *(Note 4)*	HK$3,017,880	19.0%	The earliest year of establishment: 2005 Place of incorporation: Hong Kong	Financial services, credit business and bullion business	Around 1 year	Progress billing *(Note 1)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Motoz Xpress/Shopping Monthly (Free)
4	Customer S	HK$1,200,457	7.5%	Year of establishment: 2010 Place of incorporation: Hong Kong	Beauty services	Less than 1 year	Progress billing *(Note 1)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Motoz Xpress/Shopping Monthly (Free); Bplus
5	Customer Q	HK$776,233	4.9%	Year of establishment: 2011 Place of incorporation: Hong Kong	Corporate advisory services	Around 1 year	Progress billing *(Note 1)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Motoz Xpress/Shopping Monthly (Free)
6	Joinmax Limousine Services Limited	HK$500,000	3.1%	Year of establishment: 2010 Place of incorporation: Hong Kong	Limousine service provider	Around 1 year	Progress billing *(Note 1)*	Motoz Trader; Motoz Trader (Free)
7	Customer R	HK$168,728	1.1%	Year of establishment: 2005 Partnership [REDACTED] in Hong Kong	Sales of watches	More than 1 year	Progress billing *(Note 1)*/ On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Pets Buyer, Bplus
8	Customer T	HK$88,606	0.6%	Year of establishment: 2007 Place of incorporation: Hong Kong	Operation of restaurant	Less than 1 year	Progress billing *(Note 1)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Motoz Xpress/Shopping Monthly (Free)
9	Customer U	HK$83,607	0.5%	Year of establishment: 2008 Place of incorporation: Hong Kong	Consulting service	Less than 1 year	Progress billing *(Note 1)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Motoz Xpress/Shopping Monthly (Free)
10	Customer D	HK$41,600	0.3%	Year of establishment: 2002 Place of incorporation: Hong Kong	Motor car [REDACTED]	Around 5 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly;

Notes:

1. Such customers were required to settle payments on dates specified in the relevant contract or within one month from the date of issue of monthly invoice or one month from the date of publication of relevant magazine.
2. In practice, payment is due immediately when presented with the Group's invoices.
3. Customer Group A includes Catil Int'l Beauty Limited, Catil Int'l Ent'l Limited, Knowledge Publication Limited and Customer A1 which have one/two common shareholder(s) or common management at the material time.
4. Customer Group O includes CNI Credit Limited, CNI Financial Group Limited and CNI Bullion Limited. CNI Credit Limited, CNI Financial Group Limited and CNI Bullion Limited represent themselves as a group.
5. Save for the existing business relationship between the Group and its top ten customers, none of the Group, the Directors or their respective close associates has any past or present family, business or employment relationship with the top ten customers.
6. Customer Group A has ceased the online books and online education selling business in early 2014.

For the year ended 31 December 2013:

	Customer *(Note 7)*	Amount of the Group's revenue attributable to the customers	As a % of the Group's revenue attributable to the customers	Background of the customers	Business scope	Year(s) of business relationship with the Group as at 31 December 2013	Credit period	Magazine(s) that the customer placed advertisements under the respective contract
1	Customer Group A *(Note 5)*	HK$12,825,000	45.7%	The earliest year of establishment: 2001 Place of incorporation: Hong Kong	Trading business, [REDACTED] of beauty products and sales of books and education materials	More than 4 years	90/180 days after posted all advertisements/180 days	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Motoz Xpress/Shopping Monthly (Free); Pets Buyer; Bplus
2	Anzac Group Company, Limited *(Note 3)*	HK$4,892,528	17.4%	Year of establishment: 2012 Place of incorporation: Macau	Investment consultancy and property agency	More than 1 year	30/90 days after posted all advertisements	Motoz Trader; Motoz Trader (Free)
3	Customer Group O *(Note 6)*	HK$3,088,171	11.0%	The earliest year of establishment: 2005 Place of incorporation: Hong Kong	Financial services, credit business, bullion business and [marketing business]	Less than 1 year	Progress billing *(Note 1)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Motoz Xpress/Shopping Monthly (Free); Pets Buyer; Bplus
4	Joinmax Limousine Services Limited	HK$2,680,000	9.5%	Year of establishment: 2010 Place of incorporation: Hong Kong	Limousines service provider	Less than 1 year	Progress billing *(Note 1)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Motoz Xpress/Shopping Monthly (Free); Pets Buyer; Bplus
5	Customer Q *(Note 4)*	HK$2,000,000	7.1%	Year of establishment: 2011 Place of incorporation: Hong Kong	Corporate advisory services	Less than 1 year	Progress billing *(Note 1)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Motoz Xpress/Shopping Monthly (Free); Pets Buyer; Bplus
6	Customer L	HK$650,000	2.3%	Year of establishment: 2011 Place of incorporation: Hong Kong	Property agency	More than 1 year	90 days after posted all advertisements	Motoz Trader; Motoz Trader (Free)
7	Customer R	HK$195,872	0.7%	Year of establishment: 2005 Partnership [REDACTED] in Hong Kong	Sales of watches	Less than 1 year	Progress billing *(Note 1)*/ On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Pets Buyer; Bplus
8	Customer B	HK$76,800	0.3%	Year of establishment: 2007 Place of incorporation: Hong Kong	Sales of watches	More than 4 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Pets Buyer
9	Customer D	HK$59,200	0.2%	Year of establishment: 2002 Place of incorporation: Hong Kong	Motor car [REDACTED]	More than 4 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly
10	Customer E	HK$54,250	0.2%	Year of establishment: 2008 Partnership [REDACTED] in Hong Kong	Motor car [REDACTED]	Around 3 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly

Notes:

1. Such customers were required to settle payments on dates specified in the relevant contract or within one month from the date of issue of monthly invoice or one month from the date of publication of relevant magazine.
2. In practice, payment is due immediately when presented with the Group's invoices.
3. Customer K1 assigned the advertising orders and its liabilities (if any) to Anzac Group Company, Limited pursuant to an agreement with effect from 25 June 2012.
4. Customer Q is dormant and it entered into sales contract with the Group for [REDACTED] advertisements on behalf of another company within its own group.
5. Customer Group A includes Catil Int'l Beauty Limited, Catil Int'l Ent'l Limited, Knowledge Publication Limited and Customer A1 which have one/two common shareholder(s) or common management at the material time.
6. Customer Group O includes CNI Credit Limited, CNI Financial Group Limited and CNI Bullion Limited. CNI Credit Limited, CNI Financial Group Limited and CNI Bullion Limited represent themselves as a group.
7. Save for the existing business relationship between the Group and its top ten customers, none of the Group, the Directors or their respective close associates has any past or present family, business or employment relationship with the top ten customers.

For the year ended 31 December 2012:

	Customer *(Note 5)*	Amount of the Group's revenue attributable to the customers	As a % of the Group's revenue attributable to the customers	Background of the customers	Business scope	Year(s) of business relationship with the Group as at 31 December 2012	Credit period	Magazine(s) that the customer placed advertisements under the respective contract
1	Customer Group A *(Note 4)*	HK$10,850,000	62.5%	The earliest year of establishment: 2001 Place of incorporation: Hong Kong	Trading business, [REDACTED] of beauty products and sales of books and education materials	More than 3 years	180 days after posted all advertisements/ 180 days	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Pets Buyer; Bplus
2	Customer K1 *(Note 1)*	HK$3,800,000	21.9%	Year of establishment: 2008 Place of incorporation: Macau	Investment consultancy and property agency	Less than 1 year	180 days after posted all advertisements	Motoz Trader; Motoz Trader (Free)
3	Customer L	HK$650,000	3.7%	Year of establishment: 2011 Place of incorporation: Hong Kong	Property agency	Less than 1 year	180 days after posted all advertisements	Motoz Trader; Motoz Trader (Free)
4	Customer B	HK$129,200	0.7%	Year of establishment: 2007 Place of incorporation: Hong Kong	Sales of watches	More than 3 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Pets Buyer
5	Customer E	HK$77,500	0.4%	Year of establishment: 2008 Partnership [REDACTED] in Hong Kong	Motor car [REDACTED]	Around 2 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly
6	Customer D	HK$59,200	0.3%	Year of establishment: 2002 Place of incorporation: Hong Kong	Motor car [REDACTED]	More than 3 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly
7	Customer J	HK$46,800	0.3%	Year of establishment: 2009 Place of incorporation: Hong Kong	Motor car [REDACTED]	Around 3 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free)
8	Customer M	HK$37,500	0.2%	Year of establishment: 2007 Place of incorporation: Hong Kong	Trading of motor license plate	More than 3 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free)
9	Customer C1 *(Note 3)*	HK$36,400	0.2%	Year of establishment: 2003 Place of incorporation: Hong Kong	[Motor car [REDACTED] and car exhibition organizer]	More than 3 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free)
10	Customer N	HK$34,000	0.2%	Year of establishment: 2007 Place of incorporation: Hong Kong	[Motor car [REDACTED] and operation of parking lot]	Less than 1 year	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free)

Notes:

1. Customer K1 assigned the advertising orders and its liabilities (if any) to Anzac Group Company, Limited pursuant to an agreement with effect from 25 June 2012.
2. In practice, payment is due immediately when presented with the Group's invoices.
3. Customer C1 was a member of Customer Group C for the year ended 31 December 2011.
4. Customer Group A includes Catil Int'l Beauty Limited, Catil Int'l Ent'l Limited, Knowledge Publication Limited and Customer A1 which have one/two common shareholder(s) or common management at the material time.
5. Save for the existing business relationship between the Group and its top ten customers, none of the Group, the Directors or their respective close associates has any past or present family, business or employment relationship with the top ten customers.

For the year ended 31 December 2011:

	Customer *(Note 5)*	Amount of the Group's revenue attributable to the customers	As a % of the Group's revenue attributable to the customers	Background of the customers	Business scope	Year(s) of business relationship with the Group as at 31 December 2011	Credit period	Magazine(s) that the customer placed advertisements under the respective contract
1	Customer Group A *(Note 4)*	HK$17,035,000	87.9%	The earliest year of establishment: 2001 Place of incorporation: Hong Kong	Trading business, [REDACTED] of beauty products, sales of books and education materials and property agency	More than 2 year	30/60/90/150/180 days after posted all advertisements/ 365 days *(Note 3)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Pets Buyer; Bplus
2	Customer B	HK$120,000	0.6%	Year of establishment: 2007 Place of incorporation: Hong Kong	Sales of watches	More than 2 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly; Pets Buyer
3	Customer Group C *(Note 1)*	HK$79,450	0.4%	The earliest year of establishment: 2003 Place of incorporation: Hong Kong	[Motor car [REDACTED] and car exhibition organizer]	More than 2 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly
4	Customer D	HK$56,000	0.3%	Year of establishment: 2002 Place of incorporation: Hong Kong	Motor car [REDACTED]	More than 2 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly
5	Customer E	HK$53,400	0.3%	Year of establishment: 2008 Partnership [REDACTED] in Hong Kong	Motor car [REDACTED]	Around 1 year	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly
6	Customer F	HK$53,325	0.3%	Year of establishment: 2001 Place of incorporation: Hong Kong	Motor car [REDACTED]	More than 2 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free)
7	Customer G	HK$45,140	0.2%	Year of establishment: 2010 Sole proprietor [REDACTED] in Hong Kong	Provision of services to apply PRC vehicle license	More than 1 year	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Pets Buyer
8	Customer H	HK$44,600	0.2%	Year of establishment: 2010 Place of incorporation: Hong Kong	Business supporting services and consultancy	More than 1 year	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly
9	Customer I	HK$42,800	0.2%	Year of establishment: 2010 Sole proprietor [REDACTED] in Hong Kong	[Motor car [REDACTED]]	More than 1 year	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free)
10	Customer J	HK$38,750	0.2%	Year of establishment: 2009 Place of incorporation: Hong Kong	Motor car [REDACTED]	Around 2 years	On demand *(Note 2)*	Motoz Trader; Motoz Trader (Free); Motoz Xpress/Shopping Monthly

Note:

1. The Customer Group C includes Customer C1 and Customer C2 which have one common director.
2. In practice, payment is due immediately when presented with the Group's invoices.
3. The credit term of a contract with a total fee of HK$360,000 is due on or before 5 September 2011, and Knowledge Publication Limited fully settled the amount at the end of 2011.
4. Customer Group A includes Catil Int'l Beauty Limited, Catil Int'l Ent'l Limited, Knowledge Publication Limited and Customer A1 which have one/two common shareholder(s) or common management at the material time.
5. Save for the existing business relationship between the Group and its top ten customers, none of the Group, the Directors or their respective close associates has any past or present family, business or employment relationship with the top ten customers.

The Directors confirmed that there is no relationship between each of the top ten customers and the Group, its shareholders, directors, senior management and their respective close associates.

Set out below is further information on subsequent settlements of trade receivables and major terms of advertising contracts of the top five customers of the Group during the Track Record Period:

For the eight months ended 31 August 2014:

	Customer	Amount of the Group's revenue attributable to the customers	As a % of the Group's revenue attributable to the customers	Trade receivables balance as at 31 August 2014	Subsequent settlement up to the Latest Practicable Date	Major terms of the advertising contract with the customer
1	Customer Group A *(Note 2)*	HK$5,773,761	36.3%	HK$5,298,761	HK$[760,000]	Credit period: 30/60 days after posted all advertisements/180 days Other term: All advertisements under the contract(s) must be posted before 31 December 2014
2	Anzac Group Company, Limited	HK$3,095,672	19.5%	HK$3,608,200	[–]	Credit period: 30 days after posted all advertisements Other term: All advertisements under the contract(s) must be posted before 31 December 2014
3	Customer Group O *(Note 3)*	HK$3,017,880	19.0%	HK$276,771	HK$[276,771]	Credit period: progress billing *(Note 1)* Other term: All advertisements under the contract(s) must be posted before 31 December 2014
4	Customer S	HK$1,200,457	7.5%	HK$1,200,457	[HK$800,000]	Credit period: progress billing *(Note 1)* Other term: All advertisements under the contract(s) must be posted before 30 June 2015
5	Customer Q	HK$776,233	4.9%	HK$776,233	HK$[776,233]	Credit period: progress billing *(Note 1)* Other term: All advertisements under the contract(s) must be posted before 31 December 2014

For the year ended 31 December 2013:

	Customer	Amount of the Group's revenue attributable to the customers	As a % of the Group's revenue attributable to the customers	Trade receivables balance as at 31 December 2013	Subsequent settlement up to the Latest Practicable Date	Major terms of the advertising contract with the customer
1	Customer Group A *(Note 2)*	HK$12,825,000	45.7%	HK$11,685,000	HK$11,685,000	Credit period: 90/180 days after posted all advertisements/180 days Other term: All advertisements under the contract(s) must be posted before 31 December 2013
2	Anzac Group Company, Limited	HK$4,892,528	17.4%	HK$5,692,528	HK$5,180,000	Credit period: 30/90 days after posted all advertisements Other term: Under the contract dated 10 November 2013, 20 out of 156 full pages of advertisements must be posted before 31 December 2013 All advertisements under the contract dated 8 March 2013 must be posted before 31 December 2013
3.	Customer Group O *(Note 3)*	HK$3,088,171	11.0%	HK$1,603,780	HK$1,603,780	Credit period: progress billing Other term: All advertisements under the contract(s) dated 10 November 2013 must be posted before 26 December 2013 All advertisements under the contract(s) dated 1 November 2013 must be posted before 31 December 2014
4	Joinmax Limousive Services Limited	HK$2,680,000	9.5%	Nil	Nil	Progress billing *(Note 1)* Other term: All advertisements under the contract(s) must be posted before 26 December 2013
5	Customer Q	HK$2,000,000	7.1%	HK$2,000,000	HK$2,000,000	Progress billing *(Note 1)* Other term: All advertisements under the contract(s) must be posted before 26 December 2013

Notes:

1. Such customers were required to settle payments on dates specified in the relevant contract or within one month from the date of issue of monthly invoice or one month from the date of publication of relevant magazine.
2. Customer Group A includes Catil Int'l Beauty Limited, Catil Int'l Ent'l Limited, Knowledge Publication Limited and Customer A1 which have one/two common shareholder(s) or common management at the material time.
3. The Customer Group O includes CNI Credit Limited, CNI Financial Group Limited and CNI Bullion Limited. CNI Credit Limited, CNI Financial Group Limited and CNI Bullion Limited represent themselves as a group.

For the year ended 31 December 2012:

	Customer	Amount of the Group's revenue attributable to the customers	As a % of the Group's revenue attributable to the customers	Trade receivables balance as at 31 December 2012	Subsequent settlement up to the Latest Practicable Date	Major terms of the advertising contract with the customer
1	Customer Group A *(Note 1)*	HK$10,850,000	62.5%	HK$9,995,000	HK$9,995,000	Credit period: 180 days after posted all advertisements/180 days Other term: All advertisements under the contract(s) must be posted before 31 December 2012
2	Customer K1	HK$3,800,000	21.9%	HK$3,800,000	HK$3,800,000	Credit period: 180 days after posted all advertisements Other term: All advertisements under the contract(s) must be posted before 31 December 2012
3	Customer L	HK$650,000	3.7%	HK$650,000	HK$650,000	Credit period: 180 days after posted all advertisements Other term: All advertisements under the contract(s) must be posted before 31 December 2012
4	Customer B	HK$129,200	0.7%	HK$8,400	HK$8,400	Credit period: On demand *(Note 3)*
5	Customer E	HK$77,500	0.4%	HK$12,800	HK$12,800	Credit period: On demand *(Note 3)*

For the year ended 31 December 2011:

	Customer	Amount of the Group's revenue attributable to the customers	As a % of the Group's revenue attributable to the customers	Trade receivables balance as at 31 December 2011	Subsequent settlement up to the Latest Practicable Date	Major terms of the advertising contract with the customer
1	Customer Group A *(Note 1)*	HK$17,035,000	87.9%	HK$13,925,000	HK$13,925,000	Credit period: 30/60/90/150/180 days after posted all advertisements/365 days Other term: All advertisements under the contract(s) must be posted before 15 July 2011 and/or 30 June 2011 and/or 31 December 2011 *(Note 2)*
2	Customer B	HK$ 120,000	0.6%	HK$14,300	HK$14,300	Credit period: On Demand *(Note 3)*
3	Customer Group C	HK$79,450	0.4%	HK$5,000	HK$5,000	Credit period: On Demand *(Note 3)*
4	Customer D	HK$56,000	0.3%	HK$1,600	HK$1,600	Credit period: On Demand *(Note 3)*
5	Customer E	HK$53,400	0.3%	HK$2,150	HK$2,150	Credit period: On Demand *(Note 3)*

Note:

1. Customer Group A includes Catil Int'l Beauty Limited, Catil Int'l Ent'l Limited, Knowledge Publication Limited and Customer A1 which have one/two common shareholder(s) or common management at the material time.
2. The credit term of a contract with a total fee of HK$360,000 is due on or before 5 September 2011, and Knowledge Publication Limited fully settled the amount at the end of 2011.
3. In practice, payment is due immediately when presented with the Group's invoices.

The Group regards those customers having common shareholder/director/management as a single customer group (referred as a "customer" or a "customer group" in this document). The five largest customers (or customer groups) of the Group during the Track Record Period are all advertising customers. For the three years ended 31 December 2013 and the eight months ended 31 August 2014, the sales to the five largest customers accounted for approximately 89.5%, 89.3%, 90.8% and 87.1% of the Group's total turnover and without taking unallocated expenses and unallocated adjustments into consolidation, such customers contributed an aggregate profit attributable to owners of the Company of approximately 89.5%, 89.3%, 90.8% and 87.1% of the total of the Group and contributed an aggregate operating cash flow before changes in working capital of approximately 89.5%, 89.3%, 90.8% and 87.1% of the total of the Group respectively, while the largest customer group, being Customer Group A, accounted for approximately 87.9%, 62.5%, 45.7% and 36.3% of the Group's total turnover respectively.

There is no overlap between the members of Customer Group A, Customer Group C and Customer Group O. Save for the above, to the best knowledge of the Directors, there is no relationship between each of the top ten customers and the other nine major customers (i.e. no relationship between their respective shareholders, directors, senior management and their respective associates). None of the Directors or their respective close associates or existing Shareholders who owns more than 5% of the issued share capital of the Company immediately following the [REDACTED] has any interests in any of the top five customers.

The revenue from Customer Group A was approximately HK$17.0 million, HK$10.9 million and HK$12.8 million for the year ended 31 December 2011, 2012 and 2013, and approximately HK$8.1 million and HK$5.8 million for the eight months ended 31 August 2013 and 2014 respectively. The revenue from Customer Group A dropped between year 2011 and year 2012. To the best knowledge of the Directors, Customers Group A cut down its budget to advertise in the Group's magazines for the year ended 31 December 2012 mainly because Customer Group A had been appointed as an agent of a Korean brand beauty product since 2010. In the early stage, Customer Group A spent more on advertising to promote the Korean brand beauty products so as to draw public awareness towards such beauty products from the market. Thereafter, Customer Group A may consider that it can reduce the advertisement budget to a lower level for the year ended 31 December 2012 for promoting the Korean brand beauty products as it has already caught certain public awareness from the market. The revenue from Customer Group A increased slightly between year 2012 and year 2013 mainly because Customer Group A focused on promoting some new beauty products of the Korean brand in around August 2013 and it spent more on placing advertisements on the Group's magazines. The revenue from Customer Group A dropped between the eight months ended 31 August 2013 and 2014 mainly because it has ceased the online books and online education selling business in early 2014 and less advertising expense was spent on this business.

To the best of their knowledge, the Directors are of the view that reliance on a few major customers is not common for companies in the magazine industry in Hong Kong. Although reliance on a few major customers may not be common in the magazine industry in Hong Kong, to the best of the Director's knowledge and based on certain price quotations for placing advertisements obtained by the Company from other magazines, the Directors are of the view that it is quite common that customers are attracted by frequent discounts or better discounts, and will place more advertisements per issue or advertisements in more consecutive issues of magazines, thus resulting in the impression of reliance on a few customers.

Effort on reducing reliance on major customers

The Group had demonstrated its ability to reduce its reliance on major customers and diversify its customer base. The Group had made considerable effort to reduce its reliance on major customers by adopting a diversification strategy and expanding its sales and marketing network. During the year ended 31 December 2012, the Group has successfully attracted two new major advertising customers which are property agencies and generated advertising income from these customers of approximately HK$4.5 million, representing approximately 25.6% of the total turnover of the Group for the year ended 31 December 2012. Furthermore, the Company has successfully attracted new Advertising Package customers from various industries during the year ended 31 December 2013 and generated advertising income of approximately HK$8.0 million, representing approximately 28.4% of the total turnover of the Group for the year ended 31 December 2013.

During the year ended 31 December 2013, the Group spent effort on diversifying its customer base through (i) expanding the sales of advertising spaces with the launch of new magazines namely Motoz Xpress/Shopping Monthly (Free) and attracting new customers through cross-selling of advertising spaces with a broadened range of magazines; and (ii) widening the distribution network of its magazines in different locations to enhance attractiveness of its magazines to the existing or potential advertising customers. The Group considered that it can negotiate businesses with new customers who are interested in placing advertisements in different magazines to get more coverage of readers in the market through buying Advertising Packages with the Group.

During the year ended 31 December 2013, the Group cooperated with two additional Independent Third Party business partners and companies operating parking lots in Hong Kong, for distribution and free pick-ups of "Motoz Xpress/Shopping Monthly (Free)" by the public in parking lots operated by them. Motoz Xpress/Shopping Monthly (Free) is a free version of Motoz Xpress/Shopping Monthly. Only part of the content of each issue of Motoz Xpress/Shopping Monthly would be extracted to the relevant issue of Motoz Xpress/Shopping Monthly (Free). Therefore, readers have to buy Motoz Xpress/Shopping Monthly in order to read the full version of the magazine.

During the year ended 31 December 2013, the Group also (a) cooperated with certain beauty shops in Hong Kong for displaying copies of current issue of Bplus for free reading by the public in beauty shops only; (b) cooperated with a coffeehouse chain for displaying one copy of the latest issue of Bplus on magazine rack in each coffeehouse among 90 selected coffeehouses of a coffeehouse chain in Hong Kong during the period from October 2013 to February 2015; (c) started distributing copies of current issue of paid version of Pets Buyer to certain animal clinics for free reading by the public in the animal clinics only; and (d) started distributing Motoz Trader (Free) to foot massage shops, hair salons, etc. in Hong Kong.

Since the Group only published the first Magazine in 2009, the Group had a short operating history and therefore the Group only had few major customers initially. As the Group continued to devote effort on expanding customer portfolio, the number of advertising customers was on an increasing trend over the Track Record Period in general. Number of advertising customers increased from 93 for the year ended 31 December 2011 to 100 for the year ended 31 December 2012 and further increased to 105 for the year ended 31 December 2013. Among these customers, number of customers having Advertising Packages with the Group increased from three for the year ended 31 December 2012 to seven for the year ended 31 December 2013 and further to nine for the eight months ended 31 August 2014. As a result of (i) diversification of customer base, (ii) reduction of advertising budget on a Korean brand beauty product of Customer Group A and (iii) the cessation of the online books and online education selling business of Customer Group A, the percentage of sales generated from this largest customer to total turnover of the Group decreased over the Track Record Period. Going forward, the Group will strive to further enhance its customer base in order to minimise the risk of significant decrease in the Group's turnover due to decrease of orders from one single major customer. In the year 2014 and up to the Latest Practicable Date, the Group solicited five new Advertising Package customers. The number of customers with revenue contribution of over HK$1 million has also grown from one in 2011 to five in 2013. As the operating history of the Group become longer and the Group continues to devote effort on customer portfolio expansion, the Directors believe that the number of major customers of the Group is likely to grow in future, the relative significance of Customer Group A is likely to drop and that the reliance on Customer Group A should not be a concern.

Going forward, the Group plans to launch several new monthly magazines with contents in (i) traveling and second-hand commercial vehicles in the first half of 2015; and (ii) yacht, dining and interior & renovation in the first half of 2016. With the number of new magazines to be published, the Group will be in a better position to market to more advertising customers and therefore further reduce the reliance on the Group's current major customer, in particular Customer Group A. For the business expansion plan of the Group going forward, please refer to sub-section headed "Business strategies" under the "Business" section and the "Future plans and use of proceeds" section of this document for details.

CREDIT POLICIES AND CONTROL

For the year ended 31 December 2011, a maximum credit period of 365 days was extended to Customer Group A who has a long term business relationship, established reputation and good repayment history. Save for the above, during the Track Record Period, advertising services provided to the Group's customers were in general settled by cheques or cash with credit period of 0 to 180 days (after all advertisements have been posted). The Group did not provide such longer credit period to the Customer Group A for the year ended 31 December 2012. The Group granted the credit period up to 180 days during the Track Record Period and even extended to 365 days to Customer Group A, a major Advertising Package customer for the year ended 31 December 2011, mainly because the Group intended to offer a favourable package to one of the top five customers during the year ended 31 December 2011 as it is the Group's pricing strategy to grant longer credit period to customers and attract customers to enter into Advertising Package with the Group for longer period after the Group had considered the payment history, financial background, transaction volume and length of business relationship with the Group. Having established the business relationship with such major Advertising Package customer, the Group has successfully reduced its credit period of 365 days to 180 days (after posted all advertisements) for the year ended 31 December 2012.

To shorten the trade receivables turnover days, the Group has over the Track Record Period continuously reduced the credit period granted to its Advertising Package customers upon renewal of contracts with them. The maximum credit term granted to Advertising Package customers was 365 days, 180 days after posted all advertisement, 180 days after posted all advertisement and 180 days (after issuance of invoice) for the three years ended 31 December 2013 and the eight months ended 31 August 2014. Subsequent to the Track Record Period, in December 2014, the Group has successfully reduced the credit term with Customer Group A by renewing the three ongoing advertising contracts with Customer Group A. The Group has (i) renewed one contract in December 2014 to shorten the credit term from 180 days to 90 days (after issuance of invoice) (under such contract there is no fixed contract duration, progress billing is not applicable)[(note)]; and (ii) renewed the other two contracts for an aggregate contract sum of HK$5.7 million also in December 2014 to shorten the credit term from 60 days after posted all advertisements to 30 days after posted all advertisements. Therefore, by the end of December 2014, the Group has renewed all ongoing advertising contracts with Customer Group A. As at the Latest Practicable Date, the maximum credit term granted to customers (including Advertising Package customers) was further reduced to 90 days (after issuance of invoice) or 30 days after posted all advertisements. Progress billing was not immediately adopted in these three ongoing contracts because Customer Group A would like to adopt progress billing gradually in a mutually acceptable pace and manner.

To further improve trade receivables turnover days and after having considered the more established customer base and public awareness of the magazines in the market since its commencement of operation in April 2009, the Group found that it has more bargaining power and started adopting progress billing for certain new advertising customers starting from May 2013 and there was no existing customer that has been shifted to adopt progress billing as at 31 August 2014. The total advertising fees under the respective Advertising Packages will be paid by instalments on dates specified in the relevant contract or within one month from the date of issue of monthly invoice or one month from the date of publication of relevant magazine. Among the seven Advertising Package customers for the year ended 31 December 2013, four new Advertising Package customers adopting progress billing solicited during the year ended 31 December 2013 were brought forward to the eight months ended 31 August 2014.

By 31 August 2014 the Group only had two existing Advertising Package customers without progress billing, namely Customer Group A and Anzac Group Company, Limited. Since November 2014 the Group has started to negotiate with Anzac Group Company, Limited to accept progress billing upon renewal of ongoing advertising contracts. The Group has successfully renewed the Advertising Package with Anzac Group Company, Limited to change the credit term from 30 days after posted all advertisements to progress billing for a contract sum of HK$4.5 million in November 2014. In January 2015, the Group has also entered into a new advertising contract for the

Note: Under such contract no fixed contract duration. The salient terms are (i) the contract is effective until 31 December 2015 and can be terminated by one month notice; (ii) credit term is 90 days (after issuance of invoice) and; (iii) the advertising fee is calculated by the number of advertising page in each issue of Motoz Trader to be determined by the Customer Group A to allow more flexibility for the Customer Group A.

contract sum of HK$3.65 million with Customer Group A under progress billing. As such, the Directors are of the view that Customer Group A has accepted that progress billing be adopted in its advertising contracts with the Group and the risk that the Group will lose Customer Group A because of the switch of the credit term of the ongoing advertising contract to progress billing is remote. The Group will negotiate better credit terms with Customer Group A in a mutually acceptable pace and manner to avoid losing such existing customer. The Directors confirmed that, since the Track Record Period and up to the Latest Practicable Date, the Group did not lose any Advertising Package customer for the reason that the customer did not accept new credit term and therefore there is no significant adverse impact of adoption of progress billing on the Group's business. On these bases, the Directors believe the chance that the switch of credit terms to progress billing by existing customers leading to a significant loss in customers is remote. It allows flexibility for the Group to negotiate selling method with its customers. As at the Latest Practicable Date, the longest credit term granted to customers (without taking into account progress billing) is 30 days after posted all advertisement or 90 days (after issuance of invoice).

To mitigate the risk that progress billing would not be adopted by the Group's major customers, the Group will, for all new Advertising Package customers, require the credit term to be progress billing or better than progress billing (such as no credit term or payment in advance). Therefore the risk that progress billing would not be adopted by the Group's major new customers is prevented. Specifically for the only Advertising Package customer without adopting progress billing, i.e. Customer Group A, the Group will exercise the following specific measures to avoid long payment terms in all future contracts with Customer Group A: (i) the maximum credit term granted to Customer Group A shall not exceed the current credit term, i.e. 90 days (after issuance of invoice) or 30 days after posted all advertisements; (ii) the aggregate annual contract sum for all new contracts or contracts to be renewed should not exceed HK$12.8 million, which approximates to the revenue from Customer Group A for the year ended 31 December 2013, otherwise the payment term shall be progress billing or better than progress billing (such as no credit term or payment in advance).; (iii) progress billing or payment term better than progress billing (such as no credit term or payment in advance) must be adopted in the Group's contracts with Customer Group A involving future new magazines. Therefore, the Directors believe that although Customer Group A has not adopted progress billing for all of its contracts, (i) by continuously encourage Customer Group A to switch to progress billing, and at least setting the above limits to ensure that the issue of long payment terms with Customer Group A will not worsen in future; and (ii) through soliciting new Advertising Package customers with progress billing (or better payment terms) and therefore diluting the significance of Customer Group A in terms of the Group's customers portfolio, the Group's risk factor of long trade receivables settlement periods and credit risks is likely to reduce in future.

The following table sets out the breakdown of revenue deriving from different types of contracts:

	Year ended 31 December			Eight months ended 31 August
	2011	**2012**	**2013**	**2014**
	(HK$)	*(HK$)*	*(HK$)*	*(HK$)*
Revenue deriving from:				
Advertising Package with progress billing	—	—	7,956,442	5,778,511
Advertising Package without progress billing	17,035,000	15,300,000	18,367,529	8,869,433
Non-Advertising Package	1,500,695	1,463,653	1,265,220	983,980
Total	18,535,695	16,763,653	27,589,191	15,631,924

The following table sets out number of customers generated revenue by different types of contracts.

	Year ended 31 December			Eight months ended 31 August
	2011	**2012**	**2013**	**2014**
Number of customers:				
Advertising Package with progress billing	—	—	4	7
Advertising Package without progress billing	1	3	3	2
Non-Advertising Package	92	97	98	95
Total	93	100	105	104

The Directors confirmed that subsequent to the Track Record Period and up to the Latest Practicable Date, the Group solicited two new Advertising Package customers with progress billing and none new Advertising Package customer without progress billing. During the Track Record Period and up to the Latest Practicable Date, there was only one Advertising Package customer (i.e. Anzac Group Company, Limited) which changed to progress billing. As at the Latest Practicable Date, the Group had ten Advertising Package customers with progress billing and one Adverting Package customer, being Customer Group A, having one contract with progress billing and three other contracts without progress billing.

For the year ended 31 December 2013, Advertising Package customers who were required to settle their payments by progress billing generated advertising income of approximately HK$8.0 million, other Advertising Package customers generated advertising income of approximately HK$18.4 million and customers without having Advertising Packages with the Group generated advertising income of approximately HK$1.2 million. For the eight months ended 31 August 2014, among the total advertising income of approximately HK$15.6 million, (i) approximately HK$5.8 million was derived from Advertising Package customers who settle their payments by progress billing; (ii) approximately HK$8.8 million was derived from other Advertising Package customers; and (iii) approximately HK$1.0 million was derived from non-Advertising Package customers. Number of customers with different credit period during the Track Record Period is set out as below:

Credit period granted	Year ended 31 December 2011	2012	2013	Eight months ended 31 August 2014
	Number of customers			
On demand *(note 1)*	92	97	99	96
Progress billing *(note 2)*	–	–	4	7
30 days after posted all advertisement	1	–	1	2
60 days after posted all advertisement	1	–	–	1
90 days after posted all advertisement	1	–	3	–
150 days after posted all advertisement	1	–	–	–
180 days	–	1	1	1
180 days after posted all advertisement	1 *(note 4)*	3	1	–
365 days	1	–	–	–
Elimination *(note 3)*	(5)	(1)	(4)	(3)
Total	93	100	105	104

Notes:

1. In practice, payment is due immediately when presented with the Group's invoices.

2. Such customers were required to settle payments on dates specified in the relevant contract or within one month from the date of issue of monthly invoice or one month from the date of publication of relevant magazine.

3. As some customers have more than one payment term arrangement with the Group, the number of repeated customers is eliminated and excluded from total number of customer.

4. A credit term of a contract with a total fee of HK$360,000 is "due on or before 5 September 2011 and the customer has fully settled the amount by the end of 2011.

The credit terms of each customer of the Group are determined by the Group's sales team and are subject to review and approval by the Group's management based on the customers' payment history, financial background, transaction volume and length of business relationship with the Group. No credit period would be granted to new advertising customers except a few who intended to maintain Advertising Packages with the Group and place advertisements in the magazines of the Group.

Advertising customers with the intention to place more advertisements on the Group's magazines normally maintain Advertising Packages with the Group. During the Track Record Period, they placed a number of advertisements in the Group's magazines within the prescribed period of time (if any) in accordance with the terms of the relevant Advertising Packages which mostly, are on one year term. Such customers are able to enjoy longer credit period (for example, 30 days to 180 days after all the advertisements under the Advertising Package have been posted for the two years ended 31 December 2012) offered by the Group. As mentioned above, certain new customers who have Advertising Packages with the Group during the year ended 31 December 2013 are required to settle the total advertising fee under the respective contracts by progress billing. Such customers were required to settle payments on dates specified in the relevant contract or within one month from the date of issue of monthly invoice or one month from the date of publication of relevant magazine. Advertising income generated from Advertising Packages amounted to approximately HK$17.0 million, HK$15.3 million, HK$26.3 million and HK$14.6 million, or approximately 91.9%, 91.3%, 95.4% and 93.7% of the total advertising income of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively.

Apart from the advertising income generated from Advertising Packages as mentioned above, the advertising income generated from those customers who had no Advertising Packages but still purchased advertising spaces in several issues of magazines amounted to approximately HK$1.5 million, HK$1.5 million, HK$1.2 million and HK$1.0 million, or approximately 8.1%, 8.7%, 4.6% and 6.3% of the total advertising income of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively. The Group also offers discounts on the unit advertising fees to these advertising customers. Advertising Package customers are given certain credit terms. In 2013 and 2014, some of the Advertising Package customers agreed to settle by progress billing under their respective Advertising Packages. Other than the above, in general, advertising customers are requested to settle the advertising fees around the time when their advertisements are posted.

Some customers may place advertisements less than the undertaken number. As the amount of advertising fees involved in the shortfall is relatively small, the Group will generally not invoice its customers for the shortfall in order to keep the relationship with its customers. The Group allows other advertising customers to place advertisements in the Group's magazines in accordance with their business needs with no restriction on the timing and number/amount of advertisements to be placed; such that they can have flexibility in the timing and budget of spending on advertisements. For sales of advertising spaces covering several issues of magazines, the Group may issue invoices on or after the publication of issue(s) and (i) the relevant customers would settle the amount after the issue of respective invoices; or (ii) the settlement of the entire invoice amount was before the publication of the last of such issues and such settled amount would be recognised as receipt in advance until the publication of the last issue. In addition, some of the advertising customers of the Group have Advertising Package with the Group and the

Group will issue invoices after the publication of all the advertisements included in the Advertising Package or the period end of the Advertising Package and most of these Advertising Packages are on yearly basis.

Starting from May 2013, certain new advertising customers of the Group that have Advertising Package with the Group are required to settle payments on dates specified in the relevant contract (i.e. progress billing) or within one month from the date of issue of monthly invoice or one month from the date of publication of relevant magazine. Approximately HK$17.0 million, HK$15.3 million, HK$26.3 million and HK$14.6 million advertising income were generated from Advertising Packages, among which nil, nil, approximately HK$8.0 million and HK$5.8 million were generated from customers subject to settlement of payments by progress billing for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively.

Among the advertising income generated from non-Advertising Package customers that purchased advertising spaces in several issues of magazines of approximately HK$1.5 million, HK$1.5 million, HK$1.2 million and HK$1.0 million for the three years ended 31 December 2013 and the eight months ended 31 August 2014, (i) approximately HK$66,000, HK$39,000, HK$8,000 and HK$16,000, or approximately 0.4%, 0.2%, 0.03% and 0.1% of the total advertising income of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively were settled by the relevant customer after each of the publication (but before the publication of next issue); and (ii) approximately HK$88,000, HK$91,000, HK$60,000 and HK$13,000, or approximately 0.5%, 0.5%, 0.2% and 0.1% of the total advertising income of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively were settled by the relevant customer before the publication of the last advertisement in the Magazines respectively.

With respect to the distribution of the Magazines, according to the terms of the Distribution (for sales) Agreements, the Distributor would normally remit the monies collected from the sales of magazines (after deducting distribution fees and relevant charges) to the Group, the Directors or staff of the Group will attend the counting of unsold copies of magazines so as to ensure the number of sold copies of magazines. Thereafter staff of the accounting department will confirm the number of sold and unsold copies of magazines by cross checking with a settlement breakdown stated in a written advice prepared by the Distributor.

As a result of the Group's late attendance for counting the numbers of unsold magazines for several issues and the Group had finalised its financial statements for the year ended 31 December 2010 without recognising the sales of magazines during this period (the "**Late Unsold Magazines Counting Incident**"), approximately HK$145,792 income from sales of the Magazines was understated in the financial statements of the Group for the year ended 31 December 2010 and was overstated in the financial statements of the Group for the year ended 31 December 2011. The Directors confirmed that save for the Late Unsold Magazines Counting Incident which caused under-statement and over-statement in the Group's financial statements for the two years ended 31 December 2011 respectively, there was no other late attendance for counting which causes understatements/overstatements on the Group's financial statements during the Track Record Period. In order to avoid the re-occurrence of late attendance for counting, the Group will prepare a register to document the date of attendance; and the register will be checked and monitored by the financial controller in order to ensure no delay for counting the unsold magazines. Apart from the Directors, an accounting department staff will also be assigned to attend the counting after [REDACTED].

The internal control procedures to record the movement of printed copies for each magazine are as follows:

The printers of the Group will arrange to deliver the printed copies to the Distributor once the magazines printing and binding have been completed for each issue of the Magazines. The printers will also provide a signed delivery acknowledge receipt to both the Distributor and the Company for record. Thereafter, staff from the accounting department will cross check the number of printed copies of magazines with the quotations, invoices and delivery acknowledge receipts to ensure that number of printed copies delivered to both the Company and the Distributor are correct.

Also, the Group will obtain a distribution list from the Distributor for each of the Magazines and check whether the number of printed copies and the location of each retail point and/or free distribution points for retail and complimentary version magazines respectively delivered by the Distributor are matched with the Group's record.

Furthermore, the Company will attend the counting of the returns of unsold magazines (the "**Returns**") at the warehouse(s) of the Distributor in accordance with the prescribed period of time specified in the Distribution (for sales) Agreements to confirm the number of Returns. Based on these information, the Group thus monitors the movement of printed copies of each Magazines.

All outstanding trade receivable balances are being 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. For receivables that are overdue for two months, the Group's sales and marketing department will follow up on the collections and the Group's accounting department will monitor the progress of the collection. For those long outstanding balances exceeded one year, if the relevant customers have not responded to the Group's demand for settlement and the recovery is remote, the Group may consider to take legal actions for debt collection.

During the Track Record Period, no legal actions were taken by the Group for debt collection. According to the credit policy of the Group, if an amount remained unsettled for over 365 days, the Group will consider to classify it as bad debt. Up to the Latest Practicable Date, trade receivables as at 31 December 2013 over 365 days amounted to approximately HK$5,700, which had been settled. The Company considered that no doubtful debt provision would be made for such amount having considered subsequent settlement and past payment record of relevant customers. For the three years ended 31 December 2013 and the eight months ended 31 August 2014, the Group had no bad or doubtful debts. Even if customers have been classified as high credit risk level under its internal control procedures, the Group may or may not make bad debt provision subject to the decision of the Director(s) after having considered the progress of follow up action on the outstanding amounts. The internal control procedures implemented in determining the credit risk level of the relevant customer are based on (i) years of business relationship with the Group; (ii) historical settlement record; and (iii) overdue trade receivable balance:

Factors to consider	Scenario	Mark(s)
Years of business relationship with the Group	>= 1 year	0
	>= 6 months < 1 year	1
	< 6 months	2
Historical settlement record	No outstanding amount or settlement of outstanding balance <= 3 months	0
	Settlement of outstanding balance >3 months <= 6 months	1
	Settlement of outstanding balance >6 months or maintain outstanding overdue trade receivable balance	2
Overdue trade receivable balance	No trade receivable balance or past due <= 3 months	0
	Past due >3 months <= 6 months	1
	Past due >6 months	2

Reference for credit risk levels based on the sum of marks is set out as below:

Assessment result	Credit risk level
Mark	
0-2	Low
3-4	Medium
5-6	High

Staff of the sales department of the Group will follow up or issue reminder for payment if customers reach medium credit risk level. The Group may consider taking legal actions against customers that reach high credit risk level. Based on the above, the Directors are of the view that the Group's credit control policies are effective. The Joint Sponsors are of the view that there is no reasonable doubt as to the effectiveness of the Group's credit control policies after taking into account the fact that the Group has good debt settlement records during the Track Record Period and all accumulated trade receivables (for both services invoiced and advertising income not yet invoiced) as at 31 December 2012 and trade receivables (for services invoiced) as at 31 December 2013 had been settled up to the Latest Practicable Date.

SUPPLIERS

The Group's major suppliers are printers and the Distributor. All printers and the Distributor engaged by the Group during the Track Record Period are Independent Third Parties. Costs for the engagement of three printers for magazine printing and binding services and the Distributor for distribution of magazines to points of sales or distribution points accounted for approximately 83.0% and 17.0% of the Group's total cost of sales for the year ended 31 December 2011 respectively. Costs for the engagement of four printers (two of which had common shareholders) for magazine printing and binding services and the Distributor for distribution of magazines to points of sales or distribution points accounted for approximately 87.9% and 12.1% of the Group's total cost of sales for the year ended 31 December 2012 respectively. Costs for the engagement of six printers for magazine printing and binding services and the Distributor for distribution of magazines to points of sales or distribution points accounted for approximately 91.1% and 8.9% of the Group's total cost of sales for the year ended 31 December 2013 respectively. Costs for the engagement of four printers for magazine printing and binding services and the Distributor for distribution of magazines to points of sales or distribution points accounted for approximately 94.0% and 6.0% of the Group's total cost of sales for the eight months ended 31 August 2014 respectively. The largest supplier of the Group during the Track Record Period is the same printer, costs relating to its engagement accounted for approximately 64.8%, 58.6%, 63.7% and 68.7% of the Group's total cost of sales for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively. None of the Directors or their respective close associates or existing Shareholders who owns more than 5% of the issued share capital of the Company immediately following the completion of the [REDACTED] has any interest in any of the top five suppliers.

The table below sets out the business scope and other details of the Group's top five suppliers during the Track Record Period:

For the year ended 31 December 2011

Supplier/ service provider	Business scope	Year(s) of relationship with the Group as at 31 December 2011	Credit terms and payment method	Percentage of cost of sales
Printer A	Printing	More than 2 years	90 days by cheque	64.8%
Distributor	Distributor	More than 2 years	In practice: within around one week after counting the returns of unsold magazines, by cheque	17.0%
Printer B	Printing	Around 1 year	90 days by cheque	11.8%
Printer C	Printing	Around 1 year	30 to 110 days by cheque	6.4%

For the year ended 31 December 2012

Supplier/ service provider	Business scope	Year(s) of relationship with the Group as at 31 December 2012	Credit terms and payment method	Percentage of cost of sales
Printer A	Printing	More than 3 years	90 days by cheque	58.6%
Printer C	Printing	More than 1 year	120 days by cheque	13.9%
Distributor	Distributor	More than 3 years	In practice: within around one week after counting the returns of unsold magazines, by cheque	12.1%
Printer D	Printing	Around 1 year	90 days by cheque	9.0%
Printer B	Printing	Around 2 years	90 days by cheque	6.4%

For the year ended 31 December 2013

Supplier/ service provider	Business scope	Year(s) of relationship with the Group as at 31 December 2013	Credit terms and payment method	Percentage of cost of sales
Printer A	Printing	More than 4 years	90 days by cheque	63.7%
Printer D	Printing	Around 2 years	90 days by cheque	15.2%
Distributor	Distributor	More than 4 years	In practice: within around one week after counting the returns of unsold magazines, by cheque	8.9%
Printer C	Printing	More than 2 years	120 days by cheque	4.3%
Printer E	Printing	Around 1 year	30 days by cheque *(note)*	4.2%

Note: The credit term granted by this supplier is 30 days, save that an invoice specified that the payment term is cash on delivery.

For the eight months ended 31 August 2014

Supplier/ service provider	Business scope	Year(s) of relationship with the Group as at 31 August 2014	Credit terms and payment method	Percentage of cost of sales
Printer A	Printing	More than 5 years	90 days by cheque	68.7%
Printer D	Printing	More than 2 year	90 days by cheque	16.9%
Distributor	Distributor	More than 5 years	In practice: within around one week after counting the returns of unsold magazines, by cheque	6.0%
Printer F	Printing	Around 1 year	120 days by cheque	5.0%
Printer E	Printing	more than 1 year	30 days by cheque	3.4%

Printing services

According to the information released from the website of yellow page (www.yp.com.hk), there are around 600 independent printers which can provide magazine printing services. Among the printers in the market, the Group has obtained quotations from a number of printers, who had experience in printing books or magazines, for the printing of around 12,000 copies of Motoz Trader or Motoz Trader (Free). There is no significant difference between Motoz Trader or Motoz Trader (Free) and other Magazines in terms of the quality of printing. Since Motoz Trader and Motoz Trader (Free) has the largest circulation among the Group's Magazines, a printer which is capable of printing 12,000 copies of Motoz Trader or Motoz Trader (Free) should also be capable of printing the Group's other Magazines which are generally not printed on the same date. Therefore the Directors consider that these printers have sufficient capacity and expertise to print the Group's Magazines. Accordingly, the Directors are of the view that although the Group currently relied on four printers to print the Magazines, it would be able to replace any of them by other printers in the market with comparable quality and prices in a timely manner if there is any material disruption in the production process of any of these printers or any increase in the printing fees charged to the Group by any of these printers or any termination of the provision of the printing services by any of these printers. Please also refer to the risk factor headed "Reliance on a small number of independent printers for printing of Magazines" under the "Risk factors" section of this document.

As at the Latest Practicable Date, printing of the Magazines was handled by [four] printers, which are Independent Third Parties, and the Magazines were printed in the printers' factories located in Hong Kong and the PRC. The Group did not enter into any long term agreement with the printers in respect of the printing services. Nevertheless, the printing processes of the Magazines carried out by the printers did not experience any material disruption and the relevant printing and paper quality of the Magazines did not experience any material defeats during the Track Record Period.

Expenses and costs relating to printing including inks, papers, binding materials, etc. are absorbed by the printers. The Group may request different quality and type of paper and printing colour at the time of placing orders to the printers based on the magazines to be printed and the selling prices of such magazines. The Directors consider that better paper quality would be used for printing Pets Buyer and Bplus which have higher requirement for printing image. Paper quality requirement is relatively lower for Motoz Trader, Motoz Trader (Free), Motoz Xpress/Shopping Monthly and Motoz Xpress/Shopping Monthly (Free) as they are free or the selling price is more competitive. The credit terms granted by the printers were generally ranging from 30 to 120 days during the Track Record Period. All Magazines were printed in the factories of the printers in Hong Kong or the PRC; and to the best knowledge of the Directors, they were delivered by the printers to the Distributor.

Distribution services

The Group only engaged one Distributor for the distribution of the Magazines because it would otherwise be difficult and inefficient for the Group to coordinate the distribution of one issue of the same magazine by more than one distributor or the distribution of different magazines by different distributors with overlapping distribution points. As at the Latest Practicable Date, the Group has entered into the Distribution (for sales) Agreement with the Distributor for the distribution of Magazines for sales at convenience stores, supermarkets, book stores or newsstands. The Group has also entered into several Distribution (for free) Agreements with the Distributor for the distribution of Magazines or for free reading at other spots such as foot massage stores and salons. These distribution agreements have no fixed term. The Distributor is an Independent Third Party. Magazines are distributed based on lists of locations and quantity provided by the Group.

According to the Distributor's website, the Distributor was established since 1995 and it distributes products on behalf of clients to various retail points in Hong Kong. The books and products handled by the Distributor include newspapers, various types of magazines, novels, etc.

In the event that the distribution agreements with the Distributor are terminated, the Directors are of the view that the Group would be able to identify and engage alternative distributors to provide similar services with comparable quality and prices. To the best knowledge of the Directors, there are five other distributors in Hong Kong who are engaged in the provision of similar distribution services to the Distributor in Hong Kong.

The arrangement for (i) the distribution of Magazines for sales; and (ii) the distribution of Magazines to the public other than for sales (i.e. for free distribution or free reading) are summarised as follow:

(A) Distribution of paid version of Magazines for sales and the principal terms of the relevant agreements

(i) Distribution of paid version of Magazines for sales and the principal terms of the Distribution (for sales) Agreements

Principal terms of the Distribution (for sales) Agreements (as supplemented) entered into between Ocean Media and the Distributor on 9 June 2009, 11 March 2010, 29 March 2010, 13 May 2010, 7 December 2010, 18 October 2011 and 5 September 2012 for Motoz Trader, Motoz Xpress/Shopping Monthly, Pets Buyer and Bplus are as follows:

Distributions

(a) the Distributor has been appointed by Ocean Media as the main distributor for the distribution of its magazines to designated convenience stores, supermarkets, book stores or newsstands in Hong Kong and/or Macau (the "**Designated Selling Point(s)**"). The actual points of sales for each Designated Selling Place are determined after discussion between the Distributor and Ocean Media;

Ownership of magazines

(a) Ocean Media will have the ownership of all magazines located at the Distributor and each point of sales, and will bear all risks of loss or damage;

(b) Ocean Media may require the Distributor to hand over and return the unsold magazines (the "**Returns**") unless it selects to use the scrap papers disposal service provided by the Distributor. The Distributor does not have any right to manage the magazines except to distribute magazines to the Designated Selling Points or handle the Returns in accordance with the terms of agreement(s) and retrieve magazines that may cause confusion in the market (for example, incorrect printing of name or barcode of the magazines).

Fees

(a) after counting and confirming the number of all the Returns by Ocean Media, based on the actual sales volume, the Distributor will earn an agreed percentage on the retail price as services fee for its publication and distribution services. The percentages on the retail price as service fee for the Distributor's services are 30%, 45%, 30% and 30% for "Motoz Trader, "Motoz Xpress/Shopping Monthly", "Bplus" and "Pets Buyer" respectively;

(b) For Motoz Xpress/Shopping Monthly and Bplus, a minimum fee will be charged to the Group for the publication of next issue of the relevant magazines ("**Next Issue Publication Fee**"). If the fee earned by the Distributor from the distribution of such next issue of magazines ("**Distributor Income**") is higher than the Next Issue Publication Fee paid by the Group, the Distributor will refund the Next Issue Publication Fee to the Group; and the refunded amount will set off the Next Issue Publication Fee for the next coming issue. If the Distributor Income is less than the Next Issue Publication Fee paid by the Group, such difference will be deducted from the amount to be refunded to the Group. Rather than charging the Next Issue Publication Fee, the Distributor will collect an irrevocable fixed amount of publication fee for every issue of Bplus and Motoz Xpress/Shopping Monthly since issue number # 4 and issue number # 30 respectively. The Distributor will also collect an irrevocable fixed amount of publication fee for every issue of Motoz Trader and Pets Buyer since issue number # 90 and issue number # 11 respectively. The irrevocable fixed publication fees charged by the Distributor are HK$1,500, HK$3,000, HK$3,000 and HK$3,000 for "Motoz Trader, "Motoz Xpress/Shopping Monthly", "Bplus" and "Pets Buyer" respectively;

(c) if Ocean Media chooses to use the scrap papers disposal service, the Distributor will pay Ocean Media an amount calculated based on the actual weight of the Returns being disposed as scrap papers;

(d) Ocean Media may require the delivery service from the Distributor and will be charged a fee calculated based on the number of times of delivery, number of locations, weight or number of magazines to be delivered; and if applicable, the minimum fee;

(e) the Distributor will normally settle balances with Ocean Media in relation to each issue of magazines within around one week after counting and confirming the number of Returns;

Responsibilities of Ocean Media

(a) Ocean Media must deliver magazines to the Distributor one day before the publication (if the delivery is earlier than 4 days before the publication, the Distributor has the right to charge a storage fee);

(b) Ocean Media must be responsible for all import/export matters and relevant fees if place(s) of printing or production of magazines under the Distribution Agreements is not within the territory;

(c) Ocean Media must attend the counting of the Returns at the warehouse(s) of the Distributor in accordance with the prescribed period of time specified in the Distribution Agreements (i.e. within 17 days after the issue of weekly magazines, within 25 days after the issue of fortnightly magazines (including but not limited to Motoz Trader) and semi-monthly magazines, within 40 days after the issue of monthly magazine (including but not limited to Motoz Xpress/ Shopping Monthly), and within 10 days after the designated date of Returns for bi-monthly (including but not limited to Pets Buyer), biannual, annual magazines, infinite journals, offprint and other journals). If Ocean Media is not able to attend the counting and to pick up the Returns within 7 days after such period, the Distributor will charge storage fee and such fee will be deducted from the balances to be settled with Ocean Media or the Distributor will pursue for the outstanding storage fees if there are insufficient balances to cover the fees. The Distributor will have the discretion to dispose the Returns and Ocean Media will not be granted any compensation;

(d) the Distributor will not provide guarantee to any loss or damage of all magazines in its warehouse(s) (including but not limited to those in publication, returned or expired) and it will not be responsible or compensate for any damage or loss of such magazines; and

(e) Ocean Media agreed to take full responsibility for payments for starting the sales of Magazines (excluding Motoz Trader (Free)) at certain convenience stores and chain stores and relevant administrative expenses, which should be settled with the Distributor within 7 days prior to the publication. The Distributor has the right to delay the date of publication if Ocean Media delayed the settlement.

Responsibilities of the Distributor

(a) the Distributor is responsible for the distribution of the paid version of the Group's magazines to the Designated Selling Places;

(b) the Distributor shall hand over the Returns to Ocean Media at the request of Ocean Media unless Ocean Media selects to dispose the Returns through the scrap papers disposal services of the Distributor;

(c) the Distributor must notify Ocean Media before any adjustments to the service charge of the scrap papers disposals; and

(d) balances in relation to the sales of magazines (after deducting distribution fees and relevant charges) based on the actual sales volume should be settled by the Distributor within seven days after counting and confirming the number of Returns by Ocean Media.

Termination

The Distribution (for sales) Agreements for the paid version of the Magazines can be terminated by either party with a 30-day written notice. If any party to the agreement breached any terms and conditions of the Distribution (for sales) Agreements, the Distribution (for sales) Agreements can be terminated immediately by serving written notice. If any party wishes to terminate the Distribution (for sales) Agreements earlier without sufficient reasons, it must pay to the other party a fee equivalent to publication of at least one issue of magazines as compensation.

(ii) Principal terms for the sales profit guarantee for Motoz Xpress/Shopping Monthly and Motoz Trader

Principal terms for the agreement entered into between Ocean Media and the Distributor on 8 November 2013 regarding sales profit guarantee to a convenience stores chain (the "**Chain Store**") in Hong Kong are as follows:

(a) Ocean Media guarantees the Chain Store monthly sales profit that can be generated from each of Motoz Xpress/Shopping Monthly and Motoz Trader will not be less than HK$8,000; and Ocean Media will pay to the Chain Store for any shortfall. Sales profit is calculated based on certain percentage of the retail price on each magazine currently charged by the Chain Store for sales at its convenience stores;

(b) effective date is 1 November 2013; and

(c) the Distributor is entitled to deduct the shortfall (if any) from the proceeds from the sales of the magazines payable by the Distributor to the Group.

(B) Distribution of Magazines for free reading and the principal terms of the relevant Distribution (for free) Agreements

(i) Distribution of the Returns of Motoz Trader

The principal terms of the relevant Distribution (for free) Agreement for the distribution of the Returns of Motoz Trader are as follows:

Counterparty	Date of agreement	Distribution points
the Distributor	5 November 2012 (as confirmed by the Directors, discontinued since June 2013)	Foot massage stores and salons

Distributions

The Distributor will distribute the magazines named Motoz Trader to various locations including foot message shops and hair salons and obtain acknowledgement for confirming the distribution of magazines.

Fees

The Distributor will charge distribution fees based on the number of locations for each distribution.

(ii) Distribution of Motoz Trader (Free)

The principal terms of the relevant Distribution (for free) Agreements for the distribution of Motoz Trader (Free) are as follows:

Counterparty	Date of agreement	Distribution points
the Distributor	4 July 2009	136 points (subject to further instruction of Ocean Media)
the Distributor	25 June 2011	as instructed by Ocean Media
the Distributor	3 June 2013	230 foot massage stores and salons (subject to further instruction of Ocean Media)
the Distributor	29 January 2014 (replaced by the one dated 9 March 2014)	953 foot massage stores and salons (subject to further instruction of Ocean Media)
the Distributor	9 March 2014	911 foot massage stores and salons (subject to further instruction of Ocean Media)

Distributions

(a) the Distributor will distribute magazines named Motoz Trader (Free) to designated locations and obtain acknowledgement for confirming the distribution of magazines; and

(b) detailed locations for every distribution will follow the descriptions specified in the document(s) from Ocean Media.

Fees

The Distributor will charge distribution fees based on number of locations for each distribution and number of copies to be distributed at each location.

(iii) Distribution of Motoz Xpress/Shopping Monthly (Free) 2010

During the Track Record Period, Ocean Media also entered into a Distribution (for free) Agreement with the Distributor for the distribution of magazines named Motoz Xpress/Shopping Monthly (Free). The distribution of the first issue of Motoz Xpress/ Shopping Monthly under such agreement was the paid version; and thereafter, free version of the magazines had been published and distributed by the Distributor. Ocean Media had discontinued the publication of Motoz Xpress/Shopping Monthly (Free) 2010 since 9 October 2010. The summary terms of the relevant Distribution (for free) Agreement for the distribution of Motoz Xpress/Shopping Monthly (Free) 2010 are as follow:

Counterparty	**Date of agreement**	**Distribution points**
the Distributor	10 March 2010 (discontinued since 9 October 2010)	40 (subject to further instruction of Ocean Media)

Distributions

(a) the Distributor will distribute magazines named Motoz Xpress/ Shopping Monthly (Free) 2010 to designated locations and obtain acknowledgement for confirming the distribution of magazines; and

(b) detailed locations for every distribution will follow the descriptions specified in the document(s) from Ocean Media

Fees

The Distributor will charge distribution fees based on number of locations for each distribution and number of copies to be distributed at each location. The distribution fee should be payable within 14 days after the issue of invoice by the distributor.

(iv) Principal terms for the distribution of Motoz Xpress/Shopping Monthly (Free)

The principal terms of the relevant Distribution (for free) Agreements for the distribution of Motoz Xpress/Shopping Monthly (Free) since issue number #1 are as follows:

Counterparty	Date of agreement	Distribution points
the Distributor	3 June 2013	7 to 8 carparks (subject to further instruction of Ocean Media)
the Distributor	29 January 2014 (replaced by the one dated 9 March 2014)	953 foot massage stores and salons (subject to further instruction of Ocean Media)
the Distributor	9 March 2014	911 foot massage stores and salons (subject to further instruction of Ocean Media)

Distributions

(a) the Distributor will distribute magazines named Motoz Xpress/Shopping Monthly (Free) to designated locations and obtain acknowledgement for confirming the distribution of magazines; and

(b) detailed locations for every distribution will follow the descriptions specified in the document(s) from Ocean Media.

Fees

The Distributor will charge distribution fees based on number of locations for each distribution and number of copies to be distributed at each location.

(v) Principal terms for the distribution of Bplus to beauty shops

The principal terms of the Distribution (for free) Agreement for the distribution of Bplus since issue number #7 to beauty shops are as follows:

Counterparty	Date of agreement	Distribution points
the Distributor	3 June 2013	100 beauty/facial stores (subject to further instruction of Ocean Media)

Distributions

The Distributor will distribute Bplus to beauty shops to a total of tentatively 100 beauty shops and obtain acknowledgement for confirming the distribution of magazines.

Fees

The Distributor will charge distribution fees based on the number of locations for each distribution and number of copies to be distributed at each location.

(vi) Principal terms for the distribution of Pets Buyer

The principal terms of the Distribution (for free) Agreements for the distribution of Pets Buyer since issue number #18 are as follows:

Counterparty	**Date of agreement**	**Distribution points**
the Distributor	1 December 2013	as instructed by Ocean Media
the Distributor	29 January 2014 (replaced by the one dated 9 March 2014)	953 foot massage stores and salons (subject to further instruction of Ocean Media)
the Distributor	9 March 2014	911 foot massage stores and salons (subject to further instruction of Ocean Media)

Distributions

(a) The Distributor will distribute Pets Buyer to designated locations and obtain acknowledgement for confirming the distribution of magazines; and

(b) detailed locations for every distribution will follow the descriptions specified in the document(s) from Ocean Media.

Fees

The Distributor will charge distribution fees based on the number of locations for each distribution and number of copies to be distributed at each location.

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, the Group had [eight] registered trademarks in Hong Kong. The trademarks registered with the Trade Marks Registry of the Intellectual Property Department in Hong Kong include , , , , , , and . Please refer to "Appendix V – Statutory and General Information – B. Further information about the Group's business – 2. Intellectual property rights" in this document for details of intellectual property rights of the Group.

Although we are not able to register the and trademarks that the Group is currently using on two of the Magazines and may not have exclusive rights under the Trade Marks Ordinance to use and in Hong Kong, as advised by the Hong Kong Legal Advisers of the Group, the refusal of the registration of and does not in itself deprive of the right of Ocean Media to use and and the Group may have the right to claim for any passing off of trademark in Hong Kong against the unauthorised use of a mark confusingly similar to and . The Group will continue to use and as the Directors are of the view that change of trademarks may have negative impact on the business operation of the Group. Further, and may have acquired a distinctive character by the actual use of them and the goodwill they have established. In the event and have acquired such distinctive character, the Group will apply for the registration of and as soon as possible.

According to the results of the search of the records of registered trade marks and applications for registration in respect of and in Classes 16, 35 and 41 conducted by the Trade Marks Registry on 20 June 2013 and 17 March 2014 respectively, there was no trade mark owned by any third party on record of the Trade Marks Registry in Classes 16, 35 and 41 that resembles and as at 20 June 2013 and 17 March 2014 respectively.

[During the Track Record Period and up to the Latest Practicable Date, the Group was not involved in any disputes or litigation relating to the infringements of the intellectual property rights, nor the Group is aware of any such claims either pending or threatened. During the Track Record Period and up to the Latest Practicable Date, the Directors confirmed that the Company was not aware of any incidents of similar magazines being marketed by others under the same or similar brand names of the Group's and which caused damage to the Group.] Please refer to the sub-sections headed "Incomplete registration of trademarks", "Unauthorised use of the Group's registered trademarks could have an adverse effect on the Group's business" and "Uncertain protection of the Group's own intellectual property rights and possible infringement of third parties' intellectual property and other rights" under the section headed "Risk factors" in this document.

QUALITY ASSURANCE

Layouts of photographs and magazine contents (after editing and proofreading by the editorial team) were prepared by the design team of the Group. Such layouts were subject to customers' confirmations and the final review by senior staff of the editorial team and the design team of the Group.

It is also the Group's strategy to engage reliable printers after taking into account their quality of work, punctuality of their services, pricing and the Group's past experience with the printers.

INSURANCE

The Group had only obtained insurance coverage for employees' compensation during the Track Record Period and life insurance for one of the Directors since March 2012. Since December 2012, it has also maintained insurance coverage up to HK$0.12 million over its office contents which is a broad, all risks protection against accidental loss or damage (such as fire, typhoon, water damage or theft) to the insured contents in office. Such insurance also covers (i) additional expenditure (such as the costs of fitting out temporary office) up to HK$0.5 million (and up to an indemnity period of three months) necessarily and reasonably incurred to avoid or diminish interruption of business in consequence of the damage; (ii) third-party liability up to HK$5.0 million (within the office premises only); and (iii) loss of money with maximum limit of HK$0.5 million for crossed cheques/postal and money order/banker's draft and credit card sales vouchers. The Directors believe that the amount of coverage is adequate for the Group under its current size of operations.

During the periods from November 2010 to January 2011, March 2012 to April 2012 and from September 2012 to November 2012, the actual number of employees exceeded the estimated number of employees as contained in the schedules to the relevant insurance policies for employees' compensation due to the employment of new employees by Ocean Media.

As advised by the Hong Kong Legal Counsel, there is no breach of section 40 of the ECO by Ocean Media by reason of the fact that the number of employees stated in the schedules to the relevant insurance policies does not reflect the actual number of employees during the period of insurance for the following reasons:

(i) the terms of the relevant insurance policies are expressed to cover any employee employed by Ocean Media and the scope of coverage of the relevant insurance policies is not limited to the number of employees stated in the relevant schedules; and

(ii) the indemnity payable by the insurance company was not reduced by reasons of the discrepancy between the estimated number of employees in the relevant schedules and the actual number of employees since Ocean Media submitted an accurate premium adjustment and declaration of earnings form at the end of every period of insurance in accordance with terms of the insurance policies. Such information as contained in the form regarding the number of employees and their earnings would replace the estimated number of employees and their earnings in the relevant schedules to the insurance policies. Therefore the insured amount under the relevant insurance policies at all material times met the requirement of HK$100 million per event.

However, in order to avoid any dispute with the insurance company and ensure that there will be no non-compliance with the ECO, the Group will verbally inform the insurance company before employing any new employees if the new employment will cause the actual number of employees to exceed the estimated number of employee in the relevant schedule to the insurance policy.

LITIGATION AND COMPLIANCE MATTERS

Save as disclosed below, the Group has conducted its operations and carried out its business in strict compliance with applicable laws and regulations in all material aspects in Hong Kong. Revenue and operating cash flow before changes in working capital (without taking into account the relevant cost and expense) attributable to the Non-compliance Magazines before they complied with the registration requirement under the RLNO and the Newspapers Regulations and the delivery requirement under the BRO amounted to approximately HK$19.4 million, HK$9.3 million, nil and nil representing 100%, approximately 53.8%, nil and nil of the total turnover of the Group for the year ended 31 December 2011, 2012 and 2013 and the eight months ended 31 August 2014 respectively. Nevertheless, the Group was able to meet the minimum cash flow requirement under Rule 11.12A(1) of the GEM Listing Rules if all the income generated from the Non-compliance Magazines was excluded.

Historical non-compliance with the RLNO and the Newspapers Regulations

Pursuant to section 7 of the RLNO and regulation 2 of the Newspapers Regulations, every local newspaper shall be registered in accordance with the Newspapers Regulations. In addition, pursuant to section 17 of the RLNO, the publisher of every local newspaper shall deliver or caused to be delivered to the Registrar of Newspapers a copy of the published local newspaper on the date of publication or the next day following. Regulations 3 and 4 of the Newspapers Regulations provide that in order to effect registration, the proprietor, printer, publisher or editor of the local newspaper shall furnish to the Registrar of Newspapers, the particulars of proprietor, printer, publisher and editor and should certify the correctness of such particulars and of his own description. Regulation 8 of the Newspapers Regulations also provides that no person shall print or publish or continue to print or publish any local newspaper unless all the requirements of the Newspapers Regulations have been complied with.

Since the Magazines contain news, intelligence, occurrences, and matters of public interest, which are printed or produced for sale or free distribution in Hong Kong and published at intervals not exceeding six months, and do not comprise exclusively the items specified in the schedule to the RLNO, they fall within the definition of "local newspaper" under the RLNO and thus are required to be registered and delivered to the Registrar of Newspapers in accordance with sections 7 and 17 of the RLNO and the Newspapers Regulations.

Ocean Media failed to comply with the requirements under sections 7 and 17 of the RLNO and regulations 2, 3, 4 and 8 of the Newspapers Regulations during the period from 16 April 2009 to 17 June 2012. The major reason for such a prolonged period of oversight with the RLNO and Newspapers Regulations was due to the fact that the directors and the staff of Ocean Media were unfamiliar with the legal requirements under the RLNO and Newspapers Regulations and were not aware of the registration and delivery requirements until they were informed of such requirements by the Hong Kong Legal Advisers in May 2012. The details of Ocean Media's historical RLNO & Newspapers Regulations Non-compliance Incidents are set out below.

Name of the Magazine	First publication date	Publication frequency	Registration date	Non-compliance period
Motoz Trader	16 April 2009	Fortnightly	18 June 2012	16 April 2009 to 17 June 2012
Motoz Trader (Free)	16 April 2009	Fortnightly	18 June 2012	16 April 2009 to 17 June 2012
Motoz Xpress/ Shopping Monthly	12 March 2010	Monthly	18 June 2012	12 March 2010 to 17 June 2012
Motoz Xpress/ Shopping Monthly (Free) 2010	9 April 2010	Monthly	–	9 April 2010 to 9 October 2010
Pets Buyer	10 December 2010	Bi-monthly	18 June 2012	10 December 2010 to 17 June 2012
Bplus	18 October 2011	Quarterly	18 June 2012	18 October 2011 to 17 June 2012

Upon discovery of the above RLNO & Newspapers Regulations Non-compliance Incidents in 2012, the Company immediately submitted an application for the purpose of registering the Non-compliance Magazines (except for Motoz Xpress/Shopping Monthly (Free) 2010) pursuant to section 7 of the RLNO and regulation 2 of the Newspapers Regulations. All the Magazines (except for Motoz Xpress/Shopping Monthly (Free) 2010) have been registered as at the date thereof. As Ocean Media had discontinued the publication of Motoz Xpress/ Shopping Monthly (Free) 2010 since 9 October 2010, Ocean Media did not apply for registration of Motoz Xpress/Shopping Monthly (Free) 2010 after discovery of the RLNO & Newspapers Regulations Non-compliance Incidents.

Pursuant to regulation 19 of the Newspapers Regulations, any person who contravenes Regulations 2, 3, 4 or 8 shall be guilty of an offence and shall be liable on summary conviction to a fine of HK$1,000 and to imprisonment for 6 months. Under section 20(2) of the RLNO, every printer or publisher of a local newspaper who contravenes the provisions of section 17 of the RLNO is liable on summary conviction to a maximum fine of HK$1,000. Ocean Media is liable to a maximum penalty of HK$280,000 for all the RLNO & Newspapers Regulations Non-compliance Incidents.

As advised by the Hong Kong Legal Counsel, the directors of Ocean Media who are also the Directors will not be personally liable under the RLNO or the Newspapers Regulations, nor will they be secondarily liable for Ocean Media's commission of the offences in relation to the RLNO & Newspapers Regulations Non-compliance Incidents for the following reasons:

(i) under section 20(2) of RLNO, only the printer and publisher of the Non-compliance Magazines are liable for non-delivery of the Non-compliance Magazines to the Registrar in accordance with section 17 of RLNO;

(ii) under regulations 3 and 4 of the Newspapers Regulations, the duty to furnish to the Registrar of Newspapers the particulars and certify the correctness of such particulars rests on Ocean Media, which is the proprietor and publisher of the Non-compliance Magazines;

(iii) regulation 7 of the Newspapers Regulations only requires the directors of Ocean Media to provide the certificate in the event that the particulars of proprietor, printer, publisher and editor are furnished by Ocean Media pursuant to regulation 4 of the Newspapers Regulations. In the event that no particular has been furnished by Ocean Media, the directors of Ocean Media are not under any personal obligation to provide a certificate under regulation 7 of the Newspapers Regulations;

(iv) while sanctioning contravention of regulations 3 and 4 of the Newspapers Regulations, regulation 19 of the Newspapers Regulations as the sanctioning provision does not sanction a contravention of regulation 7 of the Newspapers Regulations. In the absence of an express inclusion of regulation 7 in regulation 19 of the Newspapers Regulations, the principle against doubtful penalisation means that the directors of Ocean Media should not be subject to criminal liability under regulation 19 of the Newspapers Regulations;

(v) the directors of Ocean Media are not the printers, publishers, editors or proprietors of the Non-compliance Magazines and thus not "any person" referred to in regulation 19 of the Newspapers Regulations for regulations 2 and 8 of the Newspaper Regulations;

(vi) the directors of Ocean Media will not be liable for non-compliance with regulations 2, 3, 4 and 8 of the Newspapers Regulations for the simple reason that no imprisonment sentence can be imposed on Ocean Media as a corporate entity; and

(vii) the directors of Ocean Media do not have the necessary guilty mind to render them secondarily liable for Ocean Media's commission of the strict liability offences under regulations 2, 3, 4 and 8 of the Newspapers Regulations and section 17 of the RLNO.

Historical non-compliance with the BRO

Pursuant to section 3(1) of the BRO, the publisher of a new book shall, within 1 month after the book is published, printed, produced or otherwise made in Hong Kong, deliver to the Books Registration Office free of charge 5 copies of the book, together with all maps, prints or other engravings belonging thereto. Under the BRO, magazines fall within the definition of books. Pursuant to section 3(3) of the BRO, any person who contravenes section 3(1) of the BRO shall be guilty of an offence and shall be liable on conviction to a maximum fine of $2,000.

Ocean Media failed to deliver 5 copies of the Non-compliance Magazines published between the period from 16 April 2009 to 2 August 2012 to the Books Registration Office for registration within the prescribed 1-month period and thus did not comply with the requirement under section 3 of the BRO. Ocean Media is liable to a maximum penalty of HK$278,000 for all the non-compliance incidents under the BRO.

The non-delivery of the other issues of the Non-compliance Magazines within the prescribed time limit pursuant to the BRO was due to (i) the oversight of a sales executive from sales and marketing department of Ocean Media; and (ii) the fact that the directors and the staff of Ocean Media were unfamiliar with the legal requirements under the BRO.

In particular, the directors and the staff of Ocean Media were not aware that “Motoz Trader (Free)” and “Motoz Xpress/Shopping Monthly (Free) 2010” (i.e. a 2-in-1 version) were regarded as different magazines from “Motoz Trader” and “Motoz Xpress/Shopping Monthly” respectively and they had not delivered 5 copies of “Motoz Trader (Free)” and “Motoz Xpress/Shopping Monthly (Free) 2010” to the Books Registration Office. Similarly, the directors and the staff of Ocean Media were not aware that “Motoz Xpress/Shopping Monthly” was regarded as two separate magazines under the BRO and had not delivered additional 5 copies for each issue of “Motoz Xpress/Shopping Monthly for the magazine title “Shopping Monthly” to the Books Registration Office.

After discovery of its non-compliance with section 3 of the BRO, Ocean Media completed delivery of 5 copies of all the past issues (except for the out-of-stock issues) of the Non-compliance Magazines to the Books Registration Office in September 2012.

Historical non-compliance with the registration and other requirements in relation to the distribution of Motoz Trader in Macau

Motoz Trader was distributed by the Distributor to Macau during the period from April 2009 to October 2012. The distribution of Motoz Trader to Macau ceased from October 2012.

Under the applicable Macau law, Motoz Trader is considered a periodical publication. Pursuant to the Macau Press Ordinance and the Macau Press Registration Regulation, periodical publications must be registered with the MGIB. Such registration must be requested by the periodical publication’s director, on behalf of the owner of the publication. During the period from April 2009 to October 2012, Ocean Media failed to request for registration of Motoz Trader with the MGIB. According to the relevant provisions of the Macau law, the director of the periodical publication is liable to a maximum penalty of MOP8,000 for non-compliance with the obligation to register the periodical publication with the MGIB. Ocean Media, as the owner of Motoz Trader, is jointly liable to a maximum penalty of MOP8,000.

Periodical publications distributed in Macau shall have at least one responsible person living in Macau assuming the position/function of the director of the periodical publication. During the period from April 2009 to October 2012, Ocean Media failed to nominate a director for Motoz Trader distributed in Macau and thus did not comply with the requirements of the relevant Macau law. Ocean Media is liable to a maximum penalty of MOP8,000 for such non-compliance.

Pursuant to Macau Press Ordinance, the director of a periodical publication shall, within 5 days after each publication, deliver free of charge 2 copies of such publication to each of the MGIB, the Central Library of Macau and the Public Prosecutions Office of Macau. The director of a periodical publication is liable to a maximum penalty of MOP3,000 for non-compliance with such requirement for each issue of Motoz Trader. During the period from period from April 2009 to October 2012, Ocean Media failed to deliver the requisite number of copies of Motoz Trader to the relevant government authorities in Macau. As no director was nominated for Motoz Trader in Macau, Ocean Media, as the owner of Motoz Trader, is jointly liable to a maximum penalty of MOP279,000 in respect of the non-compliance of the delivery requirement for Motoz Trader.

Pursuant to Macau Press Ordinance, periodical publications must adopt an editorial statute, which defines the editorial orientation and objectives of the publications. Such editorial statute should be inserted in the first issued edition (i.e. the first issue) of the publication. The penalty for the failure to adopt an editorial statute which defines the orientation and objectives of the periodical publication ranges from MOP 4,000.00 to MOP 10,000.00, applicable to the director of the publication. The owner of the publication is jointly responsible for the payment of the fine applied to the director. As the magazine Motoz Trader did not formally adopt an editorial statute as required under the Macau Press Ordinance, Ocean Media is in breach of the above requirement. As no director was nominated for Motoz Trader in Macau, Ocean Media, as the owner of Motoz Trader, is jointly liable to a maximum penalty of MOP10,000 in respect of the non-compliance of the editorial statute requirement for Motoz Trader.

The occurrence of the above non-compliance incidents in Macau was due to the fact that the directors and the staff of Ocean Media lacked legal knowledge in distributing magazines in Macau and misbelieved that only the Distributor was required to comply with the relevant Macau law for distribution of Motoz Trader in Macau.

The Group had ceased the distribution of Motoz Trader to Macau since October 2012 and will not distribute any magazines published by the Group to Macau unless the relevant rules and regulations in Macau are complied with. Whilst the sales volumes and distribution of Motoz Trader in Macau is relatively small, the Group is of the view that it would not be cost-effective for the Group to employ a responsible person living in Macau for the compliance of the registration and other requirements in relation to the distribution of Motoz Trader in Macau. The Group has not operated any business or generated any revenue in Macau since October 2012 up to the Latest Practicable Date.

As advised by the legal advisers of the Company as to Macau law, the Company has complied with all material applicable laws and regulations in Macau since its incorporation save for the non-compliance incidents set forth above.

Historical non-compliance with section 122 of the Former Companies Ordinance

Pursuant to sections 122(1), 122(1A), 122(1B) and 122(2) of the Former Companies Ordinance, the financial statements of Ocean Media are required to be laid at its annual general meeting no later than nine months after the date to which such financial statements are made up or at its other general meeting at a later time as may be specified by the court.

The financial statements of Ocean Media for the period from its date of incorporation (i.e. 28 June 2007) to 31 December 2007 and the financial years ended 31 December 2008, 31 December 2009 and 31 December 2010 (the "Relevant Period") were not laid before its annual general meeting within the prescribed time limit under section 122 of the Former Companies Ordinance. The omission was due to the reliance on the advice of the external company secretary of Ocean Media and Ocean Media was not properly advised by the external company secretary on the requirements under section 122 of the Former Companies Ordinance.

On 18 January 2013, the Court of First Instance of the High Court of Hong Kong granted an order pursuant to section 122(1B) of the Former Companies Ordinance as follows:

– the requirements under sections 122(1) and 122(2) be substituted; and

– time be extended for the laying of the financial statements of Ocean Media for the Relevant Period to its extraordinary general meetings held on or before 28 February 2013.

The financial statements of Ocean Media for the Relevant Period were laid before its extraordinary general meeting held on 5 February 2013.

Hong Kong Legal Advisers of the Group have advised that Ocean Media is, therefore, in compliance with section 122 of the Former Companies Ordinance and none of the directors of Ocean Media will be liable to any fine or imprisonment under the Former Companies Ordinance for this incident.

Non-compliance in relation to the Former Leased Property

The Group used the Former Leased Property as its office. The permitted use as specified in the relevant government lease and deed of mutual covenant is industrial use. In addition, under the relevant occupation permit, the permitted user is "workshops and ancillary accommodation for non-domestic use". The tenancy agreement provides that the Former Leased Property shall be used for industrial purpose only and the landlord does not warrant that the Former Leased Property is fit for the purposes for which it is let or for any other purposes whatsoever intended to be used by the Group and shall not be liable or responsible to the Company for any damages or loss in respect thereof. The tenancy agreement further provides that the Group shall not do anything in the Former Leased Property in contravention of the laws of Hong Kong.

The use of the Former Leased Property by the Group did not comply with the permitted use as specified in the relevant government lease, occupation permit, deed of mutual covenant and tenancy agreement. As advised by the Hong Kong Legal Advisers of the Group, it shall be lawful for the landlord to terminate the tenancy agreement at any time and thereafter to re-enter upon the Former Leased Property but without prejudice to the right of action of the landlord to claim against the Group for loss and damages resulting from the breach by the Group of the terms and stipulations of the tenancy agreement. Nevertheless, the Group had discussed with the owner of the Former Leased Property for early termination of the existing tenancy agreement, and the existing tenancy agreement was terminated with effect from 19 July 2013 and Ocean Media was released from all liabilities and obligations under the relevant tenancy agreement by the landlord and the landlord waived all of its claims and rights under the relevant tenancy agreement.

The non-compliance with the permitted use of the Former Leased Property as specified in the relevant government lease, occupation permit, deed of mutual covenant and tenancy agreement was due to the fact that the directors of Ocean Media were lack of professional knowledge in land law and misbelieved that the use of the Former Leased Property as its office for magazine production fell within the scope of industrial use.

Accordingly, the Group entered a tenancy agreement on 31 May 2013 with a landlord, an Independent Third Party, for the lease of a premise located in Kowloon Bay, Kowloon, Hong Kong (the "**New Leased Property**"). The details of the New Leased Property is set out as below:

New Leased Property	Gross floor area	Lessee	Expiry dates of the leases	Permitted usage	Actual usage	Monthly rent
	(sq.ft.)					*(HK$)*
Unit 4, 7th floor, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong	1,243	Ocean Media	2-year term to 31 May 2015	Commercial	Office	20,000

The Group uses the New Leased Property as its new office commencing from 25 June 2013. It is specified in the permit to occupy a new building issued by the Government of Hong Kong that the floor occupied by the New Leased Property is for offices for non-domestic use. As advised by the Hong Kong Legal Adviser, the use of the New Leased Property as the office of the Group is in compliance with the relevant conditions of sale, permit to occupy a new building, deed of mutual covenant and management agreement and tenancy agreement.

The table below illustrates the financial impact on the Group, including but without limitation to the increase in rental expenses had it leased the New Leased Property instead of Former Leased Property during the Track Record Period, assuming (i) the rental rate of the New Leased Property remains constant in 2011, 2012 and 2013 and (ii) the effective profits tax rate is 16.5%:

	Rental expenses			
	Year ended 31 December			
	2011	2012	2013 (note)	Total
Former Leased Property	HK$102,000	HK$102,500	HK$63,000	HK$267,500
New Leased Property	HK$240,000	HK$240,000	HK$120,000	HK$600,000
Net impact on the profit before tax	**HK$138,000**	**HK$137,500**	**HK$57,000**	**HK$332,500**
Net impact on the net profit	**HK$115,230**	**HK$114,813**	**HK$47,595**	**HK$277,638**

Note: The Group uses the New Leased Property as its new office commencing from 25 June 2013.

As shown in the table above, in the event that the Group leased the New Leased Property instead of the Former Leased Property during the Track Record Period, the office rental expenses (before tax) of the Group would have been increased by HK$138,000, HK$137,500 and HK$57,000 for the three years ended 31 December 2013 respectively.

As for the non-compliance of permitted use of the Former Leased Property, having considered that (i) such non-compliance is not related to deficiency of the Directors' knowledge of fundamental regulations of the publication business; (ii) the Directors' decision of not to relocate the office premises immediately after the discovery of non-compliance was due to their understanding that a non-termination clause is embedded in the existing tenancy agreement; (iii) despite the fact stated in (ii) above, the Group had discussed with the owner of the Former Leased Property for early termination of the existing tenancy agreement; and the termination of the existing lease agreement was terminated with effect from 19 July 2013 and as agreed with the owner of the Former Leased Property, there will be no penalty required for such early termination; and (iv) the relocation of office premises was completed in June 2013 so as to ratify the non-compliance situation, the Joint Sponsors are of the view that the non-compliance with the permitted use of the Former Leased Property will also not affect the ability of the Directors to meet the required standard in relation to the character, experience, integrity and competence commensurate with their position as directors of a listed issuer.

The total relocation cost amounted to HK$22,900, which comprises of (i) the relocation cost of the Group from the Former Leased Property to the New Leased Property amounting to HK$7,500; (ii) the cable and network installation fee in the New Leased Property amounting to HK$3,400; and (iii) the property agency fee of the lease of the New Leased Property amounting to HK$12,000.

Notwithstanding the foregoing, the Controlling Shareholders have undertaken to indemnify the Group against, among others, any penalty that may be imposed on the Group as a result of the historical non-compliance with the applicable laws and regulations as mentioned above and any costs, expenses or losses that the Group may suffer as a result of or in connection with any non-compliance by Ocean Media with any of the provisions of the tenancy agreement of the Former Leased Property and the government lease, occupation permit and deed of mutual covenant relevant to the Former Leased Property. The Controlling Shareholders confirmed that they would have sufficient resources to indemnify the Group. Please refer to the section headed "Appendix V – Statutory and General Information – E. Other Information – 2. Estate duty, tax and other indemnity" in this document for details of the indemnity.

The Group has taken remedial actions for all the above historical non-compliances and has already adopted measures to avoid the recurrence of the non-compliance incidents. Remedial actions for historical non-compliances e.g. registration of and delivery of the Group's magazines, had already been completed prior to the date of this document and no penalty has been imposed on the Group so far. The Directors considered that the possibility of imposing penalty is low or remote and the amount of penalty, if any, cannot be reasonably estimated. The maximum amount of penalty as estimated by the Directors for the non-compliance of RLNO and BRO is not significant. In addition, pursuant to the Deed of Indemnity, the Controlling Shareholders have undertaken to fully compensate the Group for any loss arising from such non-compliances. Accordingly, no provision was made in the financial statements for the potential penalties and fines for the non-compliances.

Measures taken to avoid the recurrence of the non-compliance incidents

In order to ensure ongoing compliance with the relevant laws and regulations, the Group has adopted the following measures:

– The Board established a Corporate Governance Committee on 23 January 2015, comprising Mr. Kwan, Mr. Tsang Hin Man Terence, Mr. Lee Kwok Tung Louis, Mr. Tsang Ho Ka Eugene and Mr. Mak Wai Kit with Mr. Tsang Hin Man Terence as the chairman of the corporate governance committee, to keep the effectiveness of the corporate governance and system of internal non-financial controls of the Group. The primary functions of the corporate governance 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 against the relevant internal control systems, processes and policies, and monitoring the implementation of the Group's plan to maintain high compliance with own risk management standards;

– Since November 2012, the Group has kept a register to monitor the prompt delivery of the requisite number of the magazines to the Registrar of Newspapers and the Books Registration Office within the prescribed timeframe in compliance with the RLNO, Newspapers Regulations and BRO. The accounting staff is required to fill in the register for the date of publication and the date of delivery of the magazines of the Group to the relevant government authorities. Such register is being reviewed by the financial controller, on a monthly basis;

– On 11 April 2013, the Group has appointed the Consultant who has more than 12 years of experience in the printed media industry to review the final draft of each issue of the magazines of the Group before publication to ensure the advertisements and the contents in the Magazines are in compliance with all the relevant laws and regulations. The Consultant will report all the compliance issues to the executive Directors and the joint internal compliance coordinators. He will also regularly report the compliance status of the magazines of the Group to the Corporate Governance Committee;

– Since April 2013, approval for publication must be first obtained from one of the executive Directors and one of the joint internal compliance coordinators before publication of each issue of the magazines of the Group;

– In May 2012 and January 2014, the Group appointed Ascenda Cachet Risk Consulting Limited ("**Ascenda Cachet**"), an independent internal control adviser, to perform a detailed evaluation of the adequacy and effectiveness of the Group's internal control system, recommend action plans for improvements in areas (which include compliance functions) under their review. It also appointed Ascenda Cachet in April 2013 to review certain of the Group's internal control procedures including corporate internal control (such as control environment, risk assessment, control activities information and communication, monitoring and general computer controls), financial reporting and disclosure internal control and internal control over business process on annual basis and focus on reviewing those internal control procedures on compliance of RLNO, BRO and section 122 of the Former Companies Ordinance or the similar provisions under the Companies Ordinance to prevent re-occurrence of similar historical non-compliance on quarterly basis (the "**Quarterly Internal Control Review Report(s)**") for the year ended 31 December 2013, the year ended 31 December 2014 and the year ending 31 December 2015;

– The Group has appointed VC Capital Limited as its compliance adviser to advise the Group on compliance matters in accordance with the GEM Listing Rules upon [REDACTED];

– The Group will appoint external Hong Kong legal advisers to advise the Group on compliance with the GEM Listing Rules and applicable laws and regulations in Hong Kong as and when necessary;

– On 11 April 2013, the former non-executive Director, Mr. Tam B Ray Billy, and Mr. Mak Wai Kit, the financial controller and company secretary of the Company, were appointed as the Group's joint internal compliance coordinators to (i) monitor the regulatory compliance regarding the RLNO, Newspapers Regulations and the BRO and other laws and regulations in relation to the business of the Group; (ii) monitor the regulatory compliance regarding company secretarial and financial reporting matters including the requirements under the relevant sections of the Former Companies Ordinance or the Companies Ordinance as to laying financial statements in annual general meetings and sending copies of financial statements to members before annual general meetings; (iii) monitor the new developments in the rules, laws and regulations relevant to the business of the Group; (iv) keep the Directors, the compliance officer and the relevant staff of the Group abreast of the regulatory requirements including new developments regarding the Group's business and financial reporting; (v) act as the principal channel of communication between members of the Group and the Company in relation to legal, regulatory and financial reporting compliance matters of the Group; (vi) oversee the internal control procedures in general; and (vii) seek advice from the Group's external legal advisers when necessary to ensure the compliance with the relevant rules, laws and regulations and take the appropriate adaptive measures;

  On 24 March 2014, Mr. Tam B Ray Billy resigned as a non-executive Director due to personal reasons and he has confirmed that he has no claim against the Company, no disagreement with the Board and there is no matter that needs to be brought to the attention of the shareholders of the Company. The Directors also confirmed that there are no matters that need to be brought to the attention of the Joint Sponsors and the Stock Exchange in respect of the resignation of Mr. Tam B Ray Billy. On the same day, Mr. Tsang has been appointed as a non-executive Director and the joint internal compliance coordinator of the Company.

– Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, the joint internal compliance coordinators and/or the compliance officer of the Company will look into the matter and, if considered appropriate, seek advice, guidance and recommendation from professional advisers and report to relevant members of the Group and/or the Board;

– On 29 January 2014 and 18 March 2014, the Directors and department heads from each of sales, editorial, design and accounting departments of the Group attended training seminar held by a law firm in Hong Kong on the general legal topics relating to publication business in Hong Kong including but without limitation to the RLNO, BRO, Control of Obscene and Indecent Articles Ordinance, Undesirable Medical Advertisements Ordinance, Smoking (Public Health) Ordinance, Personal Data (Privacy) Ordinance, Copyright Ordinance, Defamation Ordinance, Business Registration Ordinance, Trade Description Ordinance, Immigration Ordinance, Mandatory Provident Fund Schemes

Ordinance and Employees' Compensation Ordinance. Further meetings and seminars will be arranged for management and staff of the Group annually to discuss and study regulatory requirements and latest updates thereof applicable to the Group's business operations, in addition, the joint internal compliance coordinators will report to the Directors quarterly to discuss any issues and recommendations in relation to the Group's internal control measures; and

– all management and staff of the Group will be required to report to and/or notify the joint internal compliance coordinators, the Directors, the compliance officer or the legal advisers of the Group promptly of any events which are subject of any possible violations that may be subject to the various regulatory requirements.

Since (i) all the Magazines (except for Motoz Xpress/Shopping Monthly (Free) 2010 and Motoz Xpress/Shopping Monthly (Free)) were duly registered with the Registrar of Newspapers on 18 June 2012 and 22 April 2013 respectively; (ii) the Group has complied with the delivery requirement under the RLNO since 18 June 2012, being the date of completion of the registration of the Magazines under the RLNO and Newspapers Regulations; (iii) the Group has fully complied with the delivery requirement under the BRO for the Magazines published after 2 August 2012; (iv) the Group has ceased to distribute Motoz Trader in Macau since October 2012; and (v) the tenancy agreement in respect of the Former Leased Property was terminated with effect from 19 July 2013 and the office of the Group was relocated to the New Leased Property around the end of June 2013, the Directors confirm that the current operation of the Group is in compliance with all the laws and regulations in all material aspects.

[As at the Latest Practicable Date, the Group did not have any outstanding litigation, claim, administrative action or arbitration of material importance.]

The Directors consider that the Group does not have any compliance obligation as to environmental protection in its ordinary course of business and the Group has not been penalised by any government authority for any violation of law and regulation which are of material importance or could have a material adverse effect on the Group's results of operations.

No material adverse impact of the non-compliance matters

In respect of the non-compliance under section 122 of the Former Companies Ordinance, application was made to the Court of First Instance of the High Court of Hong Kong for order to rectify such non-compliance in December 2012. On 18 January 2013, an order was granted by the Court of First Instance of the High Court of Hong Kong for such application to rectify the aforesaid non-compliance. All the relevant audited accounts were laid in accordance with the time stipulated in the order, and as such, the non-compliance with section 122 of the Former Companies Ordinance was rectified and no potential liability and/or fine is expected to be imposed on the directors of Ocean Media.

In respect of the failure to register and deliver copies the Magazines to the Registrar of Newspapers pursuant to the RLNO and the Newspapers Regulations, all Magazines (except for Motoz Xpress/Shopping Monthly (Free) 2010) were registered under the RLNO and the Newspapers Regulations on 18 June 2012 and the Group has complied with the delivery requirement since the completion of the registration of such Magazines. As the Group has ceased to publish Motoz Xpress/Shopping Monthly (Free) 2010 for more than 24 months, no registration is currently required under the RLNO and the Newspapers Regulations unless the Group starts to re-publish them. In June 2013, the Group decided to publish Motoz Xpress/Shopping Monthly (Free) which was registered under the RLNO and the Newspapers Regulations on 22 April 2013. As at the Latest Practicable Date, [the Directors confirmed that there had not been any prosecution initiated against Ocean Media and the directors of Ocean Media, nor has any of them been subject to any fine relating to such non-compliance.] As advised by the Hong Kong Legal Advisers, in case of a successful prosecution for such non-compliance, the total sum of the maximum penalties incurred does not exceed HK$280,000.

In respect of the failure to deliver the Magazines published between the period from 16 April 2009 to 2 August 2012 to the Books Registration Office in accordance with section 3(1) of the BRO, immediately upon becoming aware of such non-compliance, the Group delivered all the past issues (except for the out-of stock issues) of the Magazines to the Books Registration Office for registration. As advised by the Hong Kong Legal Advisers, in case of a successful prosecution for such non-compliance, the total sum of the maximum penalties incurred does not exceed HK$278,000 and Ocean Media will not incur further penalties for the failure to deliver the out-of-stock issues to the Books Registration Office.

In respect of the Former Leased Property, Ocean Media entered into the termination agreement dated 31 May 2013 with the landlord to terminate the relevant tenancy agreement with effect from 19 July 2013. As advised by the Hong Kong Legal Advisers, pursuant to the terms of the termination agreement, with effect from 19 July 2013, Ocean Media has been released from all liabilities and obligations under the relevant tenancy agreement by the landlord and the landlord has waived all of its claims and rights under the relevant tenancy agreement.

In respect of the failure to comply with the registration, director nomination, delivery requirements and the failure to adopt an editorial statute and insert it in the first issued edition of publication in Macau, the Group has ceased to distribute Motoz Trader in Macau since October 2012. As advised by the Macau Legal Advisers, in case of a successful prosecution for such non-compliance, the total sum of the maximum penalties incurred does not exceed MOP305,000 and it is unlikely any additional penalties will be imposed on Ocean Media for not taking any remedial actions and/or rectification for the non-compliance.

The Directors consider that the current remedial measures and internal control measures implemented by the Group are sufficient and effective in detecting and preventing similar non-compliances.

In view of the aforesaid and taking into consideration that (i) the Controlling Shareholders have, pursuant to the Deed of Indemnity, undertaken to fully compensate the Group for any loss arising from such non-compliance; and (ii) no additional penalties will be incurred for the non-compliance incidents for which no remedial actions and/or rectification were taken, the Directors consider that the abovesaid non-compliance (including the non-rectified non-compliance incidents) will not have a material adverse effect on the Group's business operation and financial position.

Findings and recommendation by the internal control adviser

To assist the assessment of the adequacy and effectiveness of the internal control system of the Group, the Group has engaged Ascenda Cachet, an independent internal control adviser, in May 2012 to assess and identify material weaknesses in the Group's procedures, systems and controls (including accounting and management systems) such as its current and existing internal financial controls, operational and compliance controls, risk management policies and systems, and corporate governance policies and procedures (the "**Internal Controls**"). Ascenda Cachet has completed its review of the Group's internal control system in September 2012 (the "**First Review**") and performed a follow-up review in February 2013 based on the adoption of the recommendations provided by Ascenda Cachet (the "**Follow-up Review**" together with the First Review, collectively, referred as the "**2012 Annual Review**"). Subsequently, Ascenda Cachet performed an annual review and interim review of the Group's internal control system for the year ended 31 December 2013 (the "**2013 Annual Review**") and for the six months ended 30 June 2014 (the "**2014 Interim Review**") respectively.

Set out below are the background and detailed industry experience of Ascenda Cachet:

Ascenda Cachet was established in 2011 and it is an affiliate company of Ascenda Cachet CPA Limited which specialises in internal control reviews.

Ascenda Cachet CPA Limited and Ascenda Cachet have experience on:

(a) reviewing the internal control system of company(ies) for the purpose of [REDACTED] on the Stock Exchange; and making recommendation on any measures which, in the opinion of the firm, the listed group should take in order to rectify any material weaknesses which have been identified in its systems and procedures; and

(b) reviewing the internal control system of companies listed in Hong Kong or Singapore or company(ies) in the process of preparing for the resumption of [REDACTED] in Hong Kong to see whether it is fulfilling its obligations and requirements to comply with the Rules Governing the [REDACTED] of Securities on the Stock Exchange (for companies listed in Hong Kong or prepared for resumption of [REDACTED] in Hong Kong) or the relevant code of corporate governance requirements issued by Singapore Exchange Securities Trading Limited (for companies listed in Singapore); and making recommendation on any measures which, in the opinion of the firm, the listed group should take in order to rectify any material weaknesses which have been identified in its systems and procedures.

The 2012 Annual Review, the 2013 Annual Review and the 2014 Interim Review

The material findings identified by Ascenda Cachet with high risk level and the recommendations given by Ascenda Cachet in the 2012 Annual Review, the 2013 Annual Review and the 2014 Interim Review are summarised as follows:

The 2012 Annual Review			The 2013 Annual Review and 2014 Interim Review			
Identified material weaknesses with high risk level	**Recommendation made by Ascenda Cachet in the 2012 Annual Review**	**Measures taken by the Group**	**Findings in the 2013 Annual Review**	**Findings in the 2014 Interim Review**	**Further recommendation made by Ascenda Cachet in the 2013 Annual Review and 2014 Interim Review**	**Measures taken by the Group**
Compliance						
Five magazines that were published by the Group namely Motoz Trader, Motoz Trader (Free), Motoz Xpress/ Shopping Monthly, Pets Buyer and Bplus have not been registered under the RLNO.	Ascenda Cachet suggested that the Group should ensure all magazines are registered under the RLNO.	All published magazines have been registered under the RLNO.	Ascends Cachet noted that the published magazines namely Motoz Trader, Motoz Trader (Free), Motoz Xpress/Shopping Monthly, Pets Buyer and Bplus have been registered under the RLNO during the 2013 Annual Review.	No material internal controls weakness was further identified during the 2014 Interim Review.	Nil	N/A
The management has failed to comply with the requirements as stipulated under sections 7 and 17 of the RLNO and the Newspapers Regulations and the BRO to file copies of each of the published magazines to the Registrar of Newspapers and the Books Registration Office respectively.	Ascenda Cachet suggested that the management should strictly comply with the rules and regulations as stipulated under sections 7 and 17 of the RLNO and the Newspapers Regulations and the BRO to file copies of each of the published magazines to the Registrar of Newspapers and the Books Registration Office respectively.	The management has established and maintained a register to document the date of delivery of the published magazines to the Registrar of Newspapers and the Books Registration Office. Furthermore, the financial controller of the Group has reviewed and signed on the register on a monthly basis.	Ascenda Cachet noted that (i) the management has established and maintained a register to document the date of delivery of the published magazines to the Registrar of Newspapers and the Books Registration Office; and (ii) the financial controller of the Group has reviewed and signed on the register on a monthly basis during the 2013 Annual Review.	No material internal controls weakness was further identified during the 2014 Interim Review	Nil	N/A
The management has failed to comply with the requirements under the relevant Macau law to register its magazine, Motoz Trader, with the MGIB.	Ascenda Cachet suggested that the management should ensure that all magazines that are published overseas are registered in accordance with the relevant local laws and regulations.	The distribution of Motoz Trader in Macau was ceased from October 2012. Going forward, if the Group distributes or sales of magazine in district outside Hong Kong, the Group will seek legal advice and ensure compliance with the relevant laws and regulations.	Ascenda Cachet noted that the application of registration of Motoz Trader under the relevant Macau law did not proceed further since the magazine has ceased distribution to Macau since October 2012.	As the Macau operation has been ceased, no further review in this area is considered necessary.	Nil	N/A

The 2012 Annual Review			The 2013 Annual Review and 2014 Interim Review			
Identified material weaknesses with high risk level	**Recommendation made by Ascenda Cachet in the 2012 Annual Review**	**Measures taken by the Group**	**Findings in the 2013 Annual Review**	**Findings in the 2014 Interim Review**	**Further recommendation made by Ascenda Cachet in the 2013 Annual Review and 2014 Interim Review**	**Measures taken by the Group**
The use of the Former Leased Property as office of the Group did not comply with the relevant government lease, occupation permit, deed of mutual covenant and tenancy agreement in respect of the use of the Former Leased Property.	Ascenda Cachet suggested that the management should relocate the office location as soon as possible and seek professional legal advices if necessary.	The Group entered into a tenancy agreement on 31 May 2013 with an Independent Third Party for the lease of a property located in Kowloon Bay, Kowloon, Hong Kong. The Group uses the New Leased Property as its new office commencing from 25 June 2013.	Ascenda Cachet noted that the Company has relocated its office location in June 2013 as suggested. And its usage of the new office complies with the tenancy agreement. And the remaining group companies did not enter into any tenancy agreements.	As the relocation has been completed with no further development, no further review in this area is considered necessary.	Nil	N/A
The audited accounts (from date of incorporation to the year ended 31 December 2010 of Ocean Media were tabled at annual general meetings more than nine months after they were completed, which as a result, has violated the requirements as stipulated under section 122 of the Former Companies Ordinance.	Ascenda Cachet suggested that the management should strictly comply with all relevant rules and regulations as stipulated under the Former Companies Ordinance.	The management filed an application to the High Court of Hong Kong for an extension of the time limit for the laying of their respective audited accounts of Ocean Media. Going forward, the company secretary and financial controller of the Group will oversee the functions in relation to the compliance of relevant laws and regulations.	The High Court of Hong Kong has granted an extension of the time limit for the laying of the audited accounts of Ocean Media on 1 February 2013. The aforesaid audited accounts were tabled during the extraordinary general meeting which was held on 5 February 2013 and minutes had been kept for record. Furthermore, the audited accounts of Ocean Media for the year ended 31 December 2011 was tabled during the annual general meeting that was held on September 2012 and minutes had been kept for future reference. In subsequent year, the audited account of year ended 31 December 2012 was tabled during the annual general meeting that was held in September 2013 which complied with the relevant rules and regulations as stipulated under the Former Companies Ordinance.	During the 2014 Review, Ascenda Cachet noted that the audited accounts of Ocean Media for the year ended 31 December 2013 (the "**2013 Financial Statements**") was completed and approved on 13 August 2014. Furthermore, the 2013 Financial Statements were tabled during the annual general meeting of Ocean Media that was held in September 2014 and notice of meeting which complied with all relevant rules and regulations as stipulated under the Former Companies Ordinance.	Nil	N/A

Laws and regulations governed the Group's magazine business

As mentioned in "Regulatory Overview" section of this document, the publication and distribution of magazines in Hong Kong may be subject to various ordinances in Hong Kong including, inter alia, the Smoking (Public Health) Ordinance (Chapter 371 of the Laws of Hong Kong), the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), the Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong), the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong), the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong), the Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong), the Prevention of Child Pornography Ordinance (Chapter 579 of the Laws of Hong Kong), the Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong), the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and laws in the areas of, inter alia, libel and defamation, intellectual property rights, public security, solicitation, gambling, pornography, confidentiality, advertisement, contempt of court and infringement of third parties' rights.

To the best knowledge of the Directors, in practice, the Group will not have enough information to ascertain whether there is any legal risk in relation to the advertisements or gifts/free tickets provided by the customers. If logo or trademark is used in the advertisement content or gifts/free tickets accompanied with the magazines, the Company will normally contact the relevant customers to enquire if there is any infringement of intellectual property rights. As advised by the Hong Kong Legal Advisers, both the Group and its customers are generally responsible and liable for the content published in the Group's magazines under relevant laws and regulations in Hong Kong. For example, by publishing an advertisement provided by the customers which contains unauthorised copy of the person's work, both the Group and its customer may be liable for the infringement of the copyright of such person under the Copyright Ordinance. Another example is that under the Smoking (Public Health) Ordinance, both the publisher and the customer who provides the tobacco advertisements shall be liable for publishing a tobacco advertisement in a printed publication. The Directors confirmed that except the advertisement contents or photos and/or gifts/free tickets provided by the customers, other contents in the magazines are written and photos are taken by the Group's editors.

Procedures adopted in the Group's operation manual

According to the operation manual of the Group, the head of editorial department and the head of design department of the Group will pass the final draft of the Magazines to the Consultant for his review in order to make sure all advertisements and contents in the Magazines complied with the rules and regulations, including but not limited to the Registration of Local Newspapers Ordinance (Chapter 268 of the Laws of Hong Kong) and the Newspapers Registration and Distribution Regulations (Chapter 268B of the Laws of Hong Kong), Books Registration Ordinance (Chapter 142 of the Laws of Hong Kong), Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of

Hong Kong), the Smoking (Public Health) Ordinance (Chapter 371 of the Laws of Hong Kong), the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong).

In case where there is any compliance or legal issues involved with the advertisements and content in the Magazines, the Consultant can also seek for advices from the non-executive Director and a joint internal compliance coordinator in respect of complicated issues. The Consultant will report to the executive Director(s) and Mr. Mak, a joint internal compliance coordinator, for any compliance or legal issues involved in the content of the Magazines before each publication. The Consultant will also report to the Corporate Governance Committee on a monthly basis in relation to the compliance issues of the Magazines. An executive Director and one of the joint internal compliance coordinators, Mr. Mak, will perform a final review and approval from the executive Director and the joint internal compliance coordinator must be obtained before printing of each issue of the Magazines. Mr. Mak, the financial controller and a joint internal compliance coordinator, will review the register which records the delivery of the Magazines to the Books Registration Office and the Registrar of Newspapers, and will send such register to the non-executive Director on a monthly basis. Mr. Mak will also report to the Corporate Governance Committee on a quarterly basis about the compliance situation of the Group in relation to the magazine publication business. Further, the non-executive Director will review the magazines of the Group on a monthly basis.

Having reviewed (i) the Group's operation manual; (ii) the first, second and third Quarterly Internal Control Review Reports for 2013; (iii) the first, second and third Quarterly Internal Control Reports for 2014; and (iv) the internal control review reports for the 2013 Annual Review and the 2014 Interim Review, the Joint Sponsors noted that the above measures have been adopted by the Group in the operation manual and no more non-compliance issues is identified in the abovementioned reports altogether covering the period from 1 January 2013 to 30 September 2014. There was no Quarterly Internal Control Report for the fourth quarter of 2013 as this period has already been covered in the internal control review report for 2013 Annual Review. Having considered the above and the fact that the Group's internal control auditor, Ascenda Cachet, is also satisfied with the adequacy of the above measures adopted by the Group, the Joint Sponsors are of the view that such measures are adequate to ensure compliance with all relevant laws and regulations applicable to the advertisements and contents of the magazines.

The Directors confirmed that the Group did not refuse any advertisements due to failure to comply with relevant rules and regulations in Hong Kong and the Group did not suffer any loss or receive any complaint as a result of the contents published in its Magazines during the Track Record Period.

Views of the Joint Sponsors and Ascenda Cachet on the appointment of the non-executive Director and the Consultant

Despite the fact that the Consultant did not have any legal background and legal experience, taken into account his over 12 years experience in the printed media industry, he should have general knowledge of the laws and regulations relating to the printed media industry and should be able to monitor the Group's magazines compliance matters and identify the possible issues.

In addition, the Group will arrange for its management, staff of the Group and the Consultant annually to discuss and study latest updates on the relevant regulatory requirements to ensure of the compliance of the Group.

The Company has appointed the non-executive Director to act as the joint internal compliance coordinator to monitor and maintain the effectiveness of the corporate governance and system of internal compliance and controls of the Group.

In case where there is any compliance or legal issues involved with the advertisements and content in the Magazines, the Consultant can also seek advices from the non-executive Director and a joint internal compliance coordinator in respect of complicated issues. The Consultant will report to the executive Director(s) and Mr. Mak, a joint internal compliance coordinator, for any compliance or legal issues involved in the Magazines before each publication. The Consultant will also report to the Corporate Governance Committee on a monthly basis in relation to the compliance issues of the Magazines. Mr. Mak, the financial controller and joint internal compliance coordinator, will review the register which records the delivery of the Magazines to the Books Registration Office and the Registrar of Newspapers, and will send such register to the non-executive Director for review on a monthly basis. Mr. Mak will also report to the Corporate Governance Committee on a quarterly basis about the compliance situation of the Group in relation to the magazine publication business. Further, the non-executive Director will review the magazines of the Group on a monthly basis.

Based on the above and having considered that the Consultant (i) has over 12 years experience in the printed media industry of which he should have general knowledge of the laws and regulations relating to the printed media industry; (ii) will attend seminars arranged by the Group annually to discuss and study latest updates on the relevant regulatory requirements so as to keep himself updated with the relevant laws and regulations; (iii) will seek for advices from the non-executive Director in respect of complicated issues when necessary; (iv) will report to the executive Director(s) and Mr. Mak, a joint internal compliance coordinator, for any compliance or legal issues involved in the Magazines before each publication; (v) will report to the Corporate Governance Committee on a monthly basis in relation to the compliance issues of the Magazines; (vi) Mr. Mak, the financial controller and a joint internal compliance coordinator, will review the register which records the delivery of the Magazines to the Books Registration Office and the Registrar of Newspapers, and send such register to the non-executive Director for review on a monthly basis. Mr. Mak will also report to the Corporate Governance Committee on a quarterly basis about the compliance situation of the Group in relation to the magazine publication business; and (vii) the non-executive Director will review the magazines of the Group on a monthly basis, the Joint Sponsors and Ascenda Cachet are of the view that there is no reasonable doubt as to the appointment of the non-executive Director and the Consultant could monitor the Group's magazines compliance effectively.

Views of the Directors, the Joint Sponsors and Ascenda Cachet on the adequacy and effectiveness of the Group's recently adopted internal control measures

Despite the Group has recently adopted the internal control measures to avoid the recurrence of the historic non-compliance incidents and to ensure ongoing compliance with the relevant laws and regulations and the Group is managed by the same executive Directors and senior management prior to and after the non-compliance incidents, having considered the following factors:

(i) the above internal control measures recently adopted as mentioned under the paragraph headed "Measures taken to avoid the recurrence of the non-compliance incidents" to ensure ongoing compliance with the relevant laws and regulations measures taken/to be taken by the Group after taking into account the recommendation made by the independent internal control adviser, Ascenda Cachet, after its reviews of the Group's internal control system;

(ii) the non-executive Director will act as the chairman of the Corporate Governance Committee to monitor and maintain the effectiveness of the corporate governance and system of internal non-financial controls of the Group based on his professional qualification admitted as a solicitor in Hong Kong for over 20 years and his extensive experience as an independent non-executive director in several listed companies in Hong Kong as disclosed in the "Directors, senior management and staff" section of this document;

(iii) the recent appointment of the Consultant is able to monitor the Group's regulatory compliance matters in relation to content of the Magazines, taking into account that the Consultant (a) has over 12 years' experience in the printed media industry; (b) will attend seminars arranged by the Group annually to discuss and study latest updates on the relevant regulatory requirements so as to keep himself updated with the relevant laws and regulations; (c) will seek for advices from the non-executive Director in respect of complicated issues when necessary; (d) will report to the executive Director(s) and Mr. Mak, a joint internal compliance coordinator, for any compliance or legal issues involved in the Magazines before each publication; and (e) will report to the Corporate Governance Committee on a monthly basis in relation to the compliance issues of the Magazines;

(iv) no more non-compliance issues is identified in the first, second and third Quarterly Internal Control Review Reports for 2013, the 2013 Annual Review, the first, second and third Quarterly Internal Control Report for 2014 and the 2014 Interim Review prepared by Ascenda Cachet, covering the period from (i) 1 January 2013 to 30 September 2014; and

(v) the Directors confirmed that up to the Latest Practicable Date, [save for the non-compliance matters disclosed in this document, the Group has conducted its operations and carried out its business in strict compliance with applicable laws and regulations in all material aspects in Hong Kong,]

the Directors are of the view that the Group's enhanced internal control measures adopted recently are adequate and effective to avoid the recurrence of the historical non-compliance incidents under Rule 6A.15(5) of the GEM Listing Rules.

Based on the above, the Joint Sponsors and Ascenda Cachet are of the view that there is no reasonable doubt as to the adequacy and effectiveness of the Group's recently adopted internal control measures.

Views of the Directors and the Joint Sponsors on the competence of the executive Directors

Despite the Group has several historical non-compliance incidents as mentioned above, in particular, the historical non-compliances with the RLNO, the Newspapers Regulations, the BRO and Macau Press Ordinance were related to the Group's fundamental operation and business for a prolonged period since April 2009 (the first publication of Motoz Trader & Motoz Trader (Free)) to October 2012, having considered the following factors:

(i) these past non-compliance incidents were mainly due to (a) the directors and staff of Ocean Media being unfamiliar with the relevant rules and regulations and misbelieved that only the Distributor was required to comply with the relevant Macau law for distribution of Motoz Trader in Macau; (b) they were not aware that "Motoz Trader (Free)" and "Motoz Xpress/Shopping Monthly (Free)" (i.e. a 2-in-1 version) were regarded as different magazines from "Motoz Trader" and "Motoz Xpress/Shopping Monthly" respectively; (c) they were not aware that "Motoz Xpress/Shopping Monthly" was regarded as two separate magazines under the BRO, which were unintentional and did not involve any fraudulent act by the executive Directors, and, did not involve any dishonesty on the part of the Directors or impugn their integrity or competence;

(ii) the executive Directors and department heads from each of sales, editorial, design & accounting departments of the Group are now acquainted with the relevant laws and regulations relating to publication business in Hong Kong after attending the seminar held by a law firm in Hong Kong on 5 April 2013;

(iii) remedial actions including the appointment of a non-executive Director with legal qualification and the implementation of internal control measures and preventive measures have been taken by the Group as mentioned above;

(iv) the Group has engaged an independent internal control adviser to review certain of its internal control procedures including corporate internal control (such as control environment, risk assessment, control activities information and communication, monitoring and general computer controls), financial reporting and disclosure internal control and internal control over business processes on annual basis and focus to review those internal control procedures on compliance of RLNO, BRO and the relevant sections of the Companies Ordinance to prevent re-occurrence of similar historical non-compliance on quarterly basis;

(v) the Group will engage a compliance adviser after [REDACTED]; and

(vi) the Board includes members who are professionally qualified accountants and lawyer and some of which has extensive experience in compliance matters of listed companies,

the Directors and the Joint Sponsors consider that these past non-compliance incidents should not impugn on the integrity and competence of the executive Directors and should not affect their suitability to act as directors of a listed issuer under Rules 5.01, 5.02 and 11.07 of the GEM Listing Rules, and the suitability for [REDACTED] of the Company under Rule 11.06 of the GEM Listing Rules. The Directors are of the view that the above measures will prevent future occurrence of non-compliance incidents.

EMPLOYEES

As at the Latest Practicable Date, the Group had [10] employees (not including the executive Directors), all of whom are located in Hong Kong. The following table shows a breakdown of the employees by function as at the Latest Practicable Date:

Functions	Number of employees
Design	[3]
Editorial	[2]
Accounting	[2]
Sales and marketing	[3]
Total	[10]

Training

Senior staff of the Group provides on job trainings to employees to enhance their industry, technical and product knowledge, as well as their familiarity with industry quality standards and work safety standards.

Directors and staff remuneration

The Group incurred staff costs (including directors remuneration) of approximately HK$1.2 million, HK$1.7 million, HK$2.5 million and HK$1.6 million for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively.

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. 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.

Welfare contribution

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made in accordance with the Mandatory Provident Fund Schemes Ordinance and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

During the Track Record Period, the Group's contribution to the MPF Scheme for the three years ended 31 December 2013 and the eight months ended 31 August 2014 were HK$42,230, HK$56,215, HK$79,054 and HK$57,556 respectively.

Employee relationship

The Group believes that it has maintained good relationship with the employees and the management policies, working environment, development opportunities and employee benefits have contributed to maintenance of good employee relations and employee retention.

During the Track Record Period, the Group has not experienced any work stoppage or labour strike in the past and has not experienced any significant difficulty in recruiting or retaining qualified staff. To the best knowledge of the Directors, the Group's employees are not represented by any collective bargaining agreements or labor unions.

Share Option Scheme

The Group has conditionally adopted the Share Option Scheme under which certain employees, consultants and advisers of the Group including the executive Directors may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix V to this document.

HEALTH AND WORKPLACE SAFETY

Pursuant to the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), employers are required, so far as reasonably practicable, to ensure the safety and health at work of all the employees. The Directors consider the Group has managed its business operations with due consideration to workplace safety and health concerns and comply with the relevant rules and regulations requirements relating to health and safety.

The Group has not committed any material breach of non-compliance in relation to health and safety matters and the Group did not receive any improvement notice or suspension notice issued by the Commissioner for Labour against activity of workplace which may create an imminent hazard to its employees during the Track Record Period and up to the Latest Practicable Date.

The Group does not have formal protocols over social responsibility and environmental protection matters. It is the Directors' view that the nature of the Group's business operations does not impose any serious threats to these concerns.

PROPERTIES

According to section 6 of the Companies (Exemption of Companies and Document from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report as to the value of all the Group's interests in properties, for the reason that as at 31 August 2014 and as at the Latest Practicable Date, the Group did not have any property which has a carrying amount accounted for 15% or above of the consolidated total assets of the Group.

Accordingly, the Group entered a tenancy agreement on 31 May 2013 with an Independent Third Party for the lease of a premise located in Kowloon Bay, Kowloon, Hong Kong (the New Leased Property). The details of the New Leased Property is set out as below:

New Leased Property	Gross floor area	Lessee	Expiry dates of the leases	Permitted usage	Actual usage	Monthly rent
	(sq.ft.)					*(HK$)*
Unit 4, 7th floor, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong	1,243	Ocean Media	2-year term to 31 May 2015	Commercial	Office	20,000

The Group uses the New Leased Property as its new office commencing from 25 June 2013. It is specified in the permit to occupy a new building issued by the Government of Hong Kong that the floor occupied by the New Leased Property is for offices for non-domestic use. As advised by the Hong Kong Legal Adviser, the use of the New Leased Property as the office of the Group is in compliance with the relevant conditions of sale, permit to occupy a new building, deed of mutual covenant and management agreement and tenancy agreement.

COMPETITION

The Directors consider that all publishers engaged in the sales and distribution of Chinese language lifestyle, in particular in the fashion and beauty, automotive and pets sectors, in Hong Kong are, to certain extent, competitors of the Group.

It is mentioned in the Competitive Analysis that the magazine publication industry in Hong Kong was quite fragmented. There were about 479 magazine publishers, with a total of about 699 magazine publications in Hong Kong in the year 2013. About 10.6% of the total magazines publications were handled by six famous publishers and about 89.4% were handled by the rest publishers during the year 2013. Certain amount of capital investment and healthy cash flow to start up and launch new magazines are important to new entrants to pay the design, printing, distribution (selling through retailers such as convenience stores, bookstands or manpower cost to despatch, etc.), marketing fees, etc. New entrants with lower awareness of brand name are harder to compete for both readers and advertisers, which are the two key elements in sustaining the business of magazine publications in the market. New entrants to free magazine publications are also facing challenge of developing more outlets or spots for their magazine publication distribution; and/or obtaining the support and investments of advertisers in terms of information and spending.

There were about 174 free magazine publications in Hong Kong in the year 2013, which represented about 24.9% of the total magazines publications; and the remaining were paid magazines publications. Paid magazines publications were competed according to different topic categories; each of which has its own competition on subscriptions and readers. Advertisers are the substantial source of income (can be over 70% of the total income) for paid magazines publications. Larger subscription and reader's pool of the magazine publications enable the publishers to attract more advertisers to put their advertisement investments into their magazine publications. Exclusive and insightful editorial views or reporters' articles as well as higher topic awareness with eye-catching design of the covers would help paid magazines publications to maintain current advertisers and to attract new advertisers, which can increase income or revenue of the publications. Free magazine publications are mainly promotion channels for advertisers to deliver their sales messages as wide as possible to their consumer target segments. They normally do not have own views and standpoints, and rely on advertisers to provide them messages to enrich the publications. Advertisers are the main or even sole source of income for free magazine publications. Free magazine publications need to increase their value to attract and maintain their regular based advertisers by increasing penetrations, that is, to reach more readers and to be placed in more outlets, such as coffee shops, restaurants, salons, etc. for free reading. For the competitive strengths of the Group, please refer to the paragraphs headed "Competitive Strengths" of this section in the document.

According to the Competitive Analysis issued by Ipsos, the combination of two covers in one version as Motoz Xpress/Shopping Monthly is not common in the magazine publication market, which can aim to attract wider reader spectrum in the market. It also mentioned that Motoz Trader, which includes not only the information of passenger cars but also information of the sales of properties and consumer products for similar consumer targets, can help to focus on marketing efforts and distribution channels to reach the right consumer segment targets. Moreover, the over 1,000 outlets and spots for the distribution and free reading of the free magazines publications for Motoz Trader and Motoz Xpress/Shopping Monthly of the Group in Hong Kong in the year 2013 was higher than the industry average of roughly 150 outlets and spots across the same period.

COMPETING BUSINESS

None of the business or interest of the Directors or Substantial Shareholders or any of its subsidiaries or any of their respective close associates competes or may compete with the business of the Group under Rule 11.04 of GEM Listing Rules nor does or may any of such persons have any other conflicts of interest with the Group.

CONNECTED TRANSACTION

Prior to the [REDACTED], Ocean Media entered into transactions with the connected persons of the Company in the ordinary and usual course of business of the Group. Material related party transactions are set out under note 26 to the accountant's report in Appendix I of this document. The connected transactions are described as below:

Discontinued connected transactions

Grant of free advertising spaces

The Group granted certain free advertising spaces to (i) a branch of Easy Boss Company Limited (formerly known as Multi Century International Holdings Limited), namely East Dragon Antiques & Treasures; (ii) Mr. Kwan; and (iii) Winning Van Call Centre Company. Easy Boss Company Limited was engaged in the business of [REDACTED]. East Dragon Antiques & Treasures was engaged in the business of [REDACTED] of antiques. Winning Van Call Centre Company was engaged in the business of provision of logistics services. As Easy Boss Company Limited (formerly known as Multi-Century International Holdings Limited) was wholly owned by the Director, namely Mr. Kwan; and Winning Van Call Centre Company was under the partnership between father of Mr. Kwan, namely Mr. Kwan Ching Ling and mother of Mr. Kwan, namely Ms. Huan Siu Hiauw, both companies were the connected persons of the Company.

During the Track Record Period, East Dragon Antiques & Treasures had been placing one page advertisement in six issues of Motoz Trader, two issues of Motoz Xpress/ Shopping Monthly and one issue in Pets Buyer for antiques [REDACTED] without paying any fee to the Group. During the Track Record Period, Mr. Kwan had been placing advertisements ranged from 0.25 to 0.5 page in 34 issues of Motoz Trader for car licences [REDACTED] without paying any fee to the Group. Winning Van Call Centre Company had been placing 0.5 page advertisement in two issues of Motoz Xpress/ Shopping Monthly during the year ended 31 December 2011 for recruitment of van driver without paying any fee to the Group.

Having considered the relationship with the abovementioned customers who made the request for free advertising spaces to promote their respective business, the Group granted certain free advertising spaces to such customers. The aggregate nominal value for these free advertising spaces amounted to approximately HK$8,300, HK$17,300, nil and nil for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively. The nominal value was calculated by the Group based on the average advertising income from other customers of the Group of similar industry category; or if no reference can be made to a particular industry category, the nominal value is based on the average advertising income from other customers of the Group classified as "others" (i.e. customers other than those have been classified into a particular industry group). Since such value is minimal, no adjustment is required to be made to the accounts of the Group.

The Group confirmed that it did not provide any free advertising spaces to connected persons of the Company after the year ended 31 December 2012.

The Group currently does not have any plan to provide free advertising spaces to such connected persons after [REDACTED].

The Joint Sponsors concurred with the Directors' view that the grant of free advertising to connected persons of the Company were not conducted on arm's length basis and not on terms no less favourable to the Group than terms available from Independent Third Parties.

Purchase of magazine distribution services

The Group engaged Winning Van Call Centre Company for distribution of issue number #48 to issue number #57 of Motoz Trader (Free) to various despatching points for free pick-ups by the public from February 2011 to May 2011 by paying total consideration of HK$13,068. As Winning Van Call Centre Company was owned by father of Mr. Kwan, namely Mr. Kwan Ching Ling, and mother of Mr. Kwan, namely Huan Siu Hiauw, it was the connected person of the Company. The engagement with Winning Van Call Centre Company for distribution of Motoz Trader (Free) has been terminated after May 2011 since the Company intended to reduce the administrative works by reducing the number of distributors for distributing Motoz Trader (Free) after taking into account the fact that the fees charged by Winning Van Call Centre Company and the Distributor were similar.

The amount of consideration for the distribution services provided by Winning Van Call Centre Company was determined based on number of locations for distribution. Having considered that the distribution fees charged by the Distributor pursuant to the agreement dated 9 July 2009 for the distribution of issue number #7 to issue number #47 of Motoz Trader (Free), the Joint Sponsors concurred with the Directors' view that the purchase of distribution services from Winning Van Call Centre Company were conducted on arm's length basis and on terms no less favourable to the Group than terms available from the Distributor, which was an Independent Third Party.

One-off connected transaction

Disposal of a motor vehicle by Mr. Kwan to Ocean Media

On 24 September 2010, the Group purchased a motor vehicle from Mr. Kwan at consideration of HK$250,000. Mr. Kwan is a Director and a connected person of the Company.

Having considered that the amount of consideration for the purchase of motor vehicle was determined based on the then prevailing market prices of motor vehicles of similar model, the Joint Sponsors concurred with the Directors' view that the purchase was conducted on an arm's length basis and on terms no less favourable than terms available from Independent Third Parties.

CONNECTED TRANSACTIONS

Assignment of trade marks

On 4 May 2012 (as supplemented on 29 November 2012), Ocean Media entered into an assignment with Mr. Kwan and Ms. Yip (the "**Assignors**") whereby the Assignors assigned all right, title and interest of whatever kind in and to the following trade marks (the "**Trade Mark(s)**") to Ocean Media at a nominal consideration of HK$1.00:

Trademark	Country/ jurisdiction	Registration/ application number	Class
MOTOZ 名車站 TRADER	Hong Kong	301279422	9, 16, 35 and 41
車樓王 CAR PROPERTY TRADER	Hong Kong	301515564	9, 16, 35 and 41

The Trade Marks were assigned together with:

the goodwill of the business concerned in and connected with the goods/services in respect of which the Trade Mark(s) are used and/or registered;

(i) the right to sue for all past infringements and to retain all damages, interest, profits and costs awarded;

(ii) the right to sue for all past acts of passing off or unfair competition, and to retain all damages, interest, profits and costs awarded.

As Mr. Kwan and Ms. Yip are the Directors and the Controlling Shareholders, they are the connected persons of the Company and hence, the assignment of Trade Marks to Ocean Media constituted a connected transaction. The Trade Marks may or may not form part of the name of the Group's Magazines for the use in its ordinary course of business. Having considered that (i) the assignment of Trade Marks to Ocean Media can avoid continuing connected transactions arising from the continuous use of Trade Marks owned by the Directors; (ii) the purpose of the assignment of Trade Marks is to satisfy the business needs and future development of the Group; and (iii) the consideration for the assignment was in the nominal amount of HK$1.00, the Joint Sponsors concurred with the Directors' view that the assignment of Trade Marks was conducted on terms better than normal commercial terms.

BUSINESS OBJECTIVES

The business objective of the Group is to further expand its publication to a wider range of lifestyle magazines in Hong Kong. The Group aims to strengthen its readership and to attract more advertising customers by publishing magazines with more extensive coverage of interests in the lifestyle sector.

BUSINESS STRATEGIES

The Directors have developed the following business strategies:

1. Enhance public awareness to the Group's magazines

The Directors believe that well recognition of the names of the Group's magazines is essential to building the readership base and expanding the market reach of advertisements on the Group's magazines. This will also help to attract potential business partners, advertising customers and talented employees. Accordingly, the Group intends to increase public awareness of the Group's magazines through posting advertisements on media channels including television broadcasts.

2. Publish new magazines

It is the Group's intention to publish several new magazines in traveling, second-hand commercial vehicles (such as truck and van), yacht and/or dining. As the Group has already published a few lifestyle magazines in Hong Kong, the Directors are confident that the Group will be able to capture further advertising business opportunities through cross-selling advertising spaces in its broadened range of magazines to any single customer. The Group intends to increase the manpower of the editorial and design team to cope with the increase in editorial and design work arising from the publishing of new magazines. The editorial team will continue to collect up-to-date information on market trends and explore to the new areas of interests such as traveling, dining, etc.

3. Enhance corporate image and strengthen marketing activities

In order to capture the recurring business from its established base of advertising customers and further explore new advertising customers, the Group plans to put more efforts on marketing and enhancing its corporate image. The Group currently leases one office in Hong Kong, which measures approximately 1,243 sq.ft. The Directors considered that the existing office area of the Group will not be sufficient to accommodate its needs of holding several meetings with potential customers at the same time for marketing purpose. The Group intends to purchase an office property in Kowloon Bay in Hong Kong, which can accommodate additional manpower to facilitate its business growth and provide reasonable space for holding various discussions with customers; and the Directors believe that this will help enhance professional image of the Group. It is expected that the new office will have meeting room(s) which can allow sales team to present the Group's magazines to new customers or to discuss terms for placing advertisements on the Group's magazines with customers. Besides, the Directors were of the view that the purchase rather than the lease of an office with larger area can prevent possible fluctuations in rental expenses in future and/or the landlord may early terminate the lease which may disrupt the Group's business operation and/or unexpected increase in rental. After the purchase of the new office, the Group may consider not to continue the lease of the existing office which can be terminated after May 2015.

IMPLEMENTATION PLANS

In order to implement the above strategies, the Group has prepared an implementation plan for the period from the Latest Practicable Date up to and including 31 December 2017. The following implementation plan only reflects the Directors' current understandings of the market situation. The Directors will use their best endeavours to anticipate changes, yet allowing flexibility, to implement the following plans:

For the period from the Latest Practicable Date to 30 June 2015

Objectives	Activities	Use of proceeds *(HK$ million)*
Enhance public awareness to the Group's magazines	The Group will place advertisements on media channels including television broadcasts	[REDACTED]
Publish new magazines	The Group will publish 2 new monthly magazines with contents in traveling (both a paid version and a free version which will not have full editorial contents as the paid version) and second-hand commercial vehicles	[REDACTED]
Enhance corporate image and strengthen marketing activities	Purchase of office property and renovation works	[REDACTED]
For the period from 1 July 2015 to 31 December 2015		
Enhance public awareness to the Group's magazines	The Group will place advertisements on media channels including television broadcasts	[REDACTED]
Publish new magazines	The Group will continue to publish 2 monthly magazines with contents in traveling (both a paid version and a free version which will not have full editorial contents as the paid version) and second-hand commercial vehicles	[REDACTED]

Objectives	Activities	Use of proceeds *(HK$ million)*
For the period from 1 January 2016 to 30 June 2016		
Enhance public awareness to the Group's magazines	The Group will place advertisements on media channels including television broadcasts	[REDACTED]
Publish new magazines	The Group will launch 3 new monthly magazine(s) in yacht, dining (both a paid version and a free version which will not have full editorial contents as the paid version) and interior & renovation; and continue to publish 2 monthly magazines (both a paid version and a free version which will not have full editorial contents as the paid version) with contents in traveling and second-hand commercial vehicles	[REDACTED]
For the period from 1 July 2016 to 31 December 2016		
Enhance public awareness to the Group's magazines	The Group will place advertisements on media channels including television broadcasts	[REDACTED]
Publish new magazines	The Group will continue to publish 5 monthly magazines with contents in traveling (both a paid version and a free version which will not have full editorial contents as the paid version), second-hand commercial vehicles, yacht, dining (both a paid version and a free version which will not have full editorial contents as the paid version) and interior & renovation	[REDACTED]
For the period from 1 January 2017 to 30 June 2017		
Enhance public awareness to the Group's magazines	The Group will place advertisements on media channels including television broadcasts	[REDACTED]
Publish new magazines	The Group will continue to publish 5 monthly magazines with contents in traveling (both a paid version and a free version which will not have full editorial contents as the paid version), second-hand commercial vehicles, yacht, dining (both a paid version and a free version which will not have full editorial contents as the paid version) and interior & renovation	[REDACTED]
For the period from 1 July 2017 to 31 December 2017		
Enhance public awareness to the Group's magazines	The Group will place advertisements on media channels including television broadcasts	[REDACTED]

Objectives	Activities	Use of proceeds *(HK$ million)*
Publish new magazines	The Group will continue to publish 5 monthly magazines with contents in traveling (both a paid version and a free version which will not have full editorial contents as the paid version), second-hand commercial vehicles, yacht, dining (both a paid version and a free version which will not have full editorial contents as the paid version) and interior & renovation	[REDACTED]

USE OF PROCEEDS

Net proceeds of the [REDACTED], after deducting underwriting commission and other expenses relating to the [REDACTED] payable by the Company and based on a [REDACTED] of HK$[REDACTED], being the midpoint of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED], is expected to be approximately HK$[REDACTED] million. The non-recurring expenses relating to the [REDACTED] has been/is expected to be charged to the financial results of the Group up to the eight months ended 31 August 2014 and the year ending 31 December 2014. The Directors presently intend that the net proceeds will be applied as follows:–

	From the Latest Practicable Date to 30 June 2015	For the six months ending 31 December 2015	30 June 2016	31 December 2016	30 June 2017	31 December 2017	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Enhance public awareness to the Group's magazines	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Publish new magazines	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhance corporate image and strengthen marketing activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The planned budgets for [REDACTED] advertisements on media channels including television broadcasts and the purchase of office property and renovation works are approximately HK$[REDACTED] and HK$[REDACTED] respectively. All of the expansion plans will be financed by the [REDACTED] proceeds. In case the actual expense of any of the expansion plans is higher than the planned budget, the Group will use its internal resources to finance the expansion plans.

The Group planned to publish 5 monthly magazines with contents in traveling (both a paid version and a free version which will not have full editorial contents as the paid version), second-hand commercial vehicles, yacht, dining (both a paid version and a free version which will not have full editorial contents as the paid version) and interior &

renovation, the planned budgets for each new magazine are expected to be approximately HK$[REDACTED], HK$[REDACTED], HK$[REDACTED], HK$[REDACTED] and HK$[REDACTED] respectively, up to 31 December 2017. All of the plans of publication for each new magazine will be financed by the [REDACTED] proceeds. In order to cater for the increase in editorial and design works arising from the publication of the new magazines, the Group intended to employ 4 new designers and 6 new editors in association with the plan of publication of new magazines.

If the [REDACTED] is set at the high-end of the indicative [REDACTED] range, being HK$[REDACTED] per [REDACTED], the net proceeds of the [REDACTED] will increase by approximately HK$[REDACTED] to approximately HK$[REDACTED]. In such case, the Company intends to apply the additional net proceeds for the above purposes on a pro-rata basis.

If the [REDACTED] is set at the low-end of the indicative [REDACTED] range, being HK$[REDACTED] per [REDACTED], the net proceeds of the [REDACTED] will decrease by approximately HK$[REDACTED] to approximately HK$[REDACTED]. In such case, the Company intends to reduce the allocation of such net proceeds for the above purposes on a pro-rata basis.

The present intended use of net proceeds under different [REDACTED] is summarised as follows:

	Approximate amount of net proceeds		
	[REDACTED] of [REDACTED] per [REDACTED]	**[REDACTED] of [REDACTED] per [REDACTED]**	**[REDACTED] of [REDACTED] per [REDACTED]**
	HK$' million	*HK$' million*	*HK$' million*
Enhance public awareness to the Group's magazines	[REDACTED]	[REDACTED]	[REDACTED]
Publish new magazines	[REDACTED]	[REDACTED]	[REDACTED]
Enhance corporate image and strengthen marketing activities	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]

To the extent that the net proceeds are not immediately required for or applied to the above purposes, the Company may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong for so long as it is in the Company's best interests.

FUTURE PLANS AND USE OF PROCEEDS

The Group will bear the underwriting commissions, SFC transaction levy and Stock Exchange [REDACTED] fee payable by the Group in connection with the issue of the New Shares together with any applicable fees relating to the [REDACTED]. The Selling Shareholder will be responsible for the underwriting commissions attributable to the [REDACTED] Shares, together with SFC transaction levy, Stock Exchange [REDACTED] fee and any applicable fees in respect of the [REDACTED]. The net proceeds to be received by the Selling Shareholder is expected to be approximately HK$[REDACTED] based on a [REDACTED] of HK$[REDACTED] being the midpoint of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED]. The Group will not receive any of the proceeds from the sale of the [REDACTED] Shares under the [REDACTED].

BASES AND ASSUMPTIONS

The Directors have adopted the following principal assumptions in the preparation of the future plans for the period from the Latest Practicable Date up to and including [31 December 2017]:

(a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong and any other places in which any member of the Group carries on or will carry on business;

(b) there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of the Group operates or will operate or is incorporated;

(c) the [REDACTED] will be completed in accordance with and as described in the "Structure and conditions of the [REDACTED]" section of this document;

(d) the Group will be able to retain its key staff in the management and the professional staff;

(e) the Group will obtain equity and/or debt capital for its future growth when it becomes necessary;

(f) the Group will not be materially affected by any risk factors set out in the "Risk factors" section of this document; and

(g) the Group will be able to continue its operation in substantially the same manner as it has been operating during the Track Record Period and the Group will also be able to carry out its development plans without disruptions.

DIRECTORS

The Board consists of two executive Directors, one non-executive Director and three independent non-executive Directors. Listed out below is their information:

Name	Age	Position	Year of joining the Group	Appointment date	Principal responsibilities
Mr. KWAN Shun Keung Timmy (關信強) *(note)*	35	Chairman and Executive Director	2009	7 December 2012	overall management and strategic planning and development of the Group's business operations and a member of the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee
Ms. YIP Tsz Lam (葉子霖) *(note)*	33	Executive Director	2009	7 December 2012	overall management of the Group's business operations
Mr. TSANG Hin Man Terence (曾憲文)	52	Non-executive Director	2014	24 March 2014	The chairman of the Corporate Governance Committee
Mr. LEE Kwok Tung Louis (李國棟)	47	Independent non-executive Director	2015	23 January 2015	The chairman of the Audit Committee and a member of the Nomination Committee and the Corporate Governance Committee
Mr. TSANG Ho Ka Eugene (曾浩嘉)	33	Independent non-executive Director	2015	23 January 2015	The chairman of the Remuneration Committee and a member of the Audit Committee and the Corporate Governance Committee
Mr. YU Chon Man (余俊敏)	36	Independent non-executive Director	2015	23 January 2015	The chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee

Note: Ms. Yip Tsz Lam is the spouse of Mr. Kwan Shun Keung Timmy.

The Group's senior management team has the following members:

Name	Age	Position	Year of joining the Group	Appointment date	Principal responsibilities
Mr. CHIU Ka King Kevin (趙嘉勁)	38	Sales and marketing director of the Group	2009	1 December 2009	soliciting new customers and overseeing the general management of the sales and marketing team of the Group.
Mr. CHEN Wan Fung Wilson (陳云峯)	45	Creative director of the Group	2013	1 January 2014	overseeing the design works and general management of the design team of the Group
Mr. CHENG Kei Man (鄭己文)	29	Editor in chief of the Group	2010	1 July 2012	overseeing the editorial works and general management of the editorial team of the Group.
Mr. MAK Wai Kit (麥偉杰)	35	Financial controller of the Group and company secretary of the Company	2012	14 September 2012 (for financial controller of the Group) 24 March 2014 (for company secretary of the Company)	financial management and accounting of the Group and a member of the Corporate Governance Committee

EXECUTIVE DIRECTORS

Mr. KWAN Shun Keung Timmy (關信強), aged 35, spouse of Ms. Yip, was appointed as an executive Director on 7 December 2012.

Mr. Kwan is one of the co-founders of the Group, the chairman of the Board and the chief executive officer of the Group. He is primarily responsible for the overall management and strategic planning and development of the Group's business operations. He has been involved in the overall management of Ocean Media since commencement of its magazine business in 2009. The major responsibilities of Mr. Kwan in Ocean Media include (i) overseeing the magazines content; (ii) determining the printing quantities of each issue of magazines; (iii) determining the retail points and distribution points for magazines; (iv) soliciting new customers and maintaining customer relationships; and (v) sourcing new printer(s) or distributer(s) when necessary. From February 2004 to December 2005, Mr. Kwan was employed as an Assistant Manager of the promotion department of Corncell Development Limited. Corncell Development Limited is mainly engaged in [REDACTED] of industrial materials and property investment. Mr. Kwan was the director of Golden Sunny Holdings Limited from October 2005 to May 2013. The principal activity of Golden Sunny Holdings Limited is restaurant business. From August 2007 to September 2008, Mr. Kwan was employed as a Manager of the sales department of Maxwell Enterprises Limited. The principal activity of Maxwell Enterprises Limited is plastic injection molding. Mr. Kwan obtained a diploma in the professional small business management program from The School of Small Business Management of Professional Career Development Institute in Atlanta, Georgia through long-distance learning in August 2000.

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("**CG Code**") in Appendix 15 to the GEM Listing Rules. Except for the deviation from CG Code provision A.2.1, the Company's corporate governance practices have complied with the Code on Corporate Governance Practices.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kwan is the Chairman and the chief executive officer of the Company. In view of Mr. Kwan is one of the co-founders of the Group and has been operating and managing our Group since 2009, the Board believes that it is in the best interest of the Group to have Mr. Kwan taking up both roles for effective management and business development. Therefore the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

Ms. YIP Tsz Lam (葉子霖), aged 33, spouse of Mr. Kwan, was appointed as an executive Director on 7 December 2012.

Ms. Yip is one of the co-founders and the chief operating officer of the Group and primarily responsible for overall management of the Group's business operations. She has been involved in the management of operations of Ocean Media since commencement of its magazine business in 2009. The major responsibilities of Ms. Yip in Ocean Media include (i) recruiting staff; (ii) approving monthly payroll to staff; (iii) approving sales invoices; (iv) negotiating with banks and arranging bank loans; and (v) monitoring the Group's cash outflows. From May 2004 to December 2005, Ms. Yip was employed as an Assistant Manager of the purchase department of Corncell Development Limited. Ms. Yip was the director of Golden Sunny Holdings Limited from July 2006 to May 2013. Ms. Yip obtained a diploma of commerce from Sydney Institute of Business and Technology in Australia in May 2003 and studied at the Macquarie University for the Bachelor of Commerce from 2003 to 2004.

Save as disclosed in this document, each of Mr. Kwan and Ms. Yip has confirmed that (i) he/she has no interests in the Shares within the meaning of Part XV of the SFO, (ii) he/she is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders, (iii) he/she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment as an executive Director.

NON-EXECUTIVE DIRECTOR

Mr. TSANG Hin Man Terence (曾憲文), aged 52, was appointed as the non-executive Director on 24 March 2014. Mr. Tsang was admitted as a solicitor in Hong Kong since 1993 and he is currently a practising solicitor and the sole proprietor of the law firm H.M. Tsang & Co. Mr. Tsang obtained a bachelor's degree in science from the University College London, the University of London in August 1986. He obtained a bachelor's degree in law from the Polytechnic of Central London (now known as the University of Westminster) in July 1989. Other than his directorship in the Company, Mr. Tsang is currently an independent non-executive director of Lee & Man Handbags Holding Limited (stock code: 1488), Differ Group Holding Company Limited (stock code: 8056), and China Investment and Finance Group Limited (stock code: 1226). Lee & Man Handbags Holdings Limited and its subsidiaries are mainly engaged in the manufacture, sale and trade of handbags. Differ Group Holding Company Limited is a service provider of short to medium-term financing and financing-related solutions. China Investment and Finance Group Limited is principally engaged in securities [REDACTED], investment holding and rendering of consultancy services.

Save as disclosed in this document, Mr. Tsang has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO, (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders, (iii) he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as non-executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEE Kwok Tung Louis (李國棟), aged [47], was appointed as an independent non-executive Director on 23 January 2015. Mr. Lee graduated from Macquarie University, Australia with a bachelor's degree in Economics in April 1993. Mr. Lee is a certified public accountant of the Hong Kong Institute of Certified Public Accountants since October 1999 and a certified practising accountant of the CPA Australia since June 1996. Mr. Lee has gained over 21 years' experience with unlisted groups, listed groups and professional firms in finance, accounting and auditing since 1993. Mr. Lee has been serving as the financial controller of Lung Ming Mining Co. Limited which is principally engaged in the exploration, mining, processing, sales and marketing of iron ores in the form of lumps and fines since September 2010. Mr. Lee is currently an independent non-executive director of CGN Mining Company Limited which is listed on the Main Board of the Stock Exchange (stock code: 1164) and its principal activities are the sales, distribution and manufacture of pharmaceutical and food products, property investment and [REDACTED] of natural uranium. Mr. Lee was employed by Meadville Holdings Limited, a company formerly listed on the Main Board of the Stock Exchange, from July 2008 to June 2010, and his last position held was vice president of finance. Meadville Holdings Limited and its subsidiaries were principally engaged in manufacturing, sales and distribution of printed circuit boards. From May 2003 to June 2008, Mr. Lee worked at an international CPA firm and his last position was senior manager. From October 1999 to May 2003, Mr. Lee was employed by Bright & Shine Corporate Finance Limited, a company incorporated in Hong Kong and a former licensed corporation with SFC, and his last position held was director. From 1993 to 1999, he worked at an international CPA firm and his last position was senior accountant.]

Mr. TSANG Ho Ka Eugene (曾浩嘉), aged 33, was appointed as an independent non-executive Director on 23 January 2015. Mr. Tsang Ho Ka Eugene is a certified practising accountant of the CPA Australia since March 2006, a certified public accountant of the Hong Kong Institute of Certified Public Accountants since July 2006 and a fellow of the Hong Kong Institute of Certified Public Accountants since July 2014, a member of The Hong Kong Institute of Directors since March 2008, an associate member of the Institute of Certified Management Accountants since February 2007, Australia, an associate member of the Taxation Institute of Hong Kong since January 2008, a Certified Tax Adviser of the Taxation Institute of Hong Kong since May 2010 and a fellow of the Taxation Institute of Hong Kong since July 2014, and also a member of the Hong Kong Mining Investment Professionals Association up to 31 December 2014.

Mr. Tsang Ho Ka Eugene obtained a bachelor's degree of commerce in accounting and finance from the University of New South Wales, Australia in May 2003 and he has completed an accounting extension course in Australian Taxation Law in 2002 and accounting extension course in Australian Corporations Law in the Centre for Continuing Education of the University of Sydney, Australia in 2002.

Mr. Tsang Ho Ka Eugene previously worked in an international CPA firm from December 2002 to February 2006, and his last position was semi-senior accountant. From September 2006 to March 2007, Mr. Tsang Ho Ka Eugene was the company secretary and the financial controller of Maxitech International Holdings Limited (now named as Richfield Group Holdings Limited), a company incorporated in the Cayman Islands with limited liability and the issued shares of which were previously listed on the GEM (stock code: 8136) and subsequently transferred to the Main Board of the Stock Exchange (stock code: 183). The principal activities of Maxitech International Holdings Limited and its subsidiaries were the retail and wholesale of bags and accessories and [REDACTED] of recycled computers.

Mr. Tsang Ho Ka Eugene has been an executive director of Newtree Group Holdings Limited which is listed on the Main Board of the Stock Exchange (stock code: 1323) since April 2012 to July 2014 and a joint company secretary since April 2012 to 16 October 2014 and since 31 October until now and a company secretary since 17 October 2014 to 30 October 2014 respectively. Mr. Tsang has also been the chairman of Sky Forever Supply Chain Management Group Limited (formerly known as China Neng Xiao Technology (Group) Limited and Rising Power Group Holdings Limited) which is listed on the GEM of the Stock Exchange (stock code: 8047) since September 2013 until June 2014, a non-executive director between September 2013 and July 2014 and the joint company secretary and executive director from May 2013 to September 2013.

The principal activities of Newtree Group Holdings Limited and its subsidiaries are the manufacture and [REDACTED] of hygienic disposables for household and clinical uses located in the PRC and Macau, [REDACTED] of Methyl Tertiary Butyl Ether products located in Hong Kong and wholesale and retail of household consumables located in United Kingdom. The principal activities of Rising Power Group Holdings Limited and its subsidiaries are provision of integrated solutions for lightning electromagnetic pulse protection business and the provision of energy management business. He was also a vice-chairman of Capital Finance Holdings Limited (formerly known as Ming Kei Holdings Limited) which is listed on the GEM of the Stock Exchange (stock code: 8239) from September 2013 to July 2014, an executive director from August 2008 to August 2012, a non-executive director since August 2012 to now, the Chief Executive Officer from September 2008 to February 2012 and the authorized representative and company secretary from April 2007 to August 2012. The principal activities of Ming Kei Holdings Limited and its subsidiaries are property investment in Hong Kong, business of coal [REDACTED] between the PRC and Indonesia and providing short-term financing services in the PRC. Mr. Tsang Ho Ka Eugene has been an independent non-executive director of Jiu Rong Holdings Limited (formerly known as Mitsumaru East Kit (Holdings) Limited) since July 2014 to now. Jiu Rong Holdings Limited is listed on the Main Board of the Stock Exchange (stock code: 2358). The principal activities of Jiu Rong Holdings Limited are design, assembly and installation of water meter and television business. He is also a consultant of GenNex Financial Media Limited since January 2012 to now. The principal activities of GenNex Financial Media Limited are the provision of financial printing services for the financial sector in Hong Kong.]

Mr. YU Chon Man (余俊敏), aged 36, was appointed as an independent non-executive Director on 23 January 2015. Mr. Yu is a member of the Hong Kong Institute of Certified Public Accountants since July 2005 and fellow member of the Association of Chartered Certified Accountants since December 2004. He had worked in the professional field of accounting and auditing in an international CPA firm for over six years from September 2001 to February 2008, and his last position was manager. Mr. Yu is currently a financial controller, qualified accountant and company secretary at China Singyes Solar Technologies Holdings Limited, a company with its shares listed on the Main Board of the Stock Exchange (stock code: 750) since June 2008. He graduated from the Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in November 2001.] Mr. Yu has been an independent non-executive director of Sky Forever Supply Chain Management Group Limited (formerly known as China Neng Xiao Technology (Group) Limited and Rising Power Group Holdings Limited) between June 2014 and July 2014. Sky Forever Supply Chain Management Group Limited is listed on the GEM of the Stock Exchange (stock code: 8047). The principal activities of Sky Forever Supply Chain Management Group Limited are provision of integrated solutions for lightning electromagnetic pulse protection business, provision of energy management business and energy conservation (saving) and emission reduction business. Mr. Yu has been an independent non-executive director of Time2u International Holding Limited which is listed on the Main Board of the Stock Exchange (stock code: 1327) since December 2014. The principal activities of Time2u International Holding Limited are design, manufacture, production, assembly and sale of watches.

Save as disclosed in this document, each of Mr. Lee, Mr. Tsang Ho Ka Eugene and Mr. Yu has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO, (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders, (iii) he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as an independent non-executive Director.

Save as disclosed in the "Relationship with Controlling Shareholders" section of this document, none of the Directors has any interests in any business apart from the Group's business which competes or is likely to compete, whether directly or indirectly, with the Group's business.

SENIOR MANAGEMENT

Mr. CHIU Ka King Kevin, aged 38, is the sales and marketing director of the Group. Mr. Chiu joined the Group in 2009 and is primarily responsible for soliciting new customers and overseeing the general management of the sales and marketing team of the Group. He has over seven years of working experience in sales and marketing from several telecom companies in Hong Kong. He worked at Hutchison Telecommunications (HK) Ltd as account executive from August 2008 to September 2008, Hong Kong Cable

Television Limited as sales representative from September 2008 to December 2008 and Hong Kong Broadband Network Ltd as sales executive from January 2009 to February 2009.

Mr. CHEN Wan Fung Wilson, aged 45, is the creative director of the Group. Mr. Chen joined the Group as senior designer in 2013 and promoted to the position of creative director in January 2014 and is primarily responsible for overseeing the design works and general management of the design team of the Group. He worked at Ve Workshop Communications Ltd. as a computer designer in November 1993 and promoted to the position of computer senior designer since November 1994 and held such position until he left the firm in February 1995. He then worked at Sing Tao Limited as a computer graphic designer from December 1995 to August 1996, TVE Publications Limited as a senior graphic designer in M Magazine from February 1997 to May 1998, Oriental Press Group Limited as a senior member in art team from June 1998 to October 2005, Sing Tao Management Services Limited as a illustrator in the art department of East Week from October 2005 to October 2007 and Wen Wei Po Ltd. as a designer of graphic design department from August 2008 to February 2013. He obtained a diploma in commercial design from First Institute of Art and Design in 1993, a course certificate in web page design of macromedia authorized training program in June 2000, a diploma in multimedia and animation in July 2000 and a diploma in web design in September 2000, all of which are obtained from Welkin Computer Training, a training institution which provides IT training services to businesses, governmental departments, NGOs and universities.

Mr. CHENG Kei Man, aged 29, is the editor in chief of the Group. Mr. Cheng joined the Group as editor in 2010 and promoted to the position of editor in chief in July 2012 and is primarily responsible for overseeing the editorial works and general management of the editorial team of the Group. He obtained a basic certificate in technician trainees from Hong Kong Institute of Vocational Education in 2004 and completed a technician foundation certificate course in vehicle servicing from the Vocation Training Council in 2004. He worked at BMW Concessionaires (HK) Ltd. as a technician during the period from 2004 to 2008. He worked at Long Goal Industries Ltd. from 2008 to 2010 and was an editor in the editorial department of a magazine.

Mr. MAK Wai Kit, aged 35, is the financial controller of the Group and company secretary of the Company. Mr. Mak joined the Group in 2012 and is primarily responsible for financial management and accounting of the Group. Mr. Mak is a member of the Hong Kong Institute of Certified Public Accountants. He has approximately 10 years of working experience with local and international audit firms. Mr. Mak worked at the audit department of Prime & Co. under Lau Leigh Choi Consultants Limited from June 2002 to March 2004 and the audit department of RSM Nelson Wheeler from March 2004 to March 2005. Since then he joined the audit department of an international audit firm in April 2005. He had been promoted to audit manager since October 2008 and held such position until he left the firm in September 2012. During the employment period in the audit department of such international audit firm, Mr. Mak had served as the manager in charge of several Hong Kong listed companies, including a few Hong Kong [REDACTED] engagements. During the course of such audit and [REDACTED] engagements, Mr. Mak supervised the audit team to understand and proper document the clients' internal control systems as well as the financial reporting system. He graduated from the Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in 2002.

All of the Directors and senior management managing the Group's operations during the Track Record Period were ordinarily residing in Hong Kong.

AUDIT COMMITTEE

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

The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Tsang Ho Ka Eugene and Mr. Yu Chon Man. Mr. Lee Kwok Tung Louis is the chairman of the Audit Committee.

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.

The Remuneration Committee consists of three members, namely Mr. Tsang Ho Ka Eugene, Mr. Yu Chon Man and Mr. Kwan Shun Keung Timmy. Mr. Tsang Ho Ka Eugene is the chairman of the Remuneration Committee.

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 re-appointment of Directors.

The Nomination Committee consists of three members, namely Mr. Lee Kwok Tung Louis, Mr. Yu Chon Man and Mr. Kwan Shun Keung Timmy. [Mr. Yu Chon Man] is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE COMMITTEE

The Company established a Corporate Governance Committee on 23 January 2015 with written terms of reference. The primary functions of the corporate governance 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 against the relevant internal control systems, processes and policies, and monitoring the implementation of the Group's plan to maintain high compliance with own risk management standards.

The Corporate Governance Committee consists of five members, namely Mr. Tsang Hin Man Terence, Mr. Kwan Shun Keung Timmy, Mr. Lee Kwok Tung Louis, Mr. Tsang Ho Ka Eugene and Mr. Mak Wai Kit. Mr. Tsang Hin Man Terence is the chairman of the Corporate Governance Committee.

COMPLIANCE OFFICER

Mr. Kwan Shun Keung Timmy is the compliance officer of the Company.

COMPANY SECRETARY

Mr. Mak Wai Kit is the company secretary of the Company as appointed pursuant to Rule 5.14 of the GEM Listing Rules. For details of Mr. Mak's background, please refer to the paragraph headed "Senior Management" in this section of the document.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The Directors' remuneration is determined with reference to the prevailing market practice, the Company's remuneration policy and their duties and responsibilities with the Group. During the two years ended 31 December 2013, the aggregate of the remuneration paid and benefits in kind granted to the Directors by any member of the Group were approximately HK$568,150 and HK$546,000 respectively.

Each of the executive Directors has entered into a new service agreement with the Company for an initial term of three years commencing from 23 January 2015, 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 24 March 2014. Each of the executive Directors and the non-executive Director is entitled to a basic salary. Under the service agreements and the letter of appointment, the basic annual remunerations payable by the Group to the executive Directors and the non-executive Director are set out below:

Executive Director	*HK$*
Mr. Kwan	[480,000]
Ms. Yip	[100,000]
Non-executive Director	*HK$*
Mr. Tsang Hin Man Terence	120,000

The remuneration and compensation packages of each of the executive Directors and the non-executive Director will be reviewed and determined by the Board and the Remuneration Committee at the end of each year or at such other time as the Board and the Remuneration Committee deems appropriate.

Each of the independent non-executive Directors has signed an appointment letter with the Company with an initial term of three years commencing from 23 January 2015 subject to provisions contained therein. Under the appointment letters, the basic annual remuneration payable by the Group to the independent non-executive Directors after [REDACTED] are as follows:

Independent non-executive Director	*HK$*
Mr. LEE Kwok Tung Louis (李國棟)	100,000
Mr. TSANG Ho Ka Eugene (曾浩嘉)	100,000
Mr. YU Chon Man (余俊敏)	100,000

The Director's fee for each of the independent non-executive Directors during the three-year term is initially fixed, subject to the Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee.

The remuneration of each Director is determined by reference to market terms, seniority, his experiences, duties and responsibilities within the Group. The Directors are entitled to statutory benefits as required by law from time to time. Under the present arrangement, the aggregate of the Directors' remuneration in cash and benefits in kind for the year ending 31 December 2015 is estimated to be approximately HK$1,000,000.

RETIREMENT BENEFIT SCHEMES

The Group has participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

The Group has not participated in any other pension schemes.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed VC Capital Limited as its compliance adviser, who will have access to all relevant records and information relating to the Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by the Company, including share issues and share repurchases;

(iii) where the Company proposes to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of the Company deviate from any forecast, estimate (if any) or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the [REDACTED] Date and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the [REDACTED] Date, that is, the distribution of the Company's annual report of its financial results for the year ending [31 December 2017], or until the agreement is terminated, whichever is the earlier.

CONTROLLING SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the [REDACTED] and the [REDACTED] (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the share options may be granted under the Share Option Scheme), the following persons are entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of the Company:

Aggregate long positions in Shares

Name	Nature of interest	Number of Shares	Percentage of shareholding in the Company
Fuwin	Beneficial owner *(Note 1)*	[REDACTED]	[REDACTED]
Mr. Kwan	Interest in a controlled corporation and family interest *(Note 2)*	[REDACTED]	[REDACTED]
Ms. Yip	Interest in a controlled corporation and family interest *(Note 2)*	[REDACTED]	[REDACTED]

Notes:

1. The issued share capital of Fuwin is owned as to 60% by Mr. Kwan and as to 40% by Ms. Yip.

2. Mr. Kwan and Ms. Yip are deemed to be interested in the Shares held by Fuwin under the SFO. Mr. Kwan is the spouse of Ms. Yip; and both of them are executive Directors.

SUBSTANTIAL SHAREHOLDERS AND SIGNIFICANT SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the full conversion of Pre-[REDACTED] Convertible Bonds, the [REDACTED] and the [REDACTED] (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the share options may be granted under the Share Option Scheme), the following persons (other than the Controlling Shareholders as disclosed above) will have interests or short positions in the Shares or underlying Shares 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 would be recorded in the register required to be kept under Section 336 of the SFO, or who are directly or indirectly interested in 10% 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:

Aggregate long positions in Shares

Name	Nature of interest	Number of Shares	Percentage of shareholding in the Company
Grand Powerful	Beneficial owner *(Note 1)*	[REDACTED]	[REDACTED]
Cheng Ming Kit	Interest in a controlled corporation *(Note 1)*	[REDACTED]	[REDACTED]
Wong Man Hin Charles	Beneficial owner *(Note 2)*	[REDACTED]	[REDACTED]
Loo Chi Yiu	Family interest *(Note 2)*	[REDACTED]	[REDACTED]

Notes:

1. The entire issued share capital of Grand Powerful is owned by Mr. Cheng Ming Kit. Mr. Cheng Ming Kit is therefore deemed to be interested in the [REDACTED] Shares held by Grand Powerful under the SFO.

2. Ms. Loo Chi Yiu is the spouse of Mr. Wong Man Hin Charles and deemed to be interested in the [REDACTED] Shares held by Mr. Wong Man Hin Charles.

Immediately following completion of the [REDACTED] and the [REDACTED], Mr. Kwan and Ms. Yip will through Fuwin hold an aggregate of [REDACTED]% of the issued share capital of the Company (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the share options granted or may be granted under the Share Option Scheme).

Mr. Kwan and/or Ms. Yip are interested in a number of companies other than the Group (collectively the "Other Business Group"). The principal activities of companies within the Other Business Group are summarised as follows:

Name of the company/branch	Principal activities	Total interests held by the Controlling Shareholder(s)
Galaxy Star Entertainment Company Limited (formerly known as Excel Hill Limited and Global Media Advertising Company Limited)	provision of model agency services	100% *(Note 1)*
Legend Kingdom Limited	inactive	100% *(Note 2)*
Easy Boss Company Limited (formerly known as Multi Century International Holdings Limited)	[REDACTED]	100% *(Note 3)*
East Dragon Antiques & Treasures	[REDACTED]	100% *(Note 3)*
Full Success Finance (formerly known as Euro-Jap Vehicles Centre)	inactive	100% *(Note 3)*
Kingdom International Trading	inactive	100% *(Note 3)*
Fuwin Group (Holdings) Limited	investment holding	100% *(Note 4)*

Notes:

1. On 3 December 2012, Ocean Media disposed its entire shareholding interest in Galaxy Star being 4 shares to Mr. Kwan at consideration of HK$1.00 which is determined based on the net liabilities of Galaxy Star of HK$16,740.2 as at 31 October 2012. Galaxy Star did not carry out any business operation or generate any revenue to the Group since the acquisition by Ocean Media on 9 November 2010.

2. The issued share capital of Legend Kingdom Limited is owned as to 50% by Mr. Kwan and 50% by Ms. Yip (Mr. Kwan and Ms. Yip are spouse to each other), respectively. Legend Kingdom Limited was set up initially for property investment holding purpose and the Directors confirmed that this company is inactive during the Track Record Period and up to the Latest Practicable Date.

3. The issued share capital of Easy Boss Company Limited is wholly-owned by Mr. Kwan. East Dragon Antiques & Treasures, Full Success Finance (formerly known as Euro-Jap Vehicles Centre) and Kingdom International Trading were the branches of Easy Boss Company Limited. East Dragon Antiques & Treasures had been placing advertisements without paying any fee in the Group's magazines during the Track Record Period. Please refer to the "Connected transactions"

section of this document for details. The Directors confirmed that save for disclosed, each of Easy Boss Company Limited, East Dragon Antiques & Treasures, Euro-Jap Vehicles Centre and Kingdom International Trading did not have any business dealing with the Group.

4. The issued share capital of Fuwin Group (Holdings) Limited is owned as to 60% by Mr. Kwan and as to 40% by Ms. Yip.

None of the companies within the Other Business Group carries out magazine business.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

As described below, the Directors consider that the Group will be able to be operationally and financially independent from the Controlling Shareholders and their respective associates.

Financial independence

The Group has an independent financial system and makes financial decisions according to its own business needs. Certain banking facilities and bank borrowings of the Group were secured by personal guarantees executed by Mr. Kwan and Ms. Yip and pledged deposit of Mr. Kwan. All amounts due to and/or from Mr. Kwan will be settled before/upon the [REDACTED], all guarantees and security of pledged deposits provided by the Controlling Shareholders and/or their respective close associates for the benefit of the Group will be released before/upon the [REDACTED].

Pursuant to the Replacement Banking Facility granted by the Group's major bank to Ocean Media, it has no objection to release all guarantees provided by Mr. Kwan and Ms. Yip to the major bank and revise the banking facilities under the terms Replacement Banking Facility upon the successful [REDACTED] of the Company and the full settlement of three existing government guaranteed bank loans. The Replacement Banking Facility was granted against the guarantee from the Company for HK$6,000,000. On 13 January 2015, the HK$6,000,000 guarantee by the Company in respect of the obligations and liabilities of Ocean Media has been executed. The maximum potential liability to the Company is HK$6,000,000. The major bank confirmed that there is no asset or restricted cash pledged as security by the Group for securing the Replacement Banking Facility. The total facilities amount under the Replacement Banking Facility is approximately HK$5.7 million as at the date of the Replacement Banking Facility (i.e. 5 January 2015). Except for the above, there is no change in the salient terms (e.g. interest rate and repayment schedule) to the major bank's banking facilities. Therefore the borrowings to the Group will be extended on the same principal terms. As at 31 August 2014 and 30 November 2014, the carrying amount of the bank loans under the government guaranteed bank loans with this major bank was approximately HK$1.8 million and HK$1.6 million respectively, and such loans will be repaid within the Group's internal resources prior to the [REDACTED]. The Group will fully repay bank loans with all other banks before/upon the [REDACTED], except for the Replacement Banking Facility. Therefore, the Replacement Banking Facility will be obtained independent from the Controlling Shareholders and their close associates, and there is no financial dependence by the Group on the Controlling Shareholders or any of their respective close associates.

On the bases that (i) the Group has been granted the Replacement Banking Facility under which the personal guarantees executed by Mr. Kwan and Ms. Yip will be released upon the successful [REDACTED] of the Company; and (ii) the Group is expected to have a lower gearing ratio immediately after the [REDACTED] taking into account (a) the net proceeds from the [REDACTED] which is expected to be approximately HK$[REDACTED] million based on a [REDACTED] of HK$[REDACTED]; and (b) the full conversion of Pre-[REDACTED] Convertible Bonds on [29] January 2015, the Directors are of the view that the Group will be able to obtain independent financing after the [REDACTED].

Operational independence

The Group has an independent work force to carry out the design, editorial, sales and marketing and accounting functions and has not shared its operation team with the Controlling Shareholders and their respective close associates. The Group has independent access to its suppliers and customers. The Group has also implemented internal controls to facilitate the effective operations of its business. Other than the transactions disclosed under the "Connected transactions" section of this document, there was no business transaction between the Group on one hand and the Controlling Shareholders and/or their respective close associates on the other hand during the Track Record Period. Therefore, the Directors consider that the Group's operations do not rely on the Controlling Shareholders and/or any of their respective close associates.

Management independence

Save for Mr. Kwan, Ms. Yip and Mr. Tsang, the Board comprises three independent non-executive Directors, who will function independently from the respective close associates of Mr. Kwan and Ms. Yip. Although Mr. Kwan and Ms. Yip hold various positions in the Group as mentioned in the paragraph headed "Executive Directors" under the "Directors, senior management and staff" section of this document and hold certain positions in the Other Business Group, each of Mr. Kwan and Ms. Yip intends to spend not less than 80% of their working time on the Group after the [REDACTED]. The Directors are of the view that each of Mr. Kwan and Ms. Yip will be able to fulfill his/her duties as an executive Director even if he/she does not devote all his/her working time to the business of the Group. During the Track Record Period, each of Mr. Kwan and Ms. Yip spent a similar proportion of his/her working time on the business of the Group whilst he/she was engaged in other businesses at the same time. In light of the aforesaid, the Directors consider that the time devoted by Mr. Kwan and Ms. Yip will be sufficient for the Group's business and development.

Each Director is aware of his/her fiduciary duties as a director of the Company which require, among other things, that he/she acts for the benefit and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and the Directors and/or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of the Company in respect of such transactions.

The independent non-executive Directors have been appointed in compliance with the requirements under the GEM Listing Rules to ensure that the decisions of the Board will be made only after due consideration of independent and impartial opinions. The Directors believe that the presence of Directors provides a balance of views and opinions. Further, the Board acts collectively by majority decisions in accordance with the Articles and the laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

In addition, the Group has adopted certain corporate governance measures for conflict situation in order to safeguard the interests of the Shareholders as a whole, details of which are set out in the paragraph headed "Corporate governance measures" of this section.

Having considered the above factors, the Directors are satisfied that they are able to perform their roles in the Company independently; and the Directors are of the view that the Group is capable of managing the business independently from Mr. Kwan and Ms. Yip and their respective close associates after the [REDACTED].

UNDERTAKINGS

Each of the Controlling Shareholders has given certain undertakings in respect of the Shares to the Company, the Joint Sponsors, the Joint Lead Managers and the Underwriters, details of which are set out in the paragraph headed "Non-disposal undertakings" under the "Underwriting" section of this document.

NON-COMPETITION UNDERTAKINGS

The Controlling Shareholders have entered into a deed of non-competition on 29 January 2015 (the "**Deed of Non-Competition**") pursuant to which, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to and covenanted with the Company (for itself and for the benefit of each member of the Group) that during the continuation of the Deed of Non-Competition, each of the Controlling Shareholders shall not, and shall procure each of his/her/its close associates and/or companies controlled by he/she/it will not, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or to be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group (including but not limited to the publication and marketing of Chinese-language magazines and the sale of advertising spaces in those magazines primarily and businesses ancillary to any of the foregoing, in each case, as more particularly described in this document) in Hong Kong, Macau and any other country or jurisdiction to which the Group markets, sells, distributes, supplies or otherwise provides such products and/or in which any member of the Group carries on business mentioned above from time to time ("**Restricted Business**"). Each of the Controlling Shareholders has represented and warranted to the Company that none of the Controlling Shareholders nor his/her/its close associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through the Group.

Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has also undertaken that if each of the Controlling Shareholders and/or any of his/her/its close associates is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, he/she/it shall (i) promptly in any event not later than seven days notify the Company in writing of such opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such opportunity; and (ii) use his/her/its best endeavours to procure that such opportunity is offered to the Company on terms no less favourable than the terms on which such opportunity is offered to him/her/it and/or his/her/its close associates.

The Directors (including the independent non-executive Directors) will review the New Business Opportunity and decide whether or not to invest in the New Business Opportunity. If the Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the "**30-day Offering Period**") of receipt of notice from the Controlling Shareholders, the Controlling Shareholders and/or his/her/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/her/its own accord. With respect to the 30-day Offering Period, the Directors consider that such period is adequate for the Company to assess any New Business Opportunity. In order to ensure that the Group has adequate time to assess some complicated business opportunities, the Controlling Shareholders have agreed to extend the offering period from 30 business days to a maximum of 60 business days should the Group require so by giving a written notice within the 30-day Offering Period to the Controlling Shareholders.

In addition, upon [REDACTED], each of the Controlling Shareholders has also undertaken:

(i) in favour of the Company to provide the Company and the Directors (including the independent non-executive Directors) from time to time with all information necessary, including but not limited to monthly turnover records (such as purchase orders placed by customers, corresponding invoices and any other relevant documents considered necessary by the independent non-executive Directors), for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Deed of Non-Competition and the enforcement of the non-competition undertakings in the Deed of Non-Competition;

(ii) to provide to the Group, after the end of each financial year of the Company, a declaration made by each of the Controlling Shareholders which shall state whether or not the Controlling Shareholders have during that financial year complied with the terms of the Deed of Non-Competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of the Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report; and

(iii) to the Company to allow the Directors (including the independent non-executive Directors), their respective representatives and the auditors to have sufficient access (with reasonable prior notice) to the records of the Controlling Shareholders and his/her/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-Competition.

Further, each of the Controlling Shareholders has undertaken to the Company that during the period in which he/she/it and/or his/her/its close associates, individually or taken as a whole, remains as a Controlling Shareholder:

(i) he/she/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by the Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-Competition;

(ii) he/she/it will not, solicit any existing or then existing employee of the Group for employment by him/her/it or his/her/its close associates (excluding the Group);

(iii) he/she/it will not without the consent from the Company, make use of any information pertaining to the business of the Group which may have come to his/her/its knowledge in his/her/its capacity as the Controlling Shareholder for any purposes; and

(iv) he/she/it will procure his/its close associates (excluding the Group) not to invest or participate in any project or business opportunity mentioned above unless pursuant to the provisions stipulated in the Deed of Non-Competition.

The Deed of Non-Competition will take effect upon [REDACTED] and shall expire on the earlier of:

(i) the day on which the Shares cease to be listed on the GEM or other recognised stock exchange; or

(ii) the day on which the Controlling Shareholders and his/her/its close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of the Company directly or indirectly or cease to be deemed as Controlling Shareholder and do not have power to control the Board or there is at least one other independent Shareholder other than the

Controlling Shareholders and his/her/its respective close associates holding more Shares than the Controlling Shareholders and his/her/its respective close associates taken together.

CORPORATE GOVERNANCE MEASURES

The Company has adopted the following stringent corporate governance measures for conflict situation in order to safeguard the interests of the Shareholders as a whole:

(a) all the Conflicted Director(s) will abstain from participation in any board meeting of the Company or part thereof when matters relating to the exercise of any rights of first refusal granted to the Group or any other connected transactions with those companies controlled by the Controlling Shareholders (other than the Group) are discussed, unless his/her attendance is agreed by a majority of the independent non-executive Directors. Notwithstanding his/her attendance, he/she shall not vote or be counted towards the quorum in respect of such matters;

(b) a committee comprising all Directors (excluding those Directors who are interested in the relevant Restricted Business) shall decide whether or not to pursue the opportunity offered by the Controlling Shareholders and/or their respective close associates (other than the Group). When considering whether or not to pursue such opportunity, the committee will consider whether the relevant business opportunities are expected to present a sustainable level of profitability, accord with the development strategy of the Group at the material time, and would be in the best interest of the Shareholders as a whole. Notwithstanding that the Conflicted Director(s) shall abstain from voting on any resolution of the board relating to connected transactions with those companies controlled by the Controlling Shareholders and/or their respective close associates other than the Group, the Conflicted Director(s) shall be obliged to provide useful information to assist the committee or independent financial adviser or other professional advisers for them in assessing such opportunity. Such committee may appoint an independent financial adviser or other professional advisors to give the necessary advice;

(c) the Company has appointed VC Capital Limited as the compliance adviser which shall provide the Company with professional advice and guidance in respect of compliance with the GEM Listing Rules and applicable laws;

(d) a committee comprising all Directors (excluding those Directors who are interested in the relevant Restricted Business) shall be delegated with the authority to review on an annual basis the non-competition undertakings from the Controlling Shareholders;

(e) the Company will disclose in the annual reports compliance and enforcement of the undertakings by the Controlling Shareholders in respect of the Deed of Non-Competition and the appropriate actions to be taken by the Company;

(f) the Company will disclose the details and basis of the decisions on the matters reviewed by the independent non-executive Directors in relation to the compliance and enforcement of arrangement of the New Business Opportunity;

(g) the Board will ensure any event relating to the potential conflict of interests shall be reported to the independent non-executive Directors as soon as practicably when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;

(h) following the reporting of any event relating to potential conflict of interests, the Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the GEM Listing Rules in order to monitor any irregular business activities and alert the Board, including the independent non-executive Directors, to take any precautious actions;

(i) the non-competition undertakings given by the Controlling Shareholders in its annual report or by way of announcement to the public in addition to complying with the disclosure requirements under the GEM Listing Rules; and

(j) the Controlling Shareholders also undertake to provide all information necessary for the enforcement of the non-competition undertakings as requested by the committee from time to time and make an annual declaration in compliance with the non-competition undertakings in the annual report of the Company.

SHARE CAPITAL

SHARE CAPITAL

The share capital of the Company immediately following the completion of the [REDACTED] and the [REDACTED] is set out in the table below. The table is prepared on the basis of the [REDACTED] becoming unconditional and the issue of New Shares pursuant thereto and the [REDACTED] are made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of options may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to Directors as referred to below or otherwise.

		HK$
Authorised share capital:		
[10,000,000,000]	Shares	[100,000,000]
Issued and to be issued, fully paid or credited as fully paid:		
[1,500,000]	Shares in issue as at the date of this document	[15,000]
[REDACTED]	Shares to be issued under the [REDACTED]	[REDACTED]
[REDACTED]	New Shares to be issued pursuant to the [REDACTED]	[REDACTED]
Total:		
[REDACTED]	Shares	[REDACTED]

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of the Company must at all times be held by the public. The [REDACTED] [REDACTED] represent 25% of the issued share capital of the Company upon [REDACTED].

RANKING

The [REDACTED] will rank equally with all the Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this document save for any entitlement to the [REDACTED].

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the sections headed and "Share Option Scheme" in Appendix V to this document. No option was granted under the Share Option Scheme.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, the Directors have been granted a general unconditional mandate to allot and issue and [REDACTED] with the Shares with an aggregate nominal value of not more than the sum of:

(a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the [REDACTED] (not including Shares which may be allotted and issued pursuant to the exercise of options may be granted under the Share Option Scheme) and the [REDACTED]; and

(b) the aggregate nominal value of the share capital of the Company repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and [REDACTED] in the Shares pursuant to a right issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements or the exercise of subscription rights attaching to share options under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the share capital of the Company in issue following the completion of the [REDACTED] (not including Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme) and the [REDACTED].

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the sub-paragraph headed "Repurchases of the Company's own securities" under the paragraph headed "Further information about the Group" in Appendix V to this document.

The general mandates to issue and repurchase Shares will expire:

- at the conclusion of the next annual general meeting of the Company;
- upon the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law to be held; or

- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Further details of these general mandates are contained in the sub-paragraphs headed "Written resolutions of the sole Shareholder passed on 23 January 2015 and 29 January 2015" and "Repurchases of the Company's securities" under the paragraph headed "Further information about the Group" in Appendix V to this document.

Circumstances under which general meeting and class meeting are required

The circumstances under which general meeting and class meeting are required are provided in the Articles and Association. For details, please see the section headed "Appendix IV – Summary of the constitution of the Company and Cayman company law" of this document.

You should read this section in conjunction with the Group's audited consolidated financial statements, including the notes thereto, included in the accountants' report set out in Appendix I to this document. The Group's audited consolidated financial statements have been prepared in accordance with HKFRSs. You should read the entire accountants' report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by the Group in light of the Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depend on a number of risks and uncertainties over which the Group does not have control. For further information, you should refer to the "Risk factors" section of this document.

OVERVIEW

The Group is a local publisher principally engaged in the sales and free distribution of Chinese-language lifestyle Magazines through an Independent Third Party Distributor and the sales of advertising spaces in the Magazines in Hong Kong. Sales of magazines accounted for approximately 4.4%, 3.5%, 1.7% and 1.7% of the total turnover of the Group for the three years ended 31 December 2013 and for the eight months ended 31 August 2014 respectively. Currently, the Group publishes six Chinese-language magazines in Hong Kong including "Motoz Trader", "Motoz Trader (Free)", "Motoz Xpress/ Shopping Monthly" (2-in-1 version), "Motoz Xpress/Shopping Monthly (Free)" (2-in-1 version), "Pets Buyer" and "Bplus" (together, the "Magazines").

The main source of revenue of the Group was the sale of advertising spaces in the Magazines. The Group also generated revenue from the sale of the Magazines. Breakdown on turnover by business activities of the Group are set out in Note 6 of the accountants' report contained in Appendix I to this document.

MAJOR FACTORS AFFECTING THE GROUP'S REVENUE

The Directors believe that the following major factors may affect the Group's revenue:

Economic conditions in Hong Kong

The Group's revenue is mainly derived from the sale of advertising spaces in the Magazines, which accounted for approximately 95.6%, 96.5%, 98.3% and 98.3% of the total turnover of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively. The Directors consider that the financial performance of the Group is largely driven by the overall economic conditions in Hong Kong as it will affect the level of spending of advertisers and consumption of the Magazines.

Market competition

The Group's major competitors are local magazine publishers and other advertising platform providers, such as internet, newspapers and television channels, which targeted the similar customers segments of the Group. Revenue and profit margin of the Group might be negatively affected when the existing and potential new competitors aggressively pursue their business plan. The Directors believe that competitive pricing and establishment of loyal readership base are critical in enhancing competitiveness in the lifestyle magazine market in Hong Kong.

Readership base of the Magazines and consumers purchase patterns

The Directors believe that a loyal and well-segmented readership base is a critical factor attracting advertising customers to purchase advertising spaces of the Magazines; and besides economic conditions in Hong Kong, the level of spending of advertisers will also be affected by changes in consumers purchase patterns. Should the consumers purchase patterns have changed and the contents of the Magazines cannot keep pace with the taste of readers or the Group is unable to improve the contents of the Magazines for maintaining its competitive edge, the circulation of the Magazines and the sale of advertising space will be adversely affected, which in turn, will affect the financial results and profitability of the Group.

Seasonality of advertising expenditures

The Group generated higher advertising income in November and December (i.e. before Christmas and Chinese New Year) in the past. Historically, the aggregate advertising income generated in November and December in the years 2011, 2012 and 2013 represents approximately 32.0%, 17.8% and 36.6% of the total advertising income, respectively; and the Directors are of the view that in general, customers may be more willing to place advertisements to promote their products/services before Christmas and Chinese New Year. However, turnover of the Group for the year ended 31 December 2012 did not reflect such pattern mainly due to the reduction of advertising orders from Customer Group A, who was one of the top five customers in each of the Track Record Period. To the best knowledge of the Directors, the relevant customer cut down its budget to advertise in the Group's magazines for the year ended 31 December 2012 mainly due to this customer considered that its Korean brand beauty products has already caught certain public awareness in the market in 2012, as such, the customer reduced the advertising budget on such products for the year ended 31 December 2012. The Group generated higher advertising income in November and December of the year 2013 was partly due to the seasonal impact and partly due to the solicitation of certain new customers towards the year end. Please also refer to the paragraph headed "Turnover" of this section for details. Nonetheless, The Directors are of the view that in general, customers are more willing to place advertisements to promote their products/services before Christmas and Chinese New Year.

Pricing policy on the sales of advertising spaces

The major source of revenue of the Group is the sales of advertising spaces in the Magazines, which accounted for approximately 95.6%, 96.5%, 98.3% and 98.3% of the total turnover of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively. Advertising fee is charged mainly based on the size and positioning of the advertisement within the Magazines and the relevant industry of the advertisement as classified by the Group. Please refer to "Advertising fee" under the sub-paragraph headed "Sales of advertising spaces" of the paragraph headed "Sales and marketing" of the "Business" section of this document for details.

The Directors consider that the Group's ability to charge customers at rates favorable to the Group will depend on its ability to continue meeting the requirements of advertising customers by maintaining position of its magazines as magazines covering various areas of interests in lifestyle sector rather than one particular area of interest, its ability to anticipate and ensure contents of the Magazines and magazines to be published by the Group in the future can keep pace with the tastes and preferences of readers and advertising customers and its ability to keep the distribution network for free magazines.

Costs of sales

The Group's major costs of sales is the printing costs which included the fees payable to the printers for provision of printing services (supply of paper, ink, etc. for the printing of the Magazines inclusive). Printing costs accounted for approximately 83.0%, 87.9%, 91.1% and 94.0% of the total costs of sales of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively. As at the Latest Practicable Date, the Group engaged [four] printers in total, which have factories either in Hong Kong or the PRC, for the printing of the Magazines. The average printed cost per copy of the Group's magazines are approximately HK$6.46, HK$6.39, HK$5.93 and HK$5.55 for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively.

According to the quotations issued by the printers of the Group for the provision of magazine printing and binding services, the printing cost charged by the printers were mainly based on the quality and type of paper, printing colour and the number of printing copies of magazines to be printed.

The Directors considered that the impact of the price of paper on the Group's printing cost charged by the printers is not significant since the number of copies of magazines to be printed in general is the most significant factor to determine the printing cost during the Track Record Period. The Directors considered that the printers will request for increment of the printing costs only when there are any significant changes in relation to their respective paper costs. During the Track Record Period, the Directors confirmed that no such requests were being made by the printers. As a result, the change in price of paper did not affect the Group's profit margin during the Track Record Period. The Group did not enter into any long-term contracts or agreements with the printers to fix the pricing charged by them. Should the printing cost substantially increase or decrease, the financial results and profitability of the Group will be affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated financial statements in conformity with HKFRSs requires the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The following discuss certain key accounting policies, judgments and estimations applied in preparing the Group's financial statements.

a) 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 the income statement as follows:

i) Advertising income

When the outcome of an advertising contract can be estimated reliably, revenue from advertising service is recognised by reference to the stage of completion of the contract. Stage of completion of a contract is the number of advertisements being published as compared to the number of publication contracted for.

ii) Sale of magazines

Revenue from the sale of magazines is net of returns and recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. The Directors or staff designated by the Directors attended counting of unsold magazines returned by the Distributor. The amount of income from sales of magazines is determined based on the number of copies of magazines passed to the Distributor for sale less the number of unsold copies of magazines returned by the Distributor.

b) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

c) Impairment of plant and equipment

At the end of reporting period, the directors review the carrying amount of plant and equipment to determine whether there is any indication that those have suffered an impairment loss. If any such indication exists, the directors carried out impairment reviews of plant and equipment. In making its judgement, management considered the future cash flows expected to arise from the cash generating unit and suitable discount rates in order to calculate the present value.

d) Impairment of trade receivables

The Group makes allowance for impairment loss based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed. Please also refer to the sub-section headed "Credit policies and control" of the "Business" section of this document for details on the procedures of the Group in handling outstanding trade receivables.

Others

For details of other significant accounting policies and key sources of estimation uncertainty relating to the Group's financial information, please refer to Notes 4 and 5 to the accountants' report as set out in Appendix I to this document.

RESULTS OF OPERATIONS

The following is a summary of the consolidated statement of profit or loss and other comprehensive income of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2013 and 2014 extracted from the accountants' report, the text of which is set out in Appendix I to this document. This summary should be read in conjunction with the accountants' report as set out in Appendix I to this document.

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Turnover	19,382,713	17,367,913	28,076,113	14,093,232	15,908,515
Cost of sales	(1,592,777)	(1,702,303)	(1,850,312)	(1,147,509)	(1,539,049)
Gross profit	17,789,936	15,665,610	26,225,801	12,945,723	14,369,466
Other revenue	2	22,282	26,140	13,338	6,743
Operating expenses	(2,033,031)	(4,357,517)	(7,229,795)	(5,489,557)	(6,842,672)
Profit from operations	15,756,907	11,330,375	19,022,146	7,469,504	7,533,537
Finance cost	(178,650)	(551,203)	(862,054)	(419,351)	(2,382,991)
Profit before taxation	15,578,257	10,779,172	18,160,092	7,050,153	5,150,546
Income tax	(2,568,613)	(2,047,233)	(3,587,266)	(1,666,490)	(1,820,674)
Profit and total comprehensive income for the year/period attributable to owners of the Company	13,009,644	8,731,939	14,572,826	5,383,663	3,329,872

PRINCIPAL INCOME STATEMENT COMPONENTS

Turnover

The Group's turnover mainly comprises advertising income, which is recognised upon the publication of the Magazines available to public. If the relevant advertising contract is not yet fully utilised before the financial period end, the advertising income is recognised by reference to the stage of completion of the contract. The advertising income accounted for approximately 95.6%, 96.5%, 98.3% and 98.3% of the turnover of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively. The Group also generated turnover from the sale of the Magazines. Revenue from the sale of the 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 such Magazines, and accounted for approximately 4.4%, 3.5%, 1.7% and 1.7% of the turnover of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively.

The Group generated all advertising income directly from its customers. The selling price for advertising spaces is based on the size and positioning of the advertisements within the Magazines and the relevant industry of the advertisements as classified by the

Group. The Directors consider that industries with higher profitability in general are more willing to spend on advertising to promote their products/services; and therefore, the Group strived to negotiate higher prices for orders from them on an arm's length basis. The sales of Magazines were mainly derived from the actual sales of copies of the Magazines in Hong Kong during the Track Record Period as well as Macau during the Track Record Period and until October 2012.

A breakdown on turnover by business activities of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2013 and 2014 is set out as below:

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Advertising income	18,535,695	16,763,653	27,589,191	13,768,425	15,631,924
Sales of the Magazines	847,018	604,260	486,922	324,807	276,591
	19,382,713	17,367,913	28,076,113	14,093,232	15,908,515

The turnover of the Group decreased by approximately 10.4% from approximately HK$19.4 million for the year ended 31 December 2011 to approximately HK$17.4 million for the year ended 31 December 2012. Advertising income decreased by approximately 9.6% from approximately HK$18.5 million for the year ended 31 December 2011 to approximately HK$16.8 million for the year ended 31 December 2012. Sales of the Magazines decreased by approximately 28.7% from approximately HK$0.8 million for the year ended 31 December 2011 to approximately HK$0.6 million for the year ended 31 December 2012. The decrease in advertising income for the year ended 31 December 2012 has no direct relationship with the drop of sales of the Magazines. The decrease in advertising income was in fact mainly due to the decrease of orders on [REDACTED] advertisements on the Group's magazines from Customer Group A, who was one of the top five customers in each of the Track Record Period. To the best knowledge of the Directors, Customer Group A cut down its budget to advertise in the Group's magazines for the year ended 31 December 2012 mainly because such customer has been appointed as an agent of a Korean brand beauty product since 2010. In the early stage, the Customer Group A spent more on advertising to promote the Korean brand beauty products so as to draw public awareness towards such beauty products in the market. Thereafter, the Customer Group A may consider that it can reduce the advertisement budget to lower level for the year ended 31 December 2012 for promoting the Korean brand beauty products as it has already caught certain public awareness in the market. The Directors confirmed that they have no information on whether or not the Group had lost the business to its competitors as they are not able to access to the information on distribution of annual advertising budget spending of the customer on different magazines/media.

The decrease in sales of Magazines (if not taking into account approximately HK$0.1 million overstated for the year ended 31 December 2011 due to the Late Unsold Magazines Counting Incident as mentioned below) was mainly attributable to the Group's effort on promoting the sales of the Magazines by engaging an Independent Third Party to print and distribute promotion leaflets in the second half of 2010, which improved the sales of the Magazines for the year ended 31 December 2011. While the Directors considered that the Magazines have obtained certain public awareness as some of the Magazines have been launched for about a year, no such activities to boost the sales have been carried out by the Group thereafter and the sales of the Magazines (except for Bplus which was launched in October 2011) for the year ended 31 December 2012 was lower as compared with the year ended 31 December 2011.

In addition, as a result of (i) the Group's late attendance for counting the numbers of unsold magazines for several issues during the year ended 31 December 2010 and (ii) the Group had finalised its financial statements for the year ended 31 December 2010 without recognising the sales of magazines during the period (the "**Late Unsold Magazines Counting Incident**"), approximately HK$0.1 million income from sales of the Magazines in relation to 13,542 copies of the Magazines sold was understated in the financial statements of the Group for the year ended 31 December 2010 and the same amount was overstated in the financial statements of the Group for the year ended 31 December 2011. The Directors confirmed that save for the Late Unsold Magazines Counting Incident mentioned above, there was no other late attendance which caused understatement/overstatement to the accounts of the Group during the Track Record Period. In order to avoid the re-occurrence of late attendance for counting, the Group will prepare a register to document the date of attendance; and such register will be checked and monitored by the financial controller of the Company in order to ensure no delay for counting the unsold magazines.

The turnover of the Group increased by approximately 61.7% from approximately HK$17.4 million for the year ended 31 December 2012 to approximately HK$28.1 million for the year ended 31 December 2013. Advertising income increased by approximately 64.6% from approximately HK$16.8 million for the year ended 31 December 2012 to approximately HK$27.6 million for the year ended 31 December 2013. Sales of the Magazines decreased by approximately 19.4% from approximately HK$0.6 million for the year ended 31 December 2012 to approximately HK$0.5 million for the year ended 31 December 2013. The increase in advertising income was mainly due to (i) the increase of orders of aggregate amount of approximately HK$3.9 million on [REDACTED] advertisements on the Group's magazines from two existing major customers; and (ii) additional orders of approximately HK$8.0 million on [REDACTED] advertisements on the Group's magazines from new major customers solicited by the sales team of the Group or introduced by the Group's existing customers during the year ended 31 December 2013.

To the best knowledge of the Directors, those two major existing customers which increased their budget to place advertisements in the Group's magazines for the year ended 31 December 2013 are in the (i) beauty and (ii) property agency sectors respectively. They placed more advertisements in the Group's magazines mainly for promoting (i) its new products and (ii) its brand along with the expansion of retail shops network respectively. The decrease in sales of Magazines was mainly attributable to the fact that only one issue of Motoz Trader was published in February 2013 because of the Chinese

New Year as compared to two issues of Motoz Trader were published in February 2012 and the allocation of more printing resources to the printing of Motoz Trader (Free) for the year ended 31 December 2013.

The turnover of the Group increased by approximately 12.9% from approximately HK$14.1 million for the eight months ended 31 August 2013 to approximately HK$15.9 million for the eight months ended 31 August 2014. Advertising income increased by approximately 13.5% from approximately HK$13.8 million for the eight months ended 31 August 2013 to approximately HK$15.6 million for the eight months ended 31 August 2014. Sales of the Magazines decreased by approximately 14.8% from approximately HK$0.32 million for the eight months ended 31 August 2013 to approximately HK$0.28 million for the eight months ended 31 August 2014. Advertising income increased mainly due to advertisement posted by six new Advertising Package customers between September 2013 and August 2014 solicited by the sales team of the Group or introduced by the existing customer. These six new Advertising Package customers contributed revenue of approximately nil and HK$5.7 million for each of the eight months ended 31 August 2013 and 2014 respectively. The growth in advertising income is partially offset by the approximately HK$2.4 million or 29.0% drop in revenue from Customer Group A between the eight months ended 31 August 2013 and 2014 mainly because it has ceased the online books and online education selling business in early 2014.

Breakdown on turnover by magazines of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2013 and 2014 is set out as below:

	Year ended 31 December						Eight months ended 31 August			
	2011		2012		2013		2013		2014	
	Advertising income	Sales of magazines	Advertising income	Sales of magazines	Advertising income	Sales of Magazines	Advertising Income	Sales of Magazine	Advertising income	Sales of Magazines
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$ (unaudited)*	*HK$ (unaudited)*	*(Approx. HK$)*	*(Approx. HK$)*
Motoz Trader	5,505,704	599,972	4,980,403	374,490	7,456,321	296,240	4,228,787	210,460	4,332,500	190,300
Motoz Trader (Free)	4,347,491	–	6,851,125	–	10,230,543	–	5,918,864	—	6,603,724	–
Motoz Xpress/ Shopping Monthly	5,687,200	131,045	3,922,987	168,360	5,440,257	128,768	2,706,194	88,448	2,879,282	67,544
Motoz Xpress/ Shopping Monthly (Free)	–	–	–	–	2,747,505	–	532,670	—	1,198,546	–
Pets Buyer	2,260,300	106,965	755,020	47,430	812,713	40,230	283,602	18,855	292,263	13,635
Bplus	735,000	9,036	254,118	13,980	901,852	21,684	98,308	7,044	325,609	5,112
	18,535,695	847,018	16,763,653	604,260	27,589,191	486,922	13,768,425	324,807	15,631,924	276,591

Notes:

1. 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 magazines are delivered to customers and title has passed.

2. There was no advertising income generated from the first issue of Pets Buyer as all advertisements placed on such issue were free of charge for promotion of the magazine.

Pursuant to the terms of the Distribution (for sales) Agreements, the Distributor has also distributed the Magazines to Macau during the Track Record Period and until October 2012. However, since the Distributor did not provide information on the number of Magazines sold in Macau, analysis of the Group's circulation income by geographical regions is not available. The Distributor recorded total number of magazines sold in Macau and Hong Kong but the information provided by the Distributor did not show specifically the number of magazines sold in each of Macau and Hong Kong. As no separate information on revenue by Hong Kong and Macau has been provided by the Distributor, only the total revenue and relevant receivables for the magazines sold in Hong Kong and Macau were properly recognised in the Track Record Period.

Cost of sales

Cost of sales of the Group during the Track Record Period mainly consists of (i) printing charges and (ii) selling and distribution expenses. The printing charges included all material costs such as paper, ink and other costs of production.

A breakdown on cost of sales of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2013 and 2014 is set out as below:

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Printing charges	1,322,060	1,495,771	1,684,920	1,036,800	1,445,940
Selling and distribution expenses					
– Magazines distribution expenses	270,717	206,532	165,392	110,709	93,109
	1,592,777	1,702,303	1,850,312	1,147,509	1,539,049

Total cost of sales of the Group increased by approximately 6.9% from approximately HK$1.6 million for the year ended 31 December 2011 to approximately HK$1.7 million for the year ended 31 December 2012. Despite the decrease in turnover, total costs of sales of the Group increased for the year ended 31 December 2012 was mainly because of the increase in printing charges. Total cost of sales of the Group increased further by approximately 8.7% to approximately HK$1.9 million for the year ended 31 December 2013 mainly due to the increase in printing charges.

Total cost of sales increased by approximately 34.1% from approximately HK$1.1 million for the eight months ended 31 August 2013 to approximately HK$1.5 million for the eight months ended 31 August 2014. Total costs of sales of the Group increased for the eight months ended 31 August 2014 was mainly because of the increase in printing cost as a result of the increased printing copies of Motor Trader (Free).

During the two years ended 31 December 2012, the total printing costs amounted to approximately HK$1.3 million and HK$1.5 million respectively, represented an increase of approximately 13.1%; and the total number of printed copies of the Magazines were approximately 207,700 and 231,400 copies respectively. Printing charges for the year ended 31 December 2012 increased mainly because (i) printed copies of Bplus increased by approximately 96.1% from the year ended 31 December 2011 to the year ended 31 December 2012 following the launch of Bplus in October 2011; and (ii) printed copies of

Motoz Trader increased by approximately 19.0% from the year ended 31 December 2011 to the year ended 31 December 2012 as the Group started distributing the return of unsold copies of Motoz Trader to foot massage shops and hair salons pursuant to an agreement dated 5 November 2012 entered with the Distributor and therefore more copies of the Magazines were printed by the Group for distribution.

The total printing costs increased by approximately 12.6% from approximately HK$1.5 million for the year ended 31 December 2012 to approximately HK$1.7 million for the year ended 31 December 2013; and the total number of printed copies of Magazines for the year ended 31 December 2013 was approximately 284,000 copies. Printing charges for the year ended 31 December 2013 increased mainly because (i) printed copies of Motoz Trader (Free) increased by approximately 97.3% during the year ended 31 December 2013; and (ii) additional printed copies of Motoz Xpress/Shopping Monthly (Free) were incurred for the year ended 31 December 2013 as the Group launched this magazine in June 2013.

The total printing costs increased by approximately 39.5% from approximately HK$1.0 million for the eight months ended 31 August 2013 to approximately HK$1.4 million for the eight months ended 31 August 2014. The increase in printing charges was mainly because number of printed copies of Motoz Trader (Free) increased from approximately 61,100 copies for the eight months ended 31 August 2013 to approximately 132,000 copies for the eight months ended 31 August 2014.

The selling and distribution expenses for each of the three years ended 31 December 2013 and eight months ended 31 August 2014 represented amounts paid in relation to the distribution of the paid version of the Group's magazines only.

The selling and distribution expenses decreased slightly from approximately HK$0.3 million for the year ended 31 December 2011 to approximately HK$0.2 million for the year ended 31 December 2012 mainly because the decrease in number of copies sold for Motoz Trader, Motoz Xpress/Shopping Monthly and Pets Buyer, partially offset by the increase in number of copies sold for Bplus and the slight increase in number of copies distributed for Motoz Trader (Free). Reasons for the decrease in sales of the Magazines was mentioned under the paragraph headed "Turnover" above of this section.

The selling and distributions expenses decreased slightly but maintained at approximately HK$0.2 million for the year ended 31 December 2013 mainly because of the decrease in number of copies sold for the Magazines. Only one issue of Motoz Trader was published in February 2013 because of the Chinese New Year as compared to two issues of Motoz Trader were published in February 2012 and the allocation of more printing resources to the printing of Motoz Trader (Free) for the year ended 31 December 2013.

The selling and distributions expenses decreased from approximately HK$110,709 for the eight months ended 31 August 2013 to approximately HK$93,109 for the eight months ended 31 August 2014 mainly due to decrease in the magazines sold.

Gross profit and gross profit margin

The gross profits of the Group were approximately HK$17.8 million, HK$15.7 million and HK$26.2 million for the three years ended 31 December 2013 respectively. The gross profit margin of the Group maintained at approximately 91.8% for the year ended 31 December 2011, approximately 90.2% for the year ended 31 December 2012 and approximately 93.4% for the year ended 31 December 2013.

The gross profits of the Group were approximately HK$12.9 million and HK$14.4 million for the eight months ended 31 August 2013 and 2014 respectively. The gross profit margin of the Group maintained at approximately 91.9% for the eight months ended 31 August 2013 and approximately 90.3% for the eight months ended 31 August 2014.

Other revenue

The Group recorded other revenue of HK$22,282 and HK$26,140 for the two years ended 31 December 2013, which was mainly income from disposal of scrap papers of HK$22,280 and HK$26,139 respectively. The Reporting Accountants confirmed that rather than setting off with the delivery charges, income generated from the disposal of scrap papers should be classified as other revenue in the financial statements of the Group. However, given the income generated from the disposal of scrap papers was immaterial; they concur with the Directors' view that no adjustment was made to the financial statements for the year ended 31 December 2011. Going forward, the Group will continue to record income from disposal of scrap papers under other revenue in its financial statements. In addition, other revenue also includes HK$2, HK$2 and HK$1 bank interest income for the three years ended 31 December 2013 respectively.

The Group recorded other revenue of HK$13,338 and HK$6,743 for the eight months ended 31 August 2013 and 2014 respectively, which was (i) income from disposal of scrap papers of approximately HK$13,338 and HK$6,737 respectively; and (ii) bank interest income of nil and approximately HK$6 respectively for the eight months ended 31 August 2013 and 2014. The decrease in income from disposal of scrap papers was mainly because of the decrease in the unsold copies of Magazines.

Operating expenses

The operating expenses of the Group increased by approximately 114.3% from HK$2.0 million for the year ended 31 December 2011 to approximately HK$4.4 million for the year ended 31 December 2012; and further increased by approximately 65.9% to approximately HK$7.2 million for the year ended 31 December 2013. The increase in the operating expenses was primarily due to the increase in payroll expense, directors' salary, auditors' fee, loss on disposal and the newly incurred listing expenses during the three years ended 31 December 2013.

The operating expenses of the Group increased by approximately 24.6% from approximately HK$5.5 million for the eight months ended 31 August 2013 to approximately HK$6.8 million for the eight months ended 31 August 2014. The increase in the operating expenses was primarily due to increase in delivery charges and more professional fees for the Listing.

A breakdown on major operating expenses of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2013 and 2014 is set out as below:

	Year ended 31 December			Eight months ended 31 August	
	2011	2012	2013	2013	2014
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Auditors' fee	200,000	240,000	240,000	200,000	200,000
Bank charge	10,790	66,136	34,795	18,250	23,980
Car expense	39,231	24,071	16,021	12,047	6,821
Consultant fee	–	–	42,000	22,800	38,400
Delivery charge	49,467	107,938	409,179	162,616	566,400
Depreciation – motor vehicle	76,790	41,781	–	–	–
Directors' salary and MPF	320,000	453,750	546,000	302,750	337,000
Housing rental	129,200	114,400	–	–	–
Listing expenses	–	1,541,505	3,345,761	3,032,650	3,877,603
Office rental	102,000	102,500	193,000	113,000	160,000
Payroll expenses and MPF	844,615	1,272,191	1,986,749	1,312,724	1,343,662
Professional fee	27,105	63,505	124,528	90,786	117,207
Loss on disposal	63,465	120,493	–	–	–
Other operating expenses	170,368	209,247	291,762	221,934	171,599
	2,033,031	4,357,517	7,229,795	5,489,557	6,842,672

Auditors' fee

Auditors' fee increased by approximately 20.0% from HK$200,000 for the year ended 31 December 2011 to HK$240,000 for the year ended 31 December 2012 mainly due to the engagement of auditors to provide additional professional services for the preparation of the previous attempt for [REDACTED] in 2013. The auditors' fee maintained at HK$240,000 for the year ended 31 December 2013.

Auditors' fee maintained at HK$200,000 for the eight months ended 31 August 2013 and 2014.

Bank charge

Bank charge increased from HK$10,790 for the year ended 31 December 2011 to HK$66,136 for the year ended 31 December 2012 mainly due to the arrangement fee of new bank loans. Bank charge decreased by approximately 47.4% to HK$34,795 for the year ended 31 December 2013 mainly due to the reduction of arrangement fee as fewer new bank loans were arranged compared to the previous year.

Bank charge increased slightly from HK$18,250 for the eight months ended 31 August 2013 to HK$23,980 for the eight months ended 31 August 2014.

Car expense

Car expense decreased by approximately 38.6% from approximately HK$39,231 for the year ended 31 December 2011 to HK$24,071 for the year ended 31 December 2012 mainly due to the decrease of licences and insurance expenses and repair and maintenance expenses as a result of the disposal of a motor vehicle in June 2011 and September 2012 respectively. Car expense further decreased by approximately 33.4% to HK$16,021 for the year ended 31 December 2013 mainly due to reduction of parking costs and fuel costs incurred during the year.

Car expense decreased by approximately 43.4% from HK$12,047 for the eight months ended 31 August 2013 to HK$6,821 for the eight months ended 31 August 2014 mainly due to decrease in parking and fuel cost incurred.

Consultancy fee

Consultant fees of approximately HK$42,000 was newly incurred for the year ended 31 December 2013 due to the appointment of the Consultant since April 2013 for reviewing the content of the Magazines before publication to ensure the advertisements and the content in the Magazines are in compliance with all the relevant laws and regulations.

Consultant fees increased from HK$22,800 for the eight months ended 31 August 2013 to HK$38,400 for the eight months ended 31 August 2014 mainly due to the appointment of the Consultant since April 2013 for reviewing the content of the Magazines before publication to ensure the advertisements and the content in the Magazines are in compliance with all the relevant laws and regulations.

Delivery charge

During the Track Record Period, the delivery charge of the Group mainly included (i) charges for delivery of magazines from the Distributor to Macau for sale; (ii) charges for delivery of free version of magazines from the Distributor to the despatching points or delivery of Magazines from the Distributor to the free reading points; (iii) charges for delivery of unsold and returned magazines from the Distributor to the Group upon requests; (iv) the Next Issue Publication Fee and set off by the refund of Next Issue Publication Fee (after deducting the difference if distributor income is lower) or the irrevocable fixed amount of publication fee for Magazines as mentioned in the sub-paragraph headed "Distribution services" under the paragraph headed "Suppliers" under the "Business" section of this document; (v) one-off payments for starting the sale of magazines at convenience stores as detailed in the paragraph headed "Sales of magazines and distribution of free magazines" under the "Business" section of this document; (vi) the set off by the income from the sale of scrap papers for the year ended 31 December

2011 only (please refer to the paragraph headed "Other revenue" above of this section); and (vii) any shortfall payable to the Distributor pursuant to the agreement entered into between Ocean Media and the Distributor on 8 November 2013 regarding sales profit guarantee to a convenience stores chain in Hong Kong (please refer to the sub-paragraph headed "(ii) principal terms for the sales profit guarantee for Motoz Xpress/Shopping Monthly and Motoz Trader" under the paragraph headed "Distribution services" of the sub-section headed "Suppliers" of the "Business" section of this document for details).

Income generated by the Group from the disposal of scrap papers which was set off by the delivery charges was approximately HK$12,449, nil and nil for the three years ended 31 December 2013 respectively. Income generated by the Group from the disposal of scrap papers was HK$13,338 and HK$6,737 for the eight months ended 31 August 2013 and 2014 respectively and was recognised in other revenue. As a result of the Group's Late Unsold Magazines Counting Incident, income from sales of scrap papers of approximately HK$1,625, delivery charge for magazines from the Distributor to Macau of approximately HK$40 and delivery charge for free versions of magazines of HK$3,588 were understated for the year ended 31 December 2010 and the corresponding amounts were overstated for the year ended 31 December 2011.

For the year ended 31 December 2012 and onward, no set off between such income and the delivery charges has taken place; and as a result, the delivery charge increased to approximately HK$107,938. For the year ended 31 December 2013, the delivery charges further increased to approximately HK$409,179 mainly due to (i) the irrevocable fixed publication fees charged by the Distributor of HK$1,500, HK$3,000, HK$3,000 and HK$3,000 for distribution of each issue of "Motoz Trader", "Motoz Xpress/Shopping Monthly", "Bplus" and "Pets Buyer" respectively starting from September 2012 (please refer to the sub-paragraph headed "(i) Distribution of paid version of Magazines for sales and the principal terms of the Distribution (for sales) Agreements" under "Distribution services" of the sub-section headed "Suppliers" of the "Business" section of this document for details); (ii) increase in number of distribution points for distributing Motoz Trader (Free) subsequent to the entering of the relevant Distribution (for free) Agreement with the Distributor on 3 June 2013 for the distribution of Motoz Trader (Free) since issue number #108 to various locations including foot massage shops and hair salons and places as designated by Ocean Media in Hong Kong and distribution of Motoz Xpress/Shopping Monthly (Free) since its launch in June 2013; and (iii) the monthly fee of HK$11,800 for displaying one copy of current issue of Bplus in the 90 selected coffeehouses in Hong Kong since October 2013.

The delivery charge was increased by approximately 248.3% from approximately HK$0.2 million for the eight months ended 31 August 2013 to approximately HK$0.6 million for the eight months ended 31 August 2014 mainly due to (i) the increase of free distribution points in respect of Motoz Trader (free) and Motoz Xpress/Shopping Monthly (free); (ii) additional fees for the distribution of Motoz Xpress/Shopping Monthly (free) to a business partner operating parking lots in Hong Kong since June 2013; and (iii) additional fees for displaying Bplus to a business partner operating coffeehouse chain in Hong Kong since October 2013 and the increase of such fees since February 2014.

Depreciation – motor vehicle

Depreciation of motor vehicle decreased by approximately 45.6% from approximately HK$76,790 for the year ended 31 December 2011 to approximately HK$41,781 for the year ended 31 December 2012 due to the disposal of a motor vehicle in June 2011 and September 2012 respectively. No depreciation of motor vehicle was incurred in the year ended 31 December 2013 as the Group no longer holds motor vehicle since the disposal in September 2012.

Directors' salary

Directors' salary increased by approximately 42.9% from approximately HK$0.3 million for the year ended 31 December 2011 to approximately HK$0.5 million for the year ended 31 December 2012 mainly due to the increase in salaries paid to the executive Directors in view of additional works involved in the previous attempt for [REDACTED] in 2013. It further increased by approximately 19.3% for the year ended 31 December 2013 mainly due to the appointment of a non-executive Director in April 2013.

Directors' salary for the eight months ended 31 August 2013 and 2014 maintained at approximately HK$0.3 million.

Housing rental

Housing rental decreased by approximately 11.5% from HK$129,200 for the year ended 31 December 2011 to approximately HK$114,400 for the year ended 31 December 2012. The decrease in housing rental was mainly due to the termination of the rental agreement in relation to a directors' quarter since August 2012. No housing rental was incurred in the year ended 31 December 2013 and the eight months ended 31 August 2014.

Listing expenses

Listing expenses of approximately HK$1.5 million and HK$3.3 million respectively were incurred during the two years ended 31 December 2013. Approximately HK$0.1 million and HK$0.5 million respectively were non-recurring expenses in relation to the Listing, and approximately HK$1.4 million and HK$2.8 million respectively were recognised as [REDACTED] application expenses in relation to the previous attempt for [REDACTED] in 2013. There were no such expenses for the year ended 31 December 2011.

Listing expenses was approximately HK$3.0 million and approximately HK$3.9 million during the eight months ended 31 August 2013 and 2014, respectively. Out of approximately HK$3.9 million for the eight months ended 31 August 2014, approximately HK$3.7 million was non-recurring expenses in relation to the Listing, and approximately HK$0.2 million was recognised as the [REDACTED] application expenses in relation to the previous attempt for [REDACTED] in 2014.

Office rental

Office rental was HK$102,000 for the year ended 31 December 2011 and approximately HK$102,500 for the year ended 31 December 2012. The slight increase in office rental was mainly due to the upward adjustment on monthly office rental from HK$8,500 to HK$9,000 since November 2012. Office rental increased to HK$193,000 for the year ended 31 December 2013 mainly due to the increase in office rental for the Former Leased Property since December 2012. Such lease agreement was terminated with effect from 19 July 2013 and the leasing of a new office located in Kowloon Bay with higher monthly office rental of HK$20,000 was effected since June 2013.

Office rental increased by approximately 41.6% from approximately HK$0.1 million for the eight months ended 31 August 2013 to approximately HK$0.2 million for the eight months ended 31 August 2014 mainly due to increase of office rental of Former Leased Property and the relocation to the New Leased Property with higher office rental.

Payroll expenses and MPF

Payroll expenses and MPF increased by approximately 50.6% from approximately HK$0.8 million for the year ended 31 December 2011 to approximately HK$1.3 million for the year ended 31 December 2012. The increase in payroll expense and MPF was mainly due to the employment of two full time accounting staff. Payroll expenses and MPF further increased by approximately 56.2% to approximately HK$2.0 million for the year ended 31 December 2013 mainly because one full time accounting staff was employed since September 2012 and bonus paid to the sales staff increased.

Payroll expenses and MPF for the eight months ended 31 August 2013 and 2014 maintained at approximately HK$1.3 million.

Professional fee

Professional fee increased by approximately 134.3% from approximately HK$27,105 for the year ended 31 December 2011 to approximately HK$63,505 for the year ended 31 December 2012. The professional fee incurred for the year ended 31 December 2011 was mainly the retainer fee paid to a legal adviser for handling legal matters, if any; and such engagement was not continued for the year ended 31 December 2012. The Group engaged an independent firm to assist the improvement of its operation manual and incurred professional fee of approximately HK$50,000 for the year ended 31 December 2012. Professional fee was approximately HK$0.1 million for the year ended 31 December 2013, represented an increase of approximately 96.1% compared to the year ended 31 December 2012. The increase in professional fees was mainly due to (i) annual company secretarial fee in relation to overseas incorporated companies within the Group; (ii) costs of the around two-hour training seminar held by a law firm in Hong Kong on general legal topics relating to publication business for Directors and department heads of the Group; and (iii) costs of Quarterly Internal Control Review Reports.

Professional fee increased by approximately 29.1% from approximately HK$91,000 for the eight months ended 31 August 2013 to approximately HK$0.1 million for the eight months ended 31 August 2014 mainly due to additional training course arranged for the current non-executive Director.

Loss on disposal

Loss on disposal of approximately HK$63,465 and approximately HK$0.1 million for the two years ended 31 December 2012 respectively were mainly a result of disposal of a motor vehicle in June 2011 and another motor vehicle in September 2012 respectively. The disposal of a wholly-owned subsidiary, Galaxy Star, resulted in a loss on disposal of HK$3 for the year ended 31 December 2012, being the difference between the investment cost of HK$4 and the consideration of disposed of HK$1 in view of the net liability position of Galaxy Star. No loss on disposal was incurred in the year ended 31 December 2013 and the eight months ended 31 August 2014.

Other operating expenses

Other operating expenses increased by approximately 22.8% from approximately HK$170,368 for the year ended 31 December 2011 to approximately HK$209,247 for the year ended 31 December 2012, and further increased by approximately 39.4% to approximately HK$291,762 for the year ended 31 December 2013. Other operating expenses decreased by approximately 22.7% from HK$221,934 for the eight months ended 31 August 2013 to HK$171,599 for the eight months ended 31 August 2014. Other major operating expenses comprised transportation fees, staff insurance, entertainment, depreciation of furniture and fixtures and stationery.

Finance costs

A breakdown on finance costs of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2013 and 2014 is set out below:

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$* *(unaudited)*	*HK$*
Interest on bank overdraft	19,619	15,119	17,745	12,539	32,373
Interests on bank loans wholly repayable within five years	159,031	536,084	591,297	406,812	344,223
Interest on the Pre-[REDACTED] Convertible Bonds	–	–	253,012	–	2,006,395
	178,650	551,203	862,054	419,351	2,382,991

The finance costs of the Group increased from approximately HK$0.2 million for the year ended 31 December 2011 to approximately HK$0.6 million for the year ended 31 December 2012 which was mainly attributable to the increase in the interest on bank loans wholly payable within five years as more bank loans were drawn by the Group. The maximum aggregate amount of bank loans advanced by the Group during the year ended 31 December 2012 of approximately HK$11.9 million was relatively high as compared to approximately HK$3.6 million during the year ended 31 December 2011 and the bank loans advanced by the Group were mainly used for settlement of listing expenses and corporate tax.

The finance costs of the Group amounted to approximately HK$0.9 million for the year ended 31 December 2013, represented to an increase of approximately 56.4% compared to the year ended 31 December 2012. The increase was mainly due to the incurring of interest on the Pre-[REDACTED] Convertible Bonds during the year. Please refer to sub-section headed "Pre-[REDACTED] Investments" under the "History and development" section of this document for more details.

The finance costs of the Group increased from approximately HK$0.4 million for the eight months ended 31 August 2013 to approximately HK$2.4 million for the eight months ended 31 August 2014 mainly attributable to the newly incurred interest of approximately HK$[2.0] million on Pre-[REDACTED] Convertible Bonds.

Income tax

Income tax expenses of the Group amounted to approximately HK$2.6 million and HK$2.0 million for the two years ended 31 December 2012 respectively. The decrease in income tax was mainly due to the slight decrease in profit before taxation of the Group. Income tax expenses for the year ended 31 December 2013 increased by approximately 75.2% to approximately HK$3.6 million, which was mainly due to the increase in profit before taxation of the Group during the year. The applicable tax rates of the Group was 16.5% for the Track Record Period.

Income tax expenses of the Group amounted to approximately HK$1.7 million and approximately HK$1.8 million for the eight months ended 31 August 2013 and 2014 respectively.

Profit for the year attributable to the owners of the Company

In view of the foregoing (including listing expenses of approximately HK$1.5 million and HK$3.3 million incurred during the two years ended 31 December 2013 respectively), the net profit of the Group decreased by approximately 32.9% from approximately HK$13.0 million for the year ended 31 December 2011 to approximately HK$8.7 million for the year ended 31 December 2012; while increased by approximately 66.9% to approximately HK$14.6 million for the year ended 31 December 2013 mainly because of the increase in advertising income.

The net profit of the Group decreased by approximately 38.1% from approximately HK$5.4 million for the eight months ended 31 August 2013 to approximately HK$3.3 million for the eight months ended 31 August 2014 mainly because of the increase in delivery charges and listing expenses as well as the newly incurred imputed interest in relation to Pre-[REDACTED] Convertible Bonds mentioned above.

The financial performance of the Group for the three months ended 30 November 2014

Based on the unaudited management accounts of the Group, the turnover of the Group increased by approximately 3.2% from approximately HK$8.1 million for the three months ended 30 November 2013 to approximately HK$8.4 million for the three months ended 30 November 2014. Such increase was mainly due to advertisements posted by a new customer. Also, the revenue from the major existing customer, Customer Group A, increased by HK$1.6 million between the three months ended 30 November 2013 and 2014, as in 2014 the Customer Group A posted most advertisements in October and November 2014, whereas in 2013 Customer Group A posted most advertisements in August 2013 because Customer Group A focused on promoting some new beauty products of a Korean brand in around August 2013. Advertising income of the Group increased by approximately 3.6% to approximately HK$8.3 million for the three months ended 30 November 2014 as compared with the corresponding period in 2013. Sales of magazines decreased from approximately HK$0.1 million for the three months ended 30 November 2013 to approximately HK$ 84,000 for the three months ended 30 November 2014. Cost of sales of the Group increased by approximately 11.7% from approximately HK$487,000 for the three months ended 30 November 2013 to approximately HK$544,000 for the three months ended 30 November 2014. The increase was mainly due to the cost incurred for increasing printing copies of Motoz Trader (Free) and Motoz Xpress/Shopping Monthly (Free).

The unaudited financial information of the Group in relation to 30 November 2014, including the Group's revenue for the three months ended 30 November 2014, information of the Group's net current assets and indebtedness as at 30 November 2014, are extracted or derived from the Group's unaudited consolidated financial statements for the eleven months ended 30 November 2014 prepared by the Directors in accordance with the Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the HKICPA, which were reviewed by the Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA.

MAJOR RISK FACTORS

The Group's business and financial performance may be affected by a number of factors. Please refer to the "Risk factors" section of this document.

PROFIT ESTIMATE

On the bases as set out in Appendix III to this document and in the absence of unforeseen circumstances, the Group believes that its estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2014 will be no less than HK$[6.0] million under the HKFRSs.

DIVIDENDS AND DIVIDEND POLICY

The Group declared dividend of HK$4 million to its Shareholders on 21 January 2015 and paid HK$950,000 and HK$3.05 million on 21 January 2015 and 22 January 2015 respectively. The Group declared and paid dividends of approximately HK$8.7 million, HK$11.9 million, HK$8.9 million and HK$9.1 million for the three years ended 31 December 2013 and the eight months ended 31 August 2014 respectively.

Dividends may be paid out by way of cash or by other means that the Group considers appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including results of operations, financial condition, the payment by the Group's subsidiaries of cash dividends to us; and other factors the Board may deem relevant.

There will be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

IMPACT OF NON-RECURRING EXPENSES

The financial results of the Group will be affected by the non-recurring expenses in relation to the Listing. The estimated listing expenses in relation to the Listing are approximately HK$[16.1] million (based on the [REDACTED] of HK$[REDACTED], being the midpoint of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED]), of which approximately HK$[3.7] million is directly attributable to the issue of [REDACTED] under the [REDACTED] and is expected to be accounted for as a deduction from equity. The remaining listing expenses of approximately HK$0.1 million, HK$0.5 million, HK$[3.7] million, HK$[3.6] million and HK$[4.5] million have been/are expected to be charged to the statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2012, 31 December 2013, the eight months ended 31 August 2014, the remaining of the year ended 31 December 2014 and the year ending 31 December 2015 respectively. During the two years ended 31 December 2013 and the eight months ended 31 August 2014, the Group had recognised [REDACTED] application expenses in relation to the previous attempt for [REDACTED] of approximately HK$1.4 million, HK$2.8 million and HK$0.2 million respectively in the statement of profit or loss and other comprehensive income. Expenses in relation to the [REDACTED] are non-recurring. Accordingly, the Board wishes to inform the Shareholders and potential investors that the Group's financial results for the year ending 31 December 2015 will be affected by the estimated expenses in relation to the [REDACTED].

Shareholders and potential investors should note that the financial performance of the Group for the year ending 31 December 2015 would be materially and adversely affected by the estimated expenses in relation to the [REDACTED] mentioned above, and may or may not be comparable to the financial performance of the Group in the past.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash flow

The Group's working capital and other capital requirements were principally satisfied by cash generated from its operations and bank loans.

Set out below is the summary of cash flows of the Group for the three years ended 31 December 2013 and the eight months ended 31 August 2013 and 2014:

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Cash and cash equivalents at the beginning of the year/period	524,835	973,392	578,321	578,321	8,996,693
Net cash generated from operating activities	7,441,149	3,623,515	14,456,039	3,351,672	17,459,478
Net cash (used in)/generated from investing activities	122,248	(15,065)	(19,791)	(8,362)	(8,694)
Net cash (used in)/generated from financing activities	(7,114,840)	(4,003,521)	(6,017,876)	(3,830,698)	660,121
Net increase/(decrease) in cash and cash equivalents	448,557	(395,071)	8,418,372	(487,388)	18,110,905
Cash and cash equivalents at the end of the year/period	973,392	578,321	8,996,693	90,933	27,107,598

Operating activities

Cash flow from operating activities reflected profit for the year adjusted for non-cash items such as depreciation and loss on disposal of plant and equipment and the effects of cash flows arising from increases in amount due from a director, trade and other receivables as well as trade and other payables.

Net cash generated from operating activities for the year ended 31 December 2011 was approximately HK$7.4 million. The Group generated approximately HK$15.9 million cash inflow from operating profit before changes in working capital and taxation, adjusted for (i) income tax paid of approximately HK$0.4 million; (ii) the increase in the amount due from a director of approximately HK$0.4 million arising from the increase in cash advance to the director; (iii) the increase in trade and other receivables of approximately HK$7.7 million and (iv) the decrease in trade and other payables of HK$86,967. The trade receivables increased for the year ended 31 December 2011 mainly because of the growth in revenue during the year.

Net cash generated from operating activities for the year ended 31 December 2012 was approximately HK$3.6 million. The Group generated approximately HK$11.5 million net cash inflow from operating profit before changes in working capital and taxation. adjusted for (i) income tax paid of approximately HK$5.7 million; (ii) increase in the amount due from a director of approximately HK$1.7 million arising from the increase in cash advance to the director, (iii) increase in trade and other receivables of approximately HK$1.2 million; and (iv) increase in trade and other payables of approximately HK$0.7 million. Please refer to the sub-paragraphs headed "Trade and other receivables" and the sub-paragraphs headed " Trade and other payables" under the paragraphs headed "Net current assets" below for the reasons of the increase/decrease of trade and other receivables and trade and other payables respectively.

Net cash generated from operating activities for the year ended 31 December 2013 was approximately HK$14.5 million. The Group generated approximately HK$19.0 million net cash inflow from operating profit before changes in working capital and taxation, adjusted for (i) income tax paid of approximately HK$1.0 million; (ii) decrease in the amount due from a director of approximately HK$2.2 million due to the settlement of part of the outstanding balance during the year; (iii) increase in trade and other receivables of approximately HK$6.6 million; and (iv) increase in trade and other payables of approximately HK$0.9 million. The increase in trade receivables for the year ended 31 December 2013 was mainly due to additional orders on [REDACTED] advertisements on the Group's magazines from new major customers solicited during the year ended 31 December 2013. Please refer to the sub-paragraphs headed "Trade and other receivables" and the sub-paragraphs headed " Trade and other payables" under the paragraph headed "Net current assets" below for further reasons of the increase/decrease of trade and other receivables and trade and other payables respectively.

Net cash generated from operating activities for the eight months ended 31 August 2013 was approximately HK$3.4 million. The Group generated approximately HK$7.5 million net cash inflow from operating activities before changes in working capital and taxation, adjusted for (i) the decrease in the amount due from a director of approximately HK$2.8 million; (ii) the increase in trade and other receivables of approximately HK$7.1 million and (iii) the increase in trade and other payables of approximately HK$0.2 million. The trade receivables for the eight months ended 31 August 2013 increased mainly because trade receivables accumulated as advertising customer posted additional orders on advertisement during the period but the trade receivables due from several major customers arising from advertising income in 2013 have not been settled as most of these trade receivables have long credit period.

Net cash generated from operating activities for the eight months ended 31 August 2014 was approximately HK$17.5 million. The Group generated approximately HK$7.5 million net cash inflow from operating profit before changes in working capital and taxation, adjusted for (i) income tax paid of approximately HK$0.5 million; (ii) the decrease in trade and other receivables of approximately HK$10.0 million and (iii) the increase in trade and other payables of approximately HK$0.5 million. The decrease in trade receivables was mainly due to improvement of settlement of payments by customers. Please refer to the sub-paragraphs headed "Trade and other receivables" and the sub-paragraphs headed "Trade and other payables" under the paragraph headed "Net current assets" below for further reasons of the increase/decrease of trade and other receivables and trade and other payables respectively.

As at 31 December 2011 and 2012, the Group has amount due from a director of approximately HK$0.4 million and HK$2.2 million respectively since the Group made these advances to the Director as petty cash for the then proposed office renovation and purchase of additional fixed assets as a result of the relocation of the office of Ocean Media during the year ended 31 December 2011; and financing the Director's personal business during the year ended 31 December 2012. The advances to the Director as at 31 December 2011 and 2012 have been fully settled in February 2012 and March 2013 respectively. The maximum amounts due from director were approximately HK$2.5 million and HK$3.2 million for the year ended 31 December 2013 and the eight months ended 31 August 2014 respectively. Such amounts relates to the advances to Mr. Kwan for his short term personal use. There were no amounts due from director as at 31 December 2013 and as at 31 August 2014.

Investing activities

The Group's net cash generated from investing activities for the year ended 31 December 2011 was approximately HK$0.1 million mainly due to the payment for the purchase of plant and equipment of approximately HK$0.1 million, the proceeds from disposal of plant and equipment of HK$55,000 and the decrease in pledged bank deposits of approximately HK$0.2 million.

The Group's net cash used in investing activities for the year ended 31 December 2012 was approximately HK$15,065 mainly due to the payment for the purchase of plant and equipment of approximately HK$25,567, the proceeds from disposal of plant and equipment of HK$10,500; and the interest income of approximately HK$2.

The Group's net cash used in investing activities for the year ended 31 December 2013 was approximately HK$19,791 mainly due to the payment for the purchase of plant and equipment of approximately HK$19,792 and the interest income of approximately HK$1.

The Group's net cash used in investing activities for the eight months ended 31 August 2013 was HK$8,362 which represented payment for the purchase of plant and equipment.

The Group's net cash used in investing activities for the eight months ended 31 August 2014 was HK$8,694 which mainly represented payment for the purchase of plant and equipment.

Financing activities

The Group's net cash used in financing activities for the year ended 31 December 2011 was approximately HK$7.1 million mainly due to the dividends paid of approximately HK$8.7 million, repayment of bank loans of approximately HK$0.8 million and interest paid of approximately HK$0.2 million; and the drawn down of new bank loans of approximately HK$2.5 million.

The Group's net cash used in financing activities for the year ended 31 December 2012 was approximately HK$4.0 million mainly due to the dividends paid of approximately HK$11.9 million, repayment of bank loans of approximately HK$2.5 million and interest paid of approximately HK$0.5 million; and the drawn down of new bank loans of approximately HK$10.9 million.

The Group's net cash used in financing activities for the year ended 31 December 2013 was approximately HK$6.0 million mainly due to the dividends paid of approximately HK$8.9 million, repayment of bank loans of approximately HK$5.3 million and interest paid of approximately HK$0.6 million; proceeds from issue of the convertible bonds of HK$5.0 million and the drawn down of new bank loans of approximately HK$3.8 million.

The Group's net cash used in financing activities for the eight months ended 31 August 2013 was approximately HK$3.8 million mainly due to repayment of bank loans of approximately HK$3.4 million and interest paid of approximately HK$0.4 million.

The Group's net cash generated from financing activities for the eight months ended 31 August 2014 was approximately HK$0.7 million mainly due to dividend paid of approximately HK$9.1 million, drawn down of new bank loans of approximately HK$0.5 million, repayment of bank loans of approximately HK$4.8 million, interest paid of approximately HK$0.4 million, proceeds from issue of convertible bond of HK$15.0 million and prepayment for listing expenses of approximately HK$0.6 million.

Net current assets

As at 31 December 2011, 31 December 2012, 31 December 2013, 31 August 2014 and [30 November 2014], the Group had net current assets of approximately HK$8.8 million, HK$5.8 million, HK$12.0 million, HK$7.0 million and HK$[8.7] million respectively. Details of the components are set out as below:

	As at 31 December			As at 31 August	As at [30 November
	2011	**2012**	**2013**	**2014**	**2014]**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	(Audited)	*(Audited)*	*(Audited)*	*(Audited)*	*(Unaudited)*
Current assets					
Due from a director	447,382	2,164,934	–	–	[–]
Trade and other receivables	14,422,376	15,598,080	22,194,168	12,858,311	[19,220,367]
Tax recoverable	–	533,380	–	–	[–]
Cash and cash equivalents	1,392,495	578,321	8,996,693	27,107,598	[24,376,030]
	16,262,253	18,874,715	31,190,861	39,965,909	[43,596,397]
Current liabilities					
Trade and other payables	837,967	1,528,625	2,378,883	2,839,873	[4,540,496]
Bank borrowings	3,507,299	11,510,519	10,017,805	5,752,977	[8,174,104]
Tax payable	3,091,414	–	2,044,342	3,350,707	[235,445]
Convertible bonds	–	–	4,768,597	21,019,583	[21,898,682]
	(7,436,680)	(13,039,144)	(19,209,627)	(32,963,140)	[(34,848,727)]
Net current assets	8,825,573	5,835,571	11,981,234	7,002,769	[8,747,670]

As at 31 December 2011, the Group had net current assets of approximately HK$8.8 million comprising current assets of approximately HK$16.3 million and current liabilities of approximately HK$7.4 million. The current assets as at 31 December 2011 were made up of an amount due from a director of approximately HK$0.4 million, trade and other receivables of approximately HK$14.4 million and cash and cash equivalents of approximately HK$1.4 million. The current liabilities were made up of trade and other payables of approximately HK$0.8 million, bank borrowings of approximately HK$3.5 million and tax payable of approximately HK$3.1 million.

As at 31 December 2012, the Group had net current assets of approximately HK$5.8 million comprising current assets of approximately HK$18.9 million and current liabilities of approximately HK$13.0 million. The current assets as at 31 December 2012 were made up of an amount due from a director of approximately HK$2.2 million, trade and other receivables of approximately HK$15.6 million, cash and cash equivalents of approximately HK$0.6 million and tax recoverable of approximately HK$0.5 million. The current liabilities were made up of trade and other payables of approximately HK$1.5 million and bank borrowings of approximately HK$11.5 million.

As at 31 December 2013, the Group had net current assets of approximately HK$12.0 million comprising current assets of approximately HK$31.2 million and current liabilities of approximately HK$19.2 million. The current assets as at 31 December 2013 were made up of trade and other receivables of approximately HK$22.2 million and cash and cash equivalents of approximately HK$9.0 million. The current liabilities were made up of trade and other payables of approximately HK$2.3 million, bank borrowings of approximately HK$10.0 million, tax payable of approximately HK$2.0 million and convertible bonds of approximately HK$4.8 million.

As at 31 August 2014, the Group had net current assets of approximately HK$7.0 million comprising current assets of approximately HK$40.0 million and current liabilities of approximately HK$33.0 million. The current assets as at 31 August 2014 were made up of trade and other receivables of approximately HK$12.9 million and cash and cash equivalents of approximately HK$27.1 million. The current liabilities were made up of trade and other payables of approximately HK$2.8 million, bank borrowings of approximately HK$5.8 million, tax payable of approximately HK$3.4 million and convertible bonds of approximately HK$21.0 million.

During the Track Record Period, the Group did not record any inventory having considered (i) printers were responsible for keeping production materials including papers and ink; and printed magazines before delivery to the distributor; and as confirmed by the printers, ownerships of all magazines printed for Ocean Media belong to Ocean Media although the respective printers will bear the risk of all damages and loss among the deliveries to Ocean Media or any third parties designated by Ocean Media; and (ii) the net realisable value of the unsold copies of magazines is equal to the income generated from the sale of scrap paper which is immaterial.

As at [30 November] 2014, the Group had net current assets amounted to approximately HK$[8.7] million comprising current assets made up of [approximately HK$43.6 million]; and current liabilities made up of [approximately HK$34.8 million]. Net current assets as at [30 November] 2014 [decreased] by approximately [27.0]% as compared with that as at 31 December 2013. Trade receivables as at [30 November] 2014 represented approximately [42.1]% of the total current assets and [decreased] by approximately [16.9]% from that as at 31 December 2013. Other receivables as at [30 November] 2014 [increased] by approximately [726.4]% as compared with that as at 31 December 2013 mainly due to the [increment in prepayment of listing expenses]. Cash and bank balances [increased] from approximately HK$[9.0] million as at 31 December 2013 to approximately HK$[24.4] million as at [30 November] 2014 mainly due to [the proceeds from convertible bond issuance during January 2014 and early settlement from Advertising Package customers and/or the settlements by progress billing]. Bank borrowings as at [30 November] 2014 represented approximately [23.5]% of the total current liabilities and decreased by approximately [18.4]% from that as at 31 December 2013. The carrying amount of the Pre-[REDACTED] Convertible Bonds was approximately HK$[21.9] million as at [30 November] 2014, represented approximately [62.8]% of the total current liabilities. Please refer to section headed "Pre-[REDACTED] Investments" under "History and development" of this document for more details. Trade and other payables as at [30 November] 2014 [increased] by approximately [90.9]% mainly due to the [increase in listing expenses payable] from that as at 31 December 2013.

Cash and cash equivalents

The cash and cash equivalents was approximately HK$1.4 million and HK$0.6 million as at 31 December 2011 and 31 December 2012 respectively. The significant decrease in the Group's cash and cash equivalents as at 31 December 2012 was due to the fact that the Group had made approximately HK$2.1 million cash advance to a Director during the last quarter of 2012. Such amount of cash advance has been fully repaid in March 2013. The cash and cash equivalents was approximately HK$9.0 million as at 31 December 2013. The increase in cash and cash equivalents compared to the previous year was mainly due to (i) the issue of the first tranche of the Pre-[REDACTED] Convertible Bonds in aggregate principal amount of HK$5,000,000; (ii) settlement of trade receivables improved as a result of progress billing being adopted for certain new advertising customers in the year ended 31 December 2013; and (iii) dividend of approximately HK$8.9 million was paid for the year ended 31 December 2013 which was less than dividend paid of approximately HK$11.9 million for the year ended 31 December 2012.

The cash and cash equivalents increased from approximately HK$9.0 million as at 31 December 2013 to approximately HK$27.1 million as at 31 August 2014. The significant increase in the Group's cash and cash equivalents was mainly due to the issuance of the second tranche of the Pre-[REDACTED] Convertible Bonds in aggregate principal amount of HK$15,000,000 in January 2014 and receipt of trade receivables. The cash and cash equivalents maintained at approximately HK$24.4 million as at 30 November 2014.

Trade and other receivables

During the Track Record Period, advertising services provided to the Group's customers are in general made on credit with credit period of 0 to 180 days after posted all advertisement. A Longer credit period of 181 days to 1 year might be extended to customers with Long term business relationship, established reputation and good repayment history. The credit period granted to the Distributor in relation to the sale of magazines of the Group was 7 days after the Group's attendance for counting number of unsold magazines.

The trade and other receivables were approximately HK$14.4 million as at 31 December 2011 and approximately HK$15.6 million as at 31 December 2012. Trade and other receivables of the Group as at 31 December 2011 and 31 December 2012 consist of trade receivables of approximately HK$14.4 million and HK$15.1 million (all such trade receivable had been invoiced and settled); and deposits, prepayment and other receivables of HK$67,320 and HK$0.5 million respectively. The large increase in deposits, prepayment and other receivables as at 31 December 2012 was mainly due to the prepayment of listing expenses.

The increase in the trade receivables as at 31 December 2012 as compared to that as at 31 December 2011 was mainly because most of the customers having Advertising Package with the Group completed [REDACTED] such number of advertisements under the Advertising Package in the Group's magazines towards end of year 2012; and as mentioned below, the Group will bill some customers after all the advertisements have been posted under the Advertising Package. Advertising income generated from Advertising Packages amounted to approximately HK$17.0 million and HK$15.3 million, or approximately 91.9% and 91.3% of the total advertising income of the Group for the two years ended 31 December 2012 respectively. The trade receivables turnover days were approximately 270 days and 317 days for the two years ended 31 December 2012 respectively as (i) the Group granted credit period of 181 days to 1 year to Customer Group A which has long term business relationship with the Group, established reputation and good repayment history during the year ended 31 December 2011 and, (ii) the Group only issued invoices to customers having Advertising Package with the Group after all the advertisements have been posted under the Advertising Package or the period end of the Advertising Package with credit period of 30 days to 180 days for the two years ended 31 December 2012 and most of these Advertising Packages are on yearly basis.

To the best knowledge of the Directors, granting credit period up to 180 days after posted all advertisement to customers in general and credit period up to 1 year to a customer who has a long-term business relationship with the Group during the Track Record Period is not in line with the magazine industry practice in Hong Kong. However, it was the Group's strategy to grant longer credit period to customers who have Advertising Package with the Group so as to attract the customers for entering into Advertising Package with the Group for longer period after having considered their payment history, financial background, transaction volume and/or length of business relationship with the Group. Nevertheless, with the established business relationship with such major Advertising Package customer in the past, the Group has successfully reduced (i) credit period of 365 days to 180 days granted to such customer for the year ended 31 December 2012; and (ii) credit period of 180 days after posted all advertisements or 180 days granted to three of the top five customers for the year ended 31 December 2012 to shorter credit period under the sales contracts signed for the year ended 31 December 2013 in order to improve its trade receivable turnover. Please refer to the tables headed "Major customers" under the paragraph headed "Sales of magazines and distribution of free magazines" of the "Business" section of this document for details.

The trade and other receivables were approximately HK$22.2 million as at 31 December 2013, which consist of trade receivables of approximately HK$22.1 million. Among this, approximately HK$21.6 million trade receivables was for services already invoiced and approximately HK$0.5 million trade receivables was for advertising income not yet invoiced. Deposits, prepayments and other receivables was approximately HK$0.1 million as at 31 December 2013. Of the trade receivables of approximately HK$22.1 million as at 31 December 2013, approximately HK$3.6 million was related to Advertising Package customers who were required to settle their payments by progress billing, approximately HK$18.0 million was related to other Advertising Package customers and approximately HK$0.5 million was related to customers without having Advertising Packages with the Group. The decrease in deposits, prepayments and other receivables was mainly due to the decrease in prepayment for listing expenses. The increase in trade receivables was mainly due to additional orders on [REDACTED] advertisements on the

Group's magazines from new major customers solicited during the year ended 31 December 2013. The trade receivable turnover days improved to approximately 287 days for the year ended 31 December 2013 mainly because of progress billing being adopted for certain new advertising customers starting from May 2013. The trade receivable turnover days for the sales to Advertising Package customers subject to progress billing for the year ended 31 December 2013 was approximately 166 days. As at the Latest Practicable Date, approximately HK$[21.6] million of the trade receivables as at 31 December 2013 has been settled.

The trade and other receivables were approximately HK$12.9 million as at 31 August 2014, which consist of trade receivables of approximately HK$12.1 million comprising approximately HK$2.5 million for services already invoiced and approximately HK$9.6 million for advertising income not yet invoiced; and deposits, prepayments and other receivables of approximately HK$0.8 million. Of the trade receivables of approximately HK$12.1 million as at 31 August 2014, approximately HK$2.8 million is related to Advertising Package customers who were required to settle their payments by progress billing, approximately HK$8.9 million is related to other Advertising Package customers and approximately HK$0.4 million is related to customers without having Advertising Packages with the Group. The increase in deposits, prepayments and other receivables was mainly due to the increase in the prepayment of listing expenses. The decrease in trade receivables was mainly due to improvement of settlement of payments by customers. As at the Latest Practicable Date, approximately HK$[3.5] million of the trade receivables as at 31 August 2014 has been settled.

The aging analysis of trade receivables (including both receivables relating to services already invoiced and receivables relating to advertising income not yet invoiced) as at 31 December 2011, 31 December 2012, 31 December 2013 and 31 August 2014 based on invoice dates and subsequent settlement of trade receivables up to the Latest Practicable Date are as follows:

	As at 31 December 2011	Subsequent settlement up to the Latest Practicable Date	As at 31 December 2012	Subsequent settlement up to the Latest Practicable Date	As at 31 December 2013	Subsequent settlement up to the Latest Practicable Date	As at 31 August 2014	Subsequent settlement up to the latest Practicable Date
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
For services invoiced								
1 – 30 days	8,768,572	8,768,572	13,190,666	13,190,666	18,371,820	18,371,820	782,722	575,642
31 – 90 days	3,452,249	3,452,249	582,560	582,560	1,660,340	1,660,340	795,000	292,680
91 – 120 days	338,849	338,849	222,060	222,060	506,530	506,530	209,730	209,410
121 – 180 days	412,916	412,916	459,820	459,820	216,450	216,450	497,780	496,100
Over 180 days	1,382,470	1,382,470	605,950	605,950	823,140	823,140	217,090	210,180
	14,355,056	14,355,056	15,061,056	15,061,056	21,578,280	21,578,280	2,502,322	1,784,012
Advertising income not yet invoiced	—	—	—	—	512,528	—	9,619,029	1,736,611
	14,355,056	14,355,056	15,061,056	15,061,056	22,090,808	[21,578,280]	12,121,351	3,520,623

Below is an aging analysis of trade receivables (including both receivables relating to services already invoiced and receivables relating to advertising income not yet invoiced) that are past due as at the reporting date but not impaired and their respective remaining balance as at the Latest Practicable Date:

	As at 31 December 2011	Remaining balance as at the Latest Practicable Date	At at 31 December 2012	Remaining balance as at the Latest Practicable Date	As at 31 December 2013	Remaining balance as at the Latest Practicable Date	As at 31 August 2014	Remaining balance as at the Latest Practicable Date
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$* (*Note 2*)	*HK$*
For services invoiced								
Not yet due as at the year/period end date and will past due during:								
the next 3 months	1,485,000	–	560,000	–	9,608,272	–	570,000	–
the next 4th to 6th months	10,730,000	–	13,505,000	–	7,120,000	–	665,000	665,000
the next 7th to 9th months	665,000	–	–	–	–	–	–	–
the next 10th to 12th months	570,000	–	–	–	–	–	–	–
the next 13th to 16th months	–	–	–	–	–	–	–	–
	13,450,000	–	14,065,000	–	16,728,272	–	1,235,000	665,000
Advertising income not yet invoiced								
Not yet due as at the year/period end date and will past due during:								
the next 3 months	–	–	–	–	–	–	1,710,377	—
the next 4th to 6th months	–	–	–	–	–	–	4,313,983	4,287,750
the next 7th to 9th months	–	–	–	–	–	–	3,594,669	3,594,669
the next 10th to 12th months	–	–	–	–	–	–	–	–
the next 13th to 16th months	–	–	–	–	512,528	[512,528]	–	–
	–	–	–	–	512,528	[512,528]	9,619,029	7,882,419
For services invoiced								
Past due:								
1–30 days	648,572	–	530,666	–	2,805,685	–	782,722	17,080
31–90 days	107,249	–	117,560	–	1,163,203	–	320,000	27,320
Over 90 days	149,235	–	347,830	–	881,120	–	164,600	8,910
	905,056	–	996,056	–	4,850,008	–	1,267,322	53,310
	14,355,056	–	15,061,056	–	(*Note 1*) *22,090,808*	[512,528]	12,121,351	8,600,729

Note 1: The trade receivables as at 31 December 2013 that were not yet due and will past due in 2015 represented the proportionate advertising income for the year ended 31 December 2013 from a major customer with Advertising Package covering the period from November 2013 to December 2014.

Note 2: The amount of the trade receivables as at 31 August 2014 which have not yet due up to the [Latest Practicable Date] is HK$[7,672,418].

As illustrated by the aging analysis, up to the Latest Practicable Date, approximately HK$[1.2] million of the past due trade receivables as at 31 August 2014 had been settled; and approximately HK$[8.6] million of the trade receivables as at 31 August 2014 remained outstanding (which represents approximately [71.0]% of the total trade receivables as at 31 August 2014). Among the approximately HK$[53,310] past due trade receivables as at 31 August 2014 remained outstanding, approximately HK$[0.01] million does not have any subsequent settlement from such relevant customers up to the Latest Practicable Date; while the remaining outstanding balance shows sign of settlement as certain relevant customers had settled at least part of respective balances subsequent to 31 August 2014 and up to the Latest Practicable Date. Trade receivable turnover days (taking into account both receivables relating to services already invoiced and receivables relating to advertising income not yet invoiced) improved from approximately 287 days as at 31 December 2013 to approximately 185 days as at 31 August 2014. Trade receivable turnover days for the sales to Advertising Package customers subject to progress billing was approximately 119 days for the eight months ended 31 August 2014.

The increase of "advertising income not yet invoiced" of approximately HK$9.6 million as at 31 August 2014 as compared to approximately HK$0.5 million as at 31 December 2013 was because the Group can only issue invoices for advertising income generated in the year 2014 to certain Advertising Package customers towards the end of the year, i.e. 31 December 2014 according to the terms of the respective advertising contracts. As at 31 December 2013, all advertising income generated in the year 2013 had invoices being issued except the approximately HK$0.5 million which related to advertising contract for a term ended in the year 2014 with an Advertising Package customer.

The Directors considered that bad debt provision on the recoverability of trade receivables as at 31 August 2014 is not required because:

– the Group has good debt settlement track records after taking into account the fact that based on historical information, all accumulated trade receivables (for services already invoiced) as at 31 December 2011, 31 December 2012 and 31 December 2013 had been settled as at the Latest Practicable Date;

– several major trade receivable debtors have entered into new advertisement contracts with the Group for [REDACTED] advertisements on the Group's magazines during the year ended 31 December 2014;

– [the Company is not aware of any event or circumstances relating to the trade receivables that cause it to believe that there is an impairment issue;]

– [the sign of settlement as certain relevant customers had settled at least part of respective balances subsequent to 31 August 2014 and up to the Latest Practicable Date;] and

– approximately HK$1.3 million of the past due trade receivables as at 31 August 2014, approximately HK$[1.2] million had been settled up to the Latest Practicable Date.

To the best knowledge of the Directors, those debtors whose trade receivables are not yet due for payments, they have good settlement history and as at the Latest Practicable Date, there is no indicator for impairment. For those trade receivables that are past due as at the Latest Practicable Date, the total of which are immaterial, the Group contacted these trade debtors and there are no indications that they will not settle the outstanding amounts. The Reporting Accountants concur with the Directors' view on the recoverability of trade receivables for the eight months ended 31 August 2014.

Based on the above, the Joint Sponsors are of the view that there is no reasonable doubt as to the opinion of the Directors and the Reporting Accountants on the recoverability of trade receivables for the eight months ended 31 August 2014.

The credit terms of each customer of the Group are determined by the Group's sales team and are subject to review and approval by the Group's management based on the customers' payment history, financial background, transaction volume and length of business relationship with the Group. All outstanding trade receivable balances are being 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. For receivables that are overdue for two months, the Group's sales and marketing department will follow up on the collections and the Group's accounting department will monitor the progress of the collection. For long outstanding balances exceeding one year, where the relevant customers did not respond to the Group's request for settlement and the recovery is considered to be remote, the Group may consider to take legal actions for debt collection. During the Track Record Period, no legal actions were taken by the Group for debt collection. Please refer to the relevant paragraphs under the sub-section headed "Credit policies and control" of the "Business" section for details of procedures of the Group in handling outstanding trade receivables.

Receivables that were past due but not impaired as at 31 August 2014 relate to a number of independent customers due to their inefficient in processing the settlements. Based on past experience, 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 as fully recoverable. The Group does not hold any collateral over these balances. As at the Latest Practicable Date, approximately HK$[1.2] million of the past due trade receivables as at 31 August 2014 had been settled.

Trade and other payables

The trade and other payables were approximately HK$0.8 million, HK$1.5 million, HK$2.4 million and HK$2.8 million as at 31 December 2011, 31 December 2012, 31 December 2013 and 31 August 2014 respectively. Trade and other payables of the Group consist of trade payables of approximately HK$0.4 million, HK$0.7 million, HK$0.9 million and HK$0.8 million; and other payables and accrued expenses of approximately HK$0.4 million, HK$0.9 million, HK$1.5 million and HK$2.0 million as at 31 December 2011, 31 December 2012, 31 December 2013 and 31 August 2014 respectively. The large increase in trade and other payables to the level as at 31 December 2013 and 31 August 2014 was mainly due to the increase in payables for listing expenses.

Set out below is the aging analysis of the ending trade payables of the Group as at 31 December 2011, 31 December 2012, 31 December 2013 and 31 August 2014:

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
0 – 60 days	247,091	276,530	416,463	364,568
61 – 90 days	133,410	99,300	144,000	233,600
91 – 180 days	74,400	282,880	290,700	234,825
	454,901	658,710	851,163	832,993

The credit terms granted by the suppliers were generally ranging from 30 to 120 days.

The trade payables of the Group increased from approximately HK$0.5 million as at 31 December 2011 to HK$0.7 million as at 31 December 2012 mainly due to the increase in payables for printing costs. The trade payables turnover days were approximately 104 days and 141 days for the two years ended 31 December 2012 respectively. The increase in creditor's turnover days was mainly due to late settlement of the accounts payable with the printers. The trade payables of the Group increased further to approximately HK$0.9 million for the year ended 31 December 2013 mainly due to the increase in payables for printing costs as the number of printed copies of the magazines was increased during the year ended 31 December 2013. The trade payables turnover days were approximately 168 days for the year ended 31 December 2013. The increase in creditor's turnover days was mainly due to the increase in payables for printing cost as mentioned above.

The trade payables of the Group as at 31 August 2014 maintained at approximately HK$0.8 million. The trade payables turnover days were approximately 132 days for the eight months ended 31 August 2014. The decrease in creditor's turnover days was mainly because in general, the Group was able to settle its trade payables in shorter period of time.

Bank borrowings

Bank borrowings increased by approximately 228.2% from approximately HK$3.5 million as at 31 December 2011 to approximately HK$11.5 million as at 31 December 2012 for the purpose of improving the Group's working capital for tax payments and enhancing liquidity for the settlements of listing expenses. There was bank overdrafts outstanding of approximately HK$0.4 million as at 31 December 2011 for settlement of certain payoff and trade payables. The maximum overdrafts outstanding was approximately HK$0.4 million for the year ended 31 December 2011. There was no bank overdraft outstanding as at 31 December 2012, 31 December 2013 and 31 August 2014. Bank borrowings decreased by approximately 13.0% to approximately HK$10.0 million as at 31 December 2013 and further to approximately HK$5.8 million as at 31 August 2014 due to settlement of the bank borrowings by the Group. As at 31 December 2011, 2012, 2013 and 31 August 2014, the Group had undrawn banking facilities of HK$20,000, HK$520,000, HK$520,000 and HK$520,000 respectively relating to bank borrowings.

The breakdown of the bank loans with different effective interest rates as at 31 December 2011, 2012, 2013 and 31 August 2014 are as follows:

	At 31 December			At 31 August
Range	**2011**	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
0% to 5% p.a.	—	7,698,684	6,520,765	3,580,433
5.1% to 12% p.a.	3,507,299	2,353,313	2,580,366	1,671,623
12.1% to 20% p.a.	—	1,458,522	916,674	500,921
Total	3,507,299	11,510,519	10,017,805	5,752,977

All the Group's bank loans are denominated in HK dollars and the bank loans carry effective interest rates ranging from 5.75% to 11.20% per annum, from 3.75% to 18.53% per annum, from 3.75% to 18.53% per annum and from 3.75% to 18.53% per annum as at 31 December 2011, 31 December 2012, 31 December 2013 and 31 August 2014 respectively. Of bank borrowing outstanding amount of approximately HK$3.5 million, HK$11.5 million, HK$10.0 million and HK$5.8 million as at 31 December 2011, 2012 and 2013 and 31 August 2014 respectively, approximately HK$3.5 million, HK$3.8 million, HK$3.5 million and HK$2.2 million are related to bank loans with effective interest rates over 5.1% per annum.

The Group had two high interest bearing loans with effective interest rates of 18.53% and 17.82% per annum from two banks (the "**High Interest Rate Loan(s)**") during the Track Record Period because the Directors considered it was worthwhile to pay higher interest rates in order to reduce the risk of being rejected for renewal of existing bank facilities and to ensure the Company had enough funds to finance the [REDACTED] exercise. The Directors believe that the Group could not obtain bank loans from other banks at better rate while diversifying the bank loan portfolio. The two High Interest Rate Loans, with initial principal amounts of approximately HK$0.6 million and HK$1.2 million respectively, were drawn down in the first quarter of 2012. In the first quarter of 2012, the Group also drew a loan of HK$1.8 million from the Group's existing major bank at effective interest rates of 3.75% per annum. The Group was in fact able to raise new bank loans from existing banks at a lower interest rate. Since at the time of raising the High Interest Rate Loans the aim was to diversify source of bank financing, competitiveness of interest rate was not the primary concern of the management of the Group. During the Track Record Period, the Group aimed at diversifying its borrowings from different banks in order to minimise the risk, such that if one of the banks rejects the renewal of bank facilities, the Group will seek bank facilities from other banks with established relationship in a timely manner. Normally it takes two to three months for a company to successfully apply for and draw new bank loan from a new bank. Meanwhile, it intended to obtain sufficient financing for the preparation of the [REDACTED], as such, it was willing to pay higher interest rates to newly engaged banks for banking facilities during the Track Record Period.

Furthermore, different banks have different terms and conditions on the bank facilities. Among all the bank facilities of the Group, two banks charged the highest effective interest rates of 18.53% and 17.82% per annum in two High Interest Rate Loans respectively. The Directors believe these two banks charged higher-than-normal effective interest rates as it was the first time the Group drew bank loans from these two banks and the two banks had no borrowing history with the Group. Also, these two loans were denominated in fixed rates and the interest rates are normally higher. These two bank loans are being repaid by instalments over four and three years terms commencing from March 2012 and January 2012 respectively and the Group has no intention to draw further bank loans from these two banks after the termination of existing loan arrangements. Apart from these two banks, the rest of the banks offered to charge interest at a range of effective interest rate from 3.75% to 11.20% per annum only.

On 2 January 2015, the Group drew bank loan of approximately HK$0.9 million at interest rate of 0.5% below Hong Kong dollar best lending rate from its major bank. The loan was secured by personal guarantee provided by Mr. Kwan and Ms. Yip. The Group will fully repay all bank loans before/upon the [REDACTED], except for the Replacement Banking Facility provided by the Group's major bank, the bank loans under which currently carry effective interest rates ranging from 3.75% to 5.75% per annum. The Directors do not expect to continue obtaining bank borrowings at an effective interest rate higher than 7% per annum after the [REDACTED].

Details of secured and unsecured bank borrowings of the Group as at 31 December 2011, 31 December 2012, 31 December 2013 and 31 August 2014 are set out as below:

	At 31 December			At 31 August
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Unsecured bank overdrafts	419,103	–	–	–
Bank loans secured by time deposit of a director	69,793	–	1,399,661	388,006
Unsecured bank loans	3,018,403	11,510,519	8,618,144	5,364,971
	3,507,299	11,510,519	10,017,805	5,752,977

The carrying amounts of each bank borrowing and details of the related guarantee are:

	At 31 December			At 31 August
	2011	2012	2013	2014
	HK$	*HK$*	*HK$*	*HK$*
Mr. Kwan and Ms. Yip (Joint personal guarantee)	569,793	5,657,478	5,454,348	2,575,044
Mr. Kwan (Personal guarantee)	–	759,309	527,018	353,667
Mr. Kwan (Personal guarantee) and the Government of Hong Kong Special Administrative Region ("**HKSAR**") under Special Loan Guarantee Scheme	260,435	124,609	–	–
Mr. Kwan and Ms. Yip (Joint personal guarantee) and HKSAR under Special Loan Guarantee Scheme	809,175	620,874	420,625	280,039
Mr. Kwan (Personal guarantee) and HKSAR under Small and Medium Enterprise ("**SME**") Loan Guarantee Scheme	600,000	1,349,015	1,327,666	750,756
Mr. Kwan and Ms. Yip (Joint personal guarantee) and HKSAR under SME Loan Guarantee Scheme	848,793	2,999,234	2,288,148	1,793,471
Mr. Kwan and Ms. Yip (Joint personal guarantee) and Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme	419,103	–	–	–
	3,507,299	11,510,519	10,017,805	5,752,977

(a) At 31 December 2011, a bank loan of HK$69,793 was secured by pledged time deposit of a Director. This security was the same as the time deposit mentioned in (b) and (c).

(b) At 31 December 2013 and 31 August 2014, a bank loan of HK$1,399,661 and HK$388,006 respectively was secured by pledged time deposits of a Director. This security was the same as the time deposit mentioned in (a) and (c).

(c) At 31 December 2011, 2012 and 2013 and 31 August 2014, the Group had undrawn bank borrowing of HK$20,000. The borrowing was guaranteed by executive Directors and secured by pledged time deposit of a Director. This security was the same as the time deposit mentioned in (a) and (b).

(d) At 31 December 2012 and 2013 and 31 August 2014, the Group has another undrawn banking facilities of HK$0.5 million which was guaranteed by Hong Kong Mortgage Corporation Limited and the executive Directors.

Pursuant to the Replacement Banking Facility granted by the Group's major bank to Ocean Media, it has no objection to release all guarantees provided by Mr. Kwan and Ms. Yip to the major bank and revise the banking facilities under the terms of the Replacement Banking Facility upon the successful [REDACTED] of the Company and the full settlement of three existing government guaranteed bank loans. The Replacement Banking Facility was granted against the guarantee from the Company for HK$6,000,000. On 13 January 2015, the HK$6,000,000 guarantee by the Company in respect of the obligations and liabilities of Ocean Media has been executed. The maximum potential liability to the Company is HK$6,000,000. The major bank confirmed that there is no asset or restricted cash pledged as security by the Group for securing the Replacement Banking Facility. The total facilities amount under the Replacement Banking Facility was approximately HK$5.7 million as at the date of the Replacement Banking Facility (i.e. 5 January 2015). Except for the above, there is no change in the salient terms (e.g. interest rate and repayment schedule) to the major bank's banking facilities. Therefore the borrowings to the Group will be extended on the same principal terms. As at 31 August 2014 and 30 November 2014, the carrying amount of the bank loans under the government guaranteed bank loans with this major bank was approximately HK$1.8 million and HK$1.6 million respectively, and such loans will be repaid within the Group's internal resources prior to the [REDACTED]. The Group will fully repay bank loans with all other banks before/upon the [REDACTED], except for the Replacement Banking Facility. Guarantees of banking facilities are expected to be released and/or replaced by guarantees of the Company before/upon the [REDACTED].

As at [30 November 2014], being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this document, overdraft facilities of HK$[20,000] which was secured by pledged time deposit of a director and guaranteed by executive Directors and HK$[500,000] which was guaranteed by Hong Kong Mortgage

Corporation Limited and the executive Directors granted to Ocean Media by two banks, were unutilized. There were no special financial covenants requirements for any of the Group's bank borrowings as at 30 November 2014.

As at [the Latest Practical Date], no application of banking facility is in progress.

Convertible bonds

On 10 September 2013, the Company entered into the Pre-[REDACTED] Convertible Bonds Subscription Agreements in relation to the issue of the Pre-[REDACTED] Convertible Bonds in the aggregate principal amount of HK$20,000,000 in two tranches for HK$5,000,000 and HK$15,000,000 on 10 September 2013 and 27 January 2014 respectively. Please refer to the sub-section headed "Pre-[REDACTED] investments" of the "History and development" section of this document for details. Face value of the first tranche of the Pre-[REDACTED] Convertible Bonds include equity component of approximately HK$0.5 million and liability component of approximately HK$4.5 million. Face value of the second tranche of the Pre-[REDACTED] Convertible Bonds include equity component of approximately HK$0.8 million and liability component of approximately HK$14.2 million.

Going forward, the Group expects to have improvement in working capital position in light of (i) the funds to be raised from the [REDACTED]; and (ii) the Group's success to reduce credit period of 180 days after posted all advertisements or 180 days granted to three of the top five customers for the year ended 31 December 2012 to shorter credit period under the sales contracts signed for the year ended 31 December 2013 and further reduced the credit period under the subsequent sales contracts signed. Please refer to the tables headed "Major customers" under the paragraph headed "Sales of magazines and distribution of free magazines" of the "Business" section of this document for details. In addition, the Group believed that it had more bargaining power and started adopting progress billing for all new Advertising Package customers from May 2013 such that the total advertising fees under the respective Advertising Packages will be paid by instalments on dates specified in the relevant Advertising Package. Please refer to the table under the sub-section headed "Credit policies and Control" of the "Business" section of this document for number of customers generated revenue and had Advertising Package with progress billing since the year ended 31 December 2013.

The Directors are of the view that with the significant reduction of credit period granted to three of the top five customers of the year ended 31 December 2012 and the introductions of certain new customers who have Advertising Packages under progress billing arrangement with the Group since the year ended 31 December 2013, the Group will be able to receive cash from such customers earlier and improve its trade receivables turnover days. Other than that, it is not expected that the reduction of credit period will have any material impact on the Group's financial results and the pricing and sales volume of the business with such customers. Trade receivable turnover days (taking into account both receivables relating to services already invoiced and receivables relating to advertising income not yet invoiced) improved from approximately 287 days as at 31 December 2013 to approximately 185 days as at 31 August 2014.

Trade receivable turnover days for the sales to Advertising Package customers subject to progress billing were approximately 166 days for the year ended 31 December 2013 and 119 days for the eight months ended 31 August 2014. The reason why such trade receivable turnover days are over 90 days was that (i) customers are required to make payments in intervals of one month to three months under the relevant Advertising Package with progress billing during the Track Record Period; and (ii) some trade receivables for Advertising Package customers subject to progress billing were past due as well. The percentage of these trade receivables past due between 1 to 60 days was 99.6% and 14.4% as at 31 December 2013 and 31 August 2014. The reason that (i) the trade receivable turnover days for the sales to Advertising Package customers subject to progress billing dropped and (ii) the percentage of trade receivable past due as at 31 December 2013 was higher, was mainly because, as at 31 December 2013 the trade receivable due from Customer Group O of approximately HK$1.6 million was overdue by around one month as Customer Group O was a new customer in the end of 2013, and it took more time for Customer Group O which to cross-check the actual advertisements posted in the Magazines and payment for advertising fee for the first time. As at 31 August 2014, Customer Group O had no trade receivable over due as it has settled the payment on time.

The Directors confirmed that the Group had no material defaults in payment of trade and non-trade payables and bank borrowings, and/or breaches of the finance covenants (if any) during the Track Record Period. Although there is no assurance that the Group will be able to obtain new bank borrowings for funding its capital expenditures and working capital at favourable interest rates or terms, where appropriate, it may consider to diversify its source of funding by raising equity (e.g. [REDACTED] of shares) after the [REDACTED].

Tax recoverable/payable

Tax payable was approximately HK$3.1 million as at 31 December 2011, approximately HK$2.0 million as at 31 December 2013 and approximately HK$3.4 million as at 31 August 2014. There was no tax payable, but tax recoverable of approximately HK$0.5 million was recognised as at 31 December 2012. According to the tax rule in Hong Kong, companies should use the assessable profit in the current year for the calculation and for the payment of provisional tax for the next year. Since the profit before taxation of the Company decreased from approximately HK$15.6 million for the year ended 31 December 2011 to approximately HK$10.8 million for the year ended 31 December 2012, such income tax recoverable is arisen from overpaid of provisional tax for the year ended 31 December 2012. The Company confirmed that there was no dispute with the tax authority.

MAJOR FINANCIAL RATIOS

	Year ended 31 December			Eight months ended 31 August
	2011	2012	2013	2014
Return on equity [1]	143.8%	148.2%	121.1%	47.2%
Return on total assets [2]	78.9%	46.1%	46.6%	8.3%
Current ratio [3] (unit: times)	2.2	1.4	1.6	1.2
Gearing ratio [4]	38.8%	195.4%	122.9%	379.9%
Debt-to-equity ratio [5]	23.4%	185.5%	48.1%	–4.8%
Interest coverage [6] (unit: times)	88.2	20.6	22.1	3.2

Notes:

1. Return on equity equals the total comprehensive income for the year attributable to the owners of the Company divided by the equity of the Company as at the end of the respective financial year and multiplied by 100%.

2. Return on total assets equals the total comprehensive income for the year attributable to the owners of the Company divided by the total assets of the Company as at the end of the respective financial year and multiplied by 100%.

3. Current ratio equals the current assets divided by the current liabilities as at the end of the respective financial year. Since there was no inventory maintained by the Group, quick ratio is the same as the current ratio.

4. Gearing ratio equals total bank borrowings (for the year ended 31 December 2013 and eight months ended 31 August 2014, also included convertible bonds) divided by the total equity as at the end of the respective financial year and multiplied by 100%.

5. Debt to equity ratio equals total bank borrowings (for the year ended 31 December 2013 and eight months ended 31 August 2014, also included convertible bond) net of cash and cash equivalents divided by the net equity as at the end of the respective financial year and multiplied by 100%.

6. Interest coverage equals the profit before interest and tax divided by the finance costs for the respective financial year.

Return on equity

The Group recorded improvement in return on equity for the year ended 31 December 2012 which was mainly due to the decrease in equity as a result of the dividend paid of approximately HK$11.9 million during the year. The return on equity for the year ended 31 December 2013 dropped mainly because the total comprehensive income increased by a lesser extent than the increase of equity as more listing expenses were recognised during the year and on the other hand, retained earnings increased with less dividend paid. The substantial decrease in return on equity for the eight months ended 31 August 2014 was mainly due to increase in delivery charges, listing expenses as well as decrease in net profit during period. Besides, only the results of operation in the first eight months of 2014 are taken into account and therefore the return on equity for the eight months ended 31 August 2014 is significantly lower than the same ratio for the year ended 31 December 2013.

Return on total assets

The Group recorded decrease in return on total assets for the year ended 31 December 2012 mainly because of the lower profit attributable to owners of the Company during the year as the turnover of the Group has decreased and the Group incurred listing expenses during the year. The return on total assets for the year ended 31 December 2013 recorded at similar level as previous year.

The substantial decrease in return on total asset for the eight months ended 31 August 2014 was mainly due to increase in delivery charges, listing expenses as well as decrease in net profit during the period. Besides, only the results of operation in the first eight months of 2014 are taken into account and therefore the return on total assets for the eight months ended 31 August 2014 is significantly lower than the same ratio for the year ended 31 December 2013.

Current ratio

The current ratio was approximately 2.2 as at 31 December 2011 indicating that the liquidity position of the Group was healthy. The current ratio was lower at approximately 1.4 as at 31 December 2012 mainly because of the large increase in bank borrowings from approximately HK$3.5 million as at 31 December 2011 to approximately HK$11.5 million as at 31 December 2012. Such increase was for the purpose of improving the Group's working capital for tax payments and enhancing liquidity for preparing the settlements of listing expenses. The current ratio as at 31 December 2013 was approximately 1.6 which was similar to that as at 31 December 2012. The current ratio was slightly lower at approximately 1.2 as at 31 August 2014.

Gearing ratio

The gearing ratio increased from approximately 38.8% as at 31 December 2011 to approximately 195.4% as at 31 December 2012 mainly because of the increase in bank borrowings and the large decrease in retained earnings as a result of dividend paid of approximately HK$11.9 million during the year. The gearing ratio decreased to approximately 122.9% as at 31 December 2013 mainly due to the repayment of bank borrowings and the increase in retained profit despite the issue of convertible bond during the year. The gearing ratio substantially increased to approximately 379.9% as at 31 August 2014 mainly because the second tranche of the Pre-[REDACTED] Convertible Bonds were issued in January 2014. The Pre-[REDACTED] Convertible Bonds will be fully converted into the Shares upon receiving the approval in principle of the [REDACTED] by the Stock Exchange or other relevant authority or the Stock Exchange having no comments on this document. As at the date of this document, all the Pre-[REDACTED] Convertible Bonds have been fully converted into the Shares. For illustrative purpose only, if all the Pre-[REDACTED] Convertible Bonds were fully converted into the Shares as at 31 August 2014, the Group's gearing ratio as at 31 August 2014 would have been significantly lower at approximately 20.5%.

Debt-to-equity ratio

The debt-to-equity ratio increased from approximately 23.4% as at 31 December 2011 to approximately 185.5% as at 31 December 2012 which was mainly due to the increase in bank borrowings and the decrease in retained profits. The debt-to-equity ratio decreased to approximately 48.1% as at 31 December 2013 mainly due to the repayment of bank borrowings, increase in cash and cash equivalents and the increase in retained profit. The debt-to-equity ratio was approximately –4.8% as at 31 August 2014 mainly due to the Group maintained higher balance of cash and cash equivalents than bank borrowings and convertible bonds.

Interest coverage

Interest coverage ratio was approximately 88.2 for the year ended 31 December 2011. Interest coverage ratio was lower to approximately 20.6 for the year ended 31 December 2012 mainly due to the lower profit attributable to owners of the Company during the year for the reason mentioned in "Return on total assets" above and the finance cost increased as a result of increase in bank borrowings. The interest coverage ratio was approximately 22.1 for the year ended 31 December 2013 which was about the similar level as previous year. The interest coverage ratio was substantially decreased to approximately 3.2 for the eight months ended 31 August 2014 mainly due to increase in finance cost related to the convertible bonds.

WORKING CAPITAL

Based on the cashflow forecast covering the period for the eighteen months ending 29 February 2016, the Directors are of the opinion that, taking into account the estimated net proceeds of the [REDACTED], the unutilized banking facilities available to the Group, settlement of all outstanding trade receivables when due and its retained resources, being the assumptions based on which the working capital forecast is compiled, the Group will have sufficient working capital for at least the next 12 months from the date of this document. In the Joint Sponsors' and the Reporting Accountants' opinion, the Directors' statement concerning the Company's sufficiency working capital for at least the next 12 months has been made after due and careful enquiries and the working capital forecast (for which the Directors are solely responsible) have been properly compiled on the basis of the assumptions made.

INDEBTEDNESS

Borrowings

[At 30 November 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Group had bank borrowings of approximately HK$[8.2] million, convertible bonds with principal amount of approximately HK$20.0 million and undrawn banking facilities of (i) HK$20,000 which was secured by pledged time deposit of an executive Director and guaranteed by executive Directors and (ii) HK$500,000 which was guaranteed by Hong Kong Mortgage Corporation Limited and the executive Directors.]

[The carrying amounts of bank borrowings are guaranteed by the following as at the date indicated:

	At 30 November 2014
	HK$
Mr. Kwan and Ms. Yip	[5,537,786]
Mr. Kwan	[284,806]
The Government of Hong Kong Special Administrative Region ("**HKSARG**") under Special Loan Guarantee Scheme, Mr. Kwan and Ms. Yip	[225,769]
HKSARG under Small and Medium Enterprise ("**SME**") Loan Guarantee Scheme and Mr. Kwan	[521,938]
HKSARG under SME Loan Guarantee Scheme, Mr. Kwan and Ms. Yip	[1,603,805]
	[8,174,104]

Pursuant to the Replacement Banking Facility, the Group's major bank has no objection (i) to release all guarantees provided by Mr. Kwan and Ms. Yip to the major bank upon the successful [REDACTED] of the Company and (ii) the full settlement of three existing government guaranteed bank loans. The Replacement Banking Facility was granted the guarantee from the Company for HK$6,000,000. On 13 January 2015, the HK$6,000,000 guarantee by the Company in respect of the obligations and liabilities of Ocean Media has been executed. The maximum potential liability to the Company is HK$6,000,000. The major bank confirmed that there is no asset or restricted cash pledged as security by the Group for securing the Replacement Banking Facility. The total facilities amount under the Replacement Banking Facility is approximately HK$5.7 million as at the date of the Replacement Banking Facility (i.e. 5 January 2015). The existing government guaranteed bank loans with the major bank will be repaid within the Group's internal resources prior to the [REDACTED]. The Group will fully repay bank loans with all other banks before/upon the [REDACTED], except for the Replacement Banking Facility. Guarantees of banking facilities are expected to be released and/or replaced by guarantees of the Company before/upon the [REDACTED].

Capital commitments

[As at 30 November 2014, the Group did not have any significant capital commitments.]

Financial resources

[Prior to the completion of the [REDACTED], the Group's operations are financed principally by income generated from its business operations, the bank loans and the Convertible Bonds. The Group intends to finance its future operations, capital expenditure and other capital requirements with income generated from its business operations, cash and cash equivalents available, net proceeds from the [REDACTED] and/or banking facilities. As at 30 November 2014, the Group had cash and cash equivalents of approximately HK$[24.4] million.]

Security

[At 30 November 2014, the Group's bank loans of approximately HK$[8.2] million were secured by guarantees and the undrawn banking facilities of (i) HK$20,000 which was secured by pledged time deposit of a director and guaranteed by executive Directors and (ii) HK$500,000 which was guaranteed by Hong Kong Mortgage Corporation Limited and the executive Directors as mentioned in the paragraph headed "Borrowings" above. Pursuant to the Replacement Banking Facility granted by the Group's major bank to Ocean Media, it has no objection to release all guarantees provided by Mr. Kwan and Ms. Yip to the major bank and revise the banking facilities under the terms Replacement Banking Facility upon the successful [REDACTED] of the Company and the full settlement of three existing government guaranteed bank loans. The Replacement Banking Facility was granted against the guarantee from the Company for HK$6,000,000. On 13 January 2015, the HK$6,000,000 guarantee by the Company in respect of the obligations and liabilities of Ocean Media has been executed. The maximum potential liability to the Company is HK$6,000,000. The major bank confirmed that there is no asset or restricted cash pledged as security by the Group for securing the Replacement Banking Facility. The total facilities amount under the Replacement Banking Facility is approximately HK$5.7 million as at the date of the Replacement Banking Facility (i.e. 5 January 2015). The Group will fully repay bank loans with all other banks before/upon the [REDACTED], except for the Replacement Banking Facility. Guarantees of banking facilities are expected to be released and/or replaced by guarantees of the Company before/upon the [REDACTED]. There were no special financial covenants requirements for any of the Group's bank borrowings as at 30 November 2014.]

Contingent liabilities

[As at 30 November 2014, the Group is subject to maximum penalty and fines of HK$854,000 in respect of non-compliance of relevant rules and regulations in relation to registration and requirements in relation to the distribution of the magazines.]

Disclaimer

[Save as aforesaid and as otherwise mentioned in the paragraphs headed "Borrowings", "Security" and "Contingent liabilities" above and apart from normal trade and other payables and tax payable, the Group had no outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans or other similar indebtedness or acceptance credits or hire purchase commitments or finance lease commitments or any guarantees or other material contingent liabilities at the close of business on 30 November 2014. The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 November 2014.]

PROPERTY INTERESTS

As at the Latest Practicable Date, the Group leased an office located at Unit 4, 7th Floor, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong from an individual who is an Independent Third Party.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

This statement is presented for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group following the [REDACTED].

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2014	Add: Estimated net proceeds from the [REDACTED]	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share
	HK$	*HK$*	*HK$*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on an [REDACTED] of HK$[REDACTED] per Share	7,047,899	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	7,047,899	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. It represented the consolidated net assets of the Group of HK$7,047,899 as extracted from the audited consolidated statements of financial position of the Group as at 31 August 2014 as set out in Appendix I to this document.

2. The estimated net proceeds from the [REDACTED] are based on the [REDACTED] of HK$[REDACTED] and HK$[REDACTED] per Share, being the lowest point and the highest point in the estimated [REDACTED] range of HK$[REDACTED] per Share to HK$[REDACTED] per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Share Capital" in this document.

3. The unaudited pro forma adjusted net tangible assets value per Share is arrived at based on [REDACTED] Shares expected to be in issue immediately following completion of the [REDACTED] but takes no account of any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors as referred to in the section headed "Share Capital" in this document.

4. [No adjustment has been made to reflect any [REDACTED] or other transactions of the Group entered into subsequent to 31 August 2014, and in particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group has not been adjusted the effect of the following events:

   i) The Company declared dividend of HK$4,000,000 to its shareholders on 21 January 2015 and paid HK$950,000 and HK$3,050,000 on 21 January 2015 and 22 January 2015 respectively; and

ii) On 29 January 2015, the Company allotted and issued Shares to each of the Pre-[REDACTED] Convertible Bondholders pursuant to the Pre-[REDACTED] Convertible Bonds Subscription Agreements

Taking into account the estimated net proceeds from the [REDACTED] at the price of HK$[REDACTED] and HK$[REDACTED] per Share and the above events, the unaudited pro forma adjusted consolidated net tangible assets per Share would have been approximately HK$[REDACTED] per Share and HK$[REDACTED] per Share, respectively on the basis that [REDACTED] Shares were in issue and the above events had been completed on 31 August 2014.]

DISTRIBUTABLE RESERVES

There was reserve available for distribution to the Shareholders of HK$14,844,859 as at 31 August 2014. The Company was incorporated on 7 December 2012. It has not carried out any business since the date of its incorporation, save for the transactions related to the Reorganisation.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

TAX

The Group's profits are subject to Hong Kong profits tax. Provision for Hong Kong profits tax has been calculated at the applicable rate of 16.5% for each of the three years ended 31 December 2011, 2012 and 2013 and the eight months ended 31 August 2014 on the estimated assessable profits of the Group arising in Hong Kong.

NO MATERIAL ADVERSE CHANGE

The Directors confirmed that there has been no material adverse change in the financial or [REDACTED] position of the Group since 31 August 2014 (being the date to which the latest audited consolidated financial statements were prepared which was set out in the accountants' report in Appendix I to this document) to the date of this document.

JOINT SPONSORS' INTEREST AND INDEPENDENCE

AMPLE CAPITAL

Ample Capital, being one of the Joint Sponsors, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules.

Save as (i) the financial advisory and documentation fees paid and to be paid to Ample Capital as one of the Joint Sponsors in relation to the [REDACTED]; and (ii) the underwriting commission to be paid to [REDACTED] as one of the [REDACTED] under the Underwriting Agreement and save as disclosed in this document, neither Ample Capital nor any of its directors, employees and associates is interested legally or beneficially in the shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of the Group nor any interest in the [REDACTED] or has any other business relationship with the Group.

VC CAPITAL

As disclosed in the paragraph headed "Pre-[REDACTED] Investments" of the "History and Development" section in this document, the Pre-[REDACTED] Convertible Bonds were converted into the Shares upon receiving the approval in principle of the [REDACTED] by the Stock Exchange or other relevant authority or the Stock Exchange having no comments on this document. After the full conversion of Pre-[REDACTED] Convertible Bonds held by the Second Pre-[REDACTED] Convertible Bondholder into Shares, the Second Pre-[REDACTED] Convertible Bondholder will be interested in [REDACTED] of the issued share capital of the Company (assuming the option to be granted under the Share Option Scheme is not exercised) upon the [REDACTED]. The Second Pre-[REDACTED] Convertible Bondholder holds the position as managing director of [REDACTED], which is the [REDACTED], one of the [REDACTED], one of the [REDACTED] and a wholly owned subsidiary of the holding company of VC Capital (namely Value Convergence Holdings Limited with stock code: 821). He is also a member of senior management and a non-voting member of the executive committee of Value Convergence Holdings Limited.

Due to the subscription of the Pre-[REDACTED] Convertible Bond by the Second Pre-[REDACTED] Convertible Bondholder, VC Capital is not considered as an independent sponsor according to the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules. VC Capital, Value Convergence Holdings Limited and/or its subsidiaries will not own any shareholding in the Company upon the [REDACTED] (other than those arising from the underwriting obligation under the Underwriting Agreement).

Save for the above, and save as (i) the financial advisory and documentation fees paid and to be paid to VC Capital as one of the Joint Sponsors in relation to the [REDACTED]; (ii) the financial advisory fee to be paid to VC Capital as the Company's compliance adviser; and (iii) the underwriting commission to be paid to [REDACTED] as one of the [REDACTED] under the Underwriting Agreement and save as disclosed in this document, neither VC Capital nor any of its directors, employees and associates is interested legally or beneficially in the shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of the Group nor any interest in the [REDACTED] or has any other business relationship with the Group.

UNDERWRITERS

[REDACTED]

[REDACTED]

JOINT LEAD MANAGERS

[REDACTED]

[REDACTED]

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Underwriters will arrange for the [REDACTED] of the [REDACTED] with selected individual, professional and institutional investors in Hong Kong at the [REDACTED], and the Company (for itself and on behalf of the Selling Shareholder) shall allot and issue the [REDACTED], on and subject to the terms and conditions set out in the Underwriting Agreement and this document.

Subject to, among other conditions, the Stock Exchange granting the [REDACTED] of and permission to [REDACTED] in all the Shares in issue and any Shares to be issued as mentioned in this document pursuant to the [REDACTED] and the [REDACTED] (including any options which may be granted under the Share Option Scheme) and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriters have agreed to subscribe for or procure subscribers to subscribe for the [REDACTED] on the terms and conditions of the Underwriting Agreement and this document.

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

[REDACTED]

[REDACTED]

UNDERWRITING

[REDACTED]

Commission and expenses

The Underwriter will receive an underwriting commission of [REDACTED]% of the aggregate [REDACTED] of all [REDACTED]. The Joint Sponsors will receive financial advisory and documentation fees in relation to the [REDACTED] and will be reimbursed for their expenses. Such commission, advisory and documentation fee and expenses, together with the GEM [REDACTED] fees, SFC transaction levy, legal and other professional fees, printing and other expenses relating to the [REDACTED] which are estimated to amount in aggregate to approximately HK$[16.1] million is to be borne by the Company, except for the following fees and expenses in relation to the selling of [REDACTED] Shares which shall be borne by the Selling Shareholder.

The underwriting commissions in relation to the [REDACTED] of the [REDACTED] Shares shall be borne by the Selling Shareholder. When the Company pays underwriting commission expenses on behalf of the Selling Shareholder, it will be accounted for as payments on behalf of the Selling Shareholder. These expenses will be recorded in the current accounts with the Selling Shareholder. Such amount will be settled by off-setting against the gross proceeds received from the [REDACTED] of the [REDACTED] Shares on behalf of the Selling Shareholder.

The Selling Shareholder shall individually be responsible for any fixed transfer duty, ad volerum stamp duty in respect of the sale and transfer of the [REDACTED] Shares, the Stock Exchange [REDACTED] fee and the SFC transaction levy in respect of the sale of the [REDACTED] Shares, where applicable.

Underwriters' interest in the Company

Save as disclosed in this document and as provided for under the Underwriting Agreement, none of the Joint Lead Managers nor the Underwriters has any shareholding interests in any member of the Group nor has any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

[REDACTED]

UNDERWRITING

[REDACTED]

[REDACTED]

MINIMUM PUBLIC FLOAT

The Directors and the Joint Lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23(9) of the GEM Listing Rules after completion of the [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report received from the Company's reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

CCIF

CCIF CPA LIMITED

9/F., Leighton Centre
77 Leighton Road
Causeway Bay Hong Kong

[REDACTED] 2015

The Directors
Winto Group (Holdings) Limited
VC Capital Limited
Ample Capital Limited

Dear Sirs

We set out below our report on the financial information relating to Winto Group (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 31 August 2014 and the statement of financial position of the Company as at 31 December 2012 and 2013 and 31 August 2014, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group, for each of the years ended 31 December 2011, 2012 and 2013 and the eight months ended 31 August 2014 (the "Track Record Period"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the document of the Company dated [REDACTED] (the "Document").

The Company was 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 consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation"), as set out in the note 1 of Section II below to the Document, which was completed on 9 October 2013, the Company became the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation saves for the aforementioned Reorganisation.

Details of the Company's direct and indirect interests in its subsidiaries at the date of this report and the respective names of their statutory auditors are set out in note 1 of Section II below. All companies comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company as it has not been involved in any significant business transactions since its date of incorporation other than the Reorganisation. The financial statements of the principal subsidiaries of the Group that are subject to statutory audit were audited by independent auditors and the names of the statutory auditors of these companies are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and the companies now comprising the Group for the Track Record Period (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared based on the Underlying Financial Statements, on the basis set out in note 2 of Section II below after making such adjustment as are appropriate.

DIRECTORS' RESPONSIBILITY

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the [REDACTED] of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the GEM Listing Rules"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

For the Financial Information for each of the years ended 31 December 2011, 2012 and 2013 and the eight months ended 31 August 2014, our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We have carried out procedures in accordance with Auditing Guideline 3.340 "Documentes and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 August 2014.

OPINION

In our opinion, the Financial Information, for the purpose of this report and presented on the basis set out in note 2 of Section II below, gives a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013 and 31 August 2014 and of the Company as at 31 December 2012 and 2013 and 31 August 2014 and of the Group's results and cash flows for the Track Record Period.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight months ended 31 August 2013 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

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

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION

1. Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Section II Note	Year ended 31 December 2011 HK$	2012 HK$	2013 HK$	Eight months ended 31 August 2013 HK$ (unaudited)	2014 HK$
Turnover	6	19,382,713	17,367,913	28,076,113	14,093,232	15,908,515
Cost of sales		(1,592,777)	(1,702,303)	(1,850,312)	(1,147,509)	(1,539,049)
Gross profit		17,789,936	15,665,610	26,225,801	12,945,723	14,369,466
Other revenue	6	2	22,282	26,140	13,338	6,743
Operating expenses		(2,033,031)	(4,357,517)	(7,229,795)	(5,489,557)	(6,842,672)
Profit from operations		15,756,907	11,330,375	19,022,146	7,469,504	7,533,537
Finance cost	7(a)	(178,650)	(551,203)	(862,054)	(419,351)	(2,382,991)
Profit before taxation	7	15,578,257	10,779,172	18,160,092	7,050,153	5,150,546
Income tax	8	(2,568,613)	(2,047,233)	(3,587,266)	(1,666,490)	(1,820,674)
Profit for the year/period attributable to owners of the company		13,009,644	8,731,939	14,572,826	5,383,663	3,329,872
Other comprehensive income for the year/period		–	–	–	–	–
Total comprehensive income for the year/period attributable to owners of the company		13,009,644	8,731,939	14,572,826	5,383,663	3,329,872
		HK(cents)	*HK(cents)*	*HK(cents)*	*HK(cents)*	*HK(cents)*
Earnings per share	12					
– Basic		N/A	N/A	N/A	N/A	N/A
– Diluted		N/A	N/A	N/A	N/A	N/A

The accompanying notes form an integral part of the Financial Information.

2. Consolidated Statement of Financial Position

	Section II Note	At 31 December 2011 HK$	At 31 December 2012 HK$	At 31 December 2013 HK$	At 31 August 2014 HK$
Non-current assets					
Plant and equipment	*14*	223,865	55,806	51,384	45,130
Current assets					
Due from a director	*16*	447,382	2,164,934	–	–
Trade and other receivables	*17*	14,422,376	15,598,080	22,194,168	12,858,311
Tax recoverable	*21*	–	533,380	–	–
Cash and cash equivalents	*18*	1,392,495	578,321	8,996,693	27,107,598
		16,262,253	18,874,715	31,190,861	39,965,909
Current liabilities					
Trade and other payables	*19*	837,967	1,528,625	2,378,883	2,839,873
Bank borrowings	*20*	3,507,299	11,510,519	10,017,805	5,752,977
Tax payable	*21*	3,091,414	–	2,044,342	3,350,707
Convertible bonds	*22*	–	–	4,768,597	21,019,583
		(7,436,680)	(13,039,144)	(19,209,627)	(32,963,140)
Net current assets		8,825,573	5,835,571	11,981,234	7,002,769
Total assets less current liabilities		9,049,438	5,891,377	12,032,618	7,047,899
Net assets		9,049,438	5,891,377	12,032,618	7,047,899
Capital and reserves	*23*				
Share capital		10,000	10,000	10,000	10,000
Reserve		9,039,438	5,881,377	12,022,618	7,037,899
Total equity attributable to owners of the Company		9,049,438	5,891,377	12,032,618	7,047,899

The accompanying notes form an integral part of the Financial Information.

3. Statement of Financial Position of the Company

		At 31 December		At 31 August
		2012	**2013**	**2014**
	Note	*HK$*	*HK$*	*HK$*
Non-current assets				
Investment in subsidiaries	*15*	–	14,854,102	14,854,102
Current assets				
Due from subsidiaries	*15*	6,786	6,153,765	21,612,813
Due from a director	*16*	1	–	–
Prepayments	*17*	513,835	29,104	647,351
		520,622	6,182,869	22,260,164
Current liabilities				
Due to a subsidiary	*15*	(2,055,340)	–	–
Convertible bonds	*22*	–	(4,768,597)	(21,019,583)
		(2,055,340)	(4,768,597)	(21,019,583)
Net current (liabilities)/assets		(1,534,718)	1,414,272	1,240,581
Total assets less current liabilities		(1,534,718)	16,268,374	16,094,683
Net (liabilities)/assets		(1,534,718)	16,268,374	16,094,683
CAPITAL AND RESERVES				
Share capital	*23*	1	10,000	10,000
Reserves		(1,534,719)	16,258,374	16,084,683
Total equity attributable to owners of the Company		(1,534,718)	16,268,374	16,094,683

The accompanying notes form an integral part of the Financial Information.

4. Consolidated Statement of Changes in Equity

	Share capital	Convertible bonds reserve	Retained profit	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 January 2011	10,000	–	4,699,794	4,709,794
Total comprehensive income for the year	–	–	13,009,644	13,009,644
Dividend paid	–	–	(8,670,000)	(8,670,000)
At 31 December 2011 and 1 January 2012	10,000	–	9,039,438	9,049,438
Total comprehensive income for the year	–	–	8,731,939	8,731,939
Dividend paid	–	–	(11,890,000)	(11,890,000)
At 31 December 2012 and 1 January 2013	10,000	–	5,881,377	5,891,377
Issue of convertible bonds	–	484,415	–	484,415
Total comprehensive income for the year	–	–	14,572,826	14,572,826
Dividend paid	–	–	(8,916,000)	(8,916,000)
At 31 December 2013 and 1 January 2014	10,000	484,415	11,538,203	12,032,618
Issue of convertible bonds	–	755,409	–	755,409
Total comprehensive income for the period	–	–	3,329,872	3,329,872
Dividend paid	–	–	(9,070,000)	(9,070,000)
At 31 August 2014	10,000	1,239,824	5,798,075	7,047,899
At 1 January 2013	10,000	–	5,881,377	5,891,377
Total comprehensive income for the period (unaudited)	–	–	5,383,663	5,383,663
At 31 August 2013 (unaudited)	10,000	–	11,265,040	11,275,040

The accompanying notes form an integral part of the Financial Information.

5. Consolidated Statement of Cash Flows

	Section II Note	Year ended 31 December 2011 HK$	2012 HK$	2013 HK$	Eight months ended 31 August 2013 HK$ (unaudited)	2014 HK$
Operating activities						
Profit before taxation		15,578,257	10,779,172	18,160,092	7,050,153	5,150,546
Adjustments for:						
Depreciation		94,235	62,633	24,214	15,920	14,954
Finance cost		178,650	551,203	862,054	419,351	2,382,991
Interest income		(2)	(2)	(1)	–	(6)
Loss on disposal of plant and equipment		63,465	120,493	–	–	–
Operating profit before changes in working capital		15,914,605	11,513,499	19,046,359	7,485,424	7,548,485
(Increased)/decrease in due from a director		(403,916)	(1,717,552)	2,164,934	2,784,132	–
(Increase)/decrease in trade and other receivables		(7,747,965)	(1,175,704)	(6,596,088)	(7,098,598)	9,954,104
Increase in trade and other payables		86,967	675,299	850,378	180,714	471,198
Cash generated from operations		7,849,691	9,295,542	15,465,583	3,351,672	17,973,787
Income tax paid – Hong Kong Profit Tax		(408,542)	(5,672,027)	(1,009,544)	–	(514,309)
Net cash generated from operating activities		7,441,149	3,623,515	14,456,039	3,351,672	17,459,478
Investing activities						
Payment for the purchase of plant and equipment		(132,754)	(25,567)	(19,792)	(8,362)	(8,700)
Proceeds from disposal of plant and equipment		55,000	10,500	–	–	–
Interest income		2	2	1	–	6
Decrease in pledged bank deposits		200,000	–	–	–	–
Net cash generated from/(used in) investing activities		122,248	(15,065)	(19,791)	(8,362)	(8,694)

	Section II Note	Year ended 31 December 2011 HK$	2012 HK$	2013 HK$	Eight months ended 31 August 2013 HK$ (unaudited)	2014 HK$
Financing activities						
Dividends paid		(8,670,000)	(11,890,000)	(8,916,000)	–	(9,070,000)
Drawn down of new bank loans		2,508,543	10,874,154	3,833,397	–	514,309
Repayment of bank loans		(787,342)	(2,451,831)	(5,326,111)	(3,401,785)	(4,779,137)
Interest paid		(166,041)	(535,844)	(609,162)	(428,913)	(386,804)
Proceeds from issue of convertible bond		–	–	5,000,000	–	15,000,000
Prepayment for listing expenses		–	–	–	–	(618,247)
Net cash (used in)/generated from financing activities		(7,114,840)	(4,003,521)	(6,017,876)	(3,830,698)	660,121
Net increase/(decrease) in cash and cash equivalents		448,557	(395,071)	8,418,372	(487,388)	18,110,905
Cash and cash equivalents at 1 January		524,835	973,392	578,321	578,321	8,996,693
Cash and cash equivalents at 31 December/31 August	*18*	973,392	578,321	8,996,693	90,933	27,107,598

The accompanying notes form an integral part of the Financial Information.

II NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

The Company was 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. The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Unit 4, 7th Floor, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong respectively.

The Group is principally engaged in the sales and free distribution of Chinese-language lifestyle Magazine and the sales of advertising spaces in the Magazines. (the "Relevant Businesses")

In the opinion of the directors of the Company, the ultimate holding company of the Company is Fuwin Group (Holdings) Limited ("Fuwin") which is incorporated in the British Virgin Islands (the "BVI") and is wholly owned by Mr. Kwan Shun Keung Timmy and Ms. Yip Tsz Lam (the "Founders").

Prior to the incorporation of the Company, the Relevant Businesses were carried out by Ocean Media (Hong Kong) Limited ("Ocean Media") incorporated in Hong Kong on 28 June 2007, which was wholly owned and controlled by the Founders.

In order to rationalize the current structure of the Group, the following principal steps were undertaken to transfer the interests in Ocean Media formerly owned by the Founders to the Company:

a) Winsing Group (Holdings) Limited ("Winsing") was incorporated in the BVI with limited liability on 14 November 2012;

b) On 2 October 2013, Winsing acquired 100% interest in Ocean Media from the Founders in a consideration that Winsing allotted and issued, credited as fully paid, 10 Winsing shares to Fuwin. Upon completion the Founders through Fuwin became the beneficial owners of the entire issued share capital of Winsing;

c) On 9 October 2013, the Company as the purchaser and Fuwin as the vendor entered into an agreement whereby the Company acquired the entire issued share of Winsing from Fuwin in consideration that the Company allotted and issued, credited as fully paid, 999,999 Company shares to Fuwin. Upon completion, the Company became the holding company of a group comprising a direct subsidiary, Winsing and an indirect subsidiary, Ocean Media; and

d) The Company, Winsing and Ocean Media hereinafter collectively referred to as the "Group".

Further details of the Group are set out below.

Name of subsidiary	Place and date of incorporation	Issued and fully paid up share capital	Attributable equity interest held by the Company		Principal activities	Legal form	Statutory auditor for the respective financial years
			Direct	Indirect			
Winsing Group (Holdings) Limited ("Winsing")	BVI 14 November 2012	US$50,000	100%	–	Investment holding	Private limited liability company	N/A*
Ocean Media (Hong Kong) Limited ("Ocean Media")	Hong Kong 28 June 2007	HK$10,000	–	100%	Sales and distribution of Chinese-language lifestyle magazines and the sales of advertising spaces in the magazines	Private limited liability company	Years ended 31 December 2011, 2012 and 2013: CCIF CPA Limited

* The subsidiary was incorporated in BVI where there is no statutory requirement to have its financial statements audited.

2. BASIS OF PRESENTATION AND PREPARATION

a) Basis of presentation

Upon completion of the reorganisation as more fully explained in note 1 above, the Company became the holding company of the companies now comprising the Group on 9 October 2013. The companies now comprising the Group were under the common control of the Founders before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting, as if the reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Periods, as set out in Section I, include the results of operations of the companies now comprising the Group for the Track Record Period (or where the companies were incorporated at a date later than 1 January 2011, for the period from their respective incorporation date to 31 August 2014) as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 31 August 2014, as set out in Section I, have been prepared to present the state of affairs of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

b) Basis of preparation

The Financial Information has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in

Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

The principal operations of the Group are conducted in Hong Kong. The Financial Information is presented in Hong Kong dollars ("HK$"), which is the functional currency and presentation currency of the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are disclosed in note 5.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Period, the Group has consistently adopted HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretation issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2014 throughout the Relevant Periods.

Up to the date of issue of these Financial Information, the HKICPA has issued the following new standard, amendments to standards or Interpretations which are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contribution[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[6]
HKFRS 15	Revenue from Contracts with Customers[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
4 Effective for annual periods beginning on or after 1 January 2016.
5 Effective for annual periods beginning on or after 1 January 2017.
6 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

b) Plant and equipment

Plant and equipment are stated in the combined statements of financial position at cost less accumulated depreciation and impairment losses (see note 4(d)(ii)).

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight-line method at the following annual rates:

Furniture and fixtures	20%
Motor vehicles	25%

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

c) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

d) Impairment of assets

i) Impairment of receivables

Current receivables that are carried at cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is determined and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impaired loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) Impairment of other assets

Internal and external sources of information are reviewed at the date of the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– plant and equipment; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

e) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 4(d)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 4(d)(i)).

f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and demand deposits with banks. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

g) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

h) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bond reserve until either the bond is converted or redeemed.

If the bond is converted, the convertible bond reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bond reserve is released directly to revenue reserves.

i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

j) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

k) Employee benefits

i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

l) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

n) 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) Advertising income

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 net of returns and 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.

o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

p) Related parties

a) A person, or a close member of that person's family, is related to the Group if that person:

i) has control or joint control over the Group;

ii) has significant influence over the Group; or

iii) is a member of the key management personnel of the Group's or the Group's parent.

b) An entity is related to the Group if any of the following conditions applies:

i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

vi) The entity is controlled or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

q) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

a) 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 the income statement as follows:

i) Advertising income

When the outcome of an advertising contract can be estimated reliably, revenue from advertising service is recognised by reference to the stage of completion of the contract. Stage of completion of a contract is the number of advertisement being published as compared to the number of publication contracted for.

ii) Sale of magazines

Revenue from the sale of magazines is net of returns and recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. The directors or staff designated by the directors attended counting of unsold magazines returned by the distributor. The amount of income from sales of magazines is determined based on the number of copies of magazines passed to the distributor for sale less the number of unsold copies of magazines returned by the distributor.

b) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

c) Impairment of plant and equipment

At the end of reporting period, the directors review the carrying amount of plant and equipment to determine whether there is any indication that those have suffered an impairment loss. If any such indication exists, the directors carried out impairment reviews of plant and equipment. In making its judgement, management considered the future cash flows expected to arise from the cash generating unit and suitable discount rates in order to calculate the present value.

d) Impairment of trade receivables

The Group makes allowance for impairment loss based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

6. TURNOVER AND OTHER REVENUE

The principal activities of the Group are sales and distribution of Chinese-language lifestyle magazines and the sales of advertising space in the magazines.

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Turnover					
Advertising income	18,535,695	16,763,653	27,589,191	13,768,425	15,631,924
Sales of magazines	847,018	604,260	486,922	324,807	276,591
	19,382,713	17,367,913	28,076,113	14,093,232	15,908,515
Other revenue					
Sundry income	–	22,280	26,139	13,338	6,737
Interest income on financial assets not at fair value through profit or loss – bank interest income	2	2	1	–	6
	2	22,282	26,140	13,338	6,743

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

a) Finance costs

	Year ended 31 December			Eight months ended 31 August	
	2011	2012	2013	2013	2014
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Interest on bank overdraft	19,619	15,119	17,745	12,539	32,373
Interests on bank loans wholly repayable within five years	159,031	536,084	591,297	406,812	344,223
Interest on convertible bond	–	–	253,012	–	2,006,395
Total interest expense on financial liabilities not at fair value through profit or loss	178,650	551,203	862,054	419,351	2,382,991

The above bank loans interests relate to bank borrowings which repayment terms contain a repayment on demand clause.

b) Staff costs (including directors' remuneration)

	Year ended 31 December			Eight months ended 31 August	
	2011	2012	2013	2013	2014
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Salaries, wages and other benefits	1,122,385	1,669,726	2,453,695	1,564,675	1,623,106
Contributions to defined contribution retirement plan	42,230	56,215	79,054	50,799	57,556
	1,164,615	1,725,941	2,532,749	1,615,474	1,680,662

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 and not previously covered by the defined benefit retirement plan. 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 relevant income of HK$30,000 (HK$25,000 prior to June 2014; HK$20,000 prior to June 2012). Contributions to the plan vest immediately.

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

c) Other items

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Depreciation	94,235	62,633	24,214	15,920	14,954
Auditor's remuneration	200,000	240,000	240,000	200,000	200,000
Operating lease rental in respect of premises	231,200	216,900	193,000	113,000	160,000
Cost of inventories	1,322,060	1,495,771	1,684,920	1,036,800	1,445,940
Listing expenses	–	1,541,505	3,345,761	3,032,650	3,877,603
Loss on disposal of plant and equipment	63,465	120,493	–	–	–

8. INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

a) Income tax in the statement of profit or loss and other comprehensive income represents:

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Hong Kong					
Current tax	2,568,613	2,047,233	3,587,266	1,666,490	1,830,608
Overprovision in respect of prior year	–	–	–	–	(9,934)
	2,568,613	2,047,233	3,587,266	1,666,490	1,820,674

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits.

The Group had no other significant unprovided deferred tax liability at the end of each period.

b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	Year ended 31 December			Eight months ended 31 August	
	2011	2012	2013	2013	2014
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Profit before taxation	15,578,257	10,779,172	18,160,092	7,050,153	5,150,546
Notional tax on profit before taxation, calculated at 16.5%	2,570,412	1,778,563	2,996,415	1,163,275	849,840
Tax effect of non-deductible expense	27,271	284,564	605,596	515,518	982,292
Tax effect of unrecognised temporary difference	(17,070)	(5,894)	(4,745)	(2,303)	(1,524)
Overprovision in prior year	–	–	–	–	(9,934)
Tax effect of one-off tax reduction	(12,000)	(10,000)	(10,000)	(10,000)	–
Actual tax expense	2,568,613	2,047,233	3,587,266	1,666,490	1,820,674

9. DIRECTORS' EMOLUMENTS

The directors of the Company were the senior management of the Group throughout the Track Record Period. Their emoluments are disclosed in the Financial Information as if they had already been appointed at the beginning of the Track Record Period. Details of the emoluments of directors during the Track Record Period are as follows:

	Year ended 31 December 2011				
	Fees	Salaries allowances, and benefits-in-kind	Bonus	Retirement benefit scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors					
Kwan Shun Keung Timmy	–	401,350	–	4,000	405,350
Yip Tsz Lam	–	50,000	–	1,000	51,000
	–	451,350	–	5,000	456,350

	Year ended 31 December 2012				
	Fees	Salaries allowances, and benefits-in-kind	Bonus	Retirement benefit scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors					
Kwan Shun Keung Timmy	–	514,400	–	2,500	516,900
Yip Tsz Lam	–	50,000	–	1,250	51,250
	–	564,400	–	3,750	568,150

	Year ended 31 December 2013				
	Fees	Salaries allowances, and benefits-in-kind	Bonus	Retirement benefit scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors					
Kwan Shun Keung, Timmy	–	400,000	–	3,750	403,750
Yip Tsz Lam	–	50,000	–	1,250	51,250
Non-executive director					
Tam B Ray, Billy	–	86,667	–	4,333	91,000
	–	536,667	–	9,333	546,000

	Eight months ended 31 August 2013				
	Fees	Salaries allowances, and benefits-in-kind	Bonus	Retirement benefit scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Executive directors					
Kwan Shun Keung, Timmy	–	200,000	–	2,500	202,500
Yip Tsz Lam	–	50,000	–	1,250	51,250
Non-executive director					
Tam B Ray, Billy	–	46,667	–	2,333	49,000
	–	296,667	–	6,083	302,750

	Eight months ended 31 August 2014				
	Fees	Salaries allowances, and benefits-in-kind	Bonus	Retirement benefit scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors					
Kwan Shun Keung, Timmy	–	200,000	–	1,500	201,500
Yip Tsz Lam	–	50,000	–	1,500	51,500
Non-executive director					
Tam B Ray, Billy	–	27,419	–	1,371	28,790
Tsang Hin Man Terence	–	52,581	–	2,629	55,210
	–	330,000	–	7,000	337,000

No emolument was paid or payable to the independent non-executive directors, namely Mr. Lee Kwok Tung Louis, Mr. Tsang Ho Ka, Eugene and Mr. Yu Chon Man, during the Track Record Period. The independent non-executive directors are appointed by the Company on 23 January 2015. Mr. Tam B Bay, Billy was appointed and resigned as a non-executive director on 11 April 2013 and 24 March 2014 respectively. Mr. Tsang Hin Man Terence was appointed as a non-executive director on 24 March 2014.

During the Track Record Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 10 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 during the Track Record Period.

10. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one is a director whose emolument is disclosed in note 9. The aggregate of the emoluments in respect of the other four individuals are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Salaries, allowance and benefits-in-kind	502,561	582,756	958,395	645,477	646,000
Discretionary bonus	80,000	130,000	300,000	213,333	130,000
Retirement benefit scheme contributions	25,638	30,043	39,807	26,274	27,050
	608,199	742,799	1,298,202	885,084	803,050

The emoluments of the four individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
HK$Nil to HK$1,000,000	4	4	4	4	4

11. DIVIDENDS

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Interim dividends declared and paid	8,670,000	11,890,000	8,916,000	–	9,070,000

Dividends during the years ended 31 December 2011, 2012 and 2013 and the eight months ended 31 August 2014 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies, after elimination of intra-group dividends.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this Financial Information.

The directors consider that the above dividend payments are not indicative of the future dividend policy of the Company.

12. BASIC AND DILUTED EARNINGS PER SHARE

No earning per share information is presented as its inclusion, for the purpose of this Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Periods on the basis as disclosed in note 2 above.

13. SEGMENT REPORTING

The Group's revenue is substantially derived from a single business operation of accepting advertisements in and publishing magazines. The financial information for this business as a whole, is reviewed by the directors of the Company and used for the purposes of assessment of performance and resource allocation. Accordingly, this business as whole constitutes one operating segment for the purpose of segment information presentation under HKFRS 8.

The Group's turnover and results are principally derived from the business and management of the Group has been managing the Group as a single operating segment in the Track Record Period. The turnover and results are disclosed in the consolidated statement of profit or loss and other comprehensive income.

a) Major customers

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Customer 1	5,210,000	5,350,000	5,275,000	3,523,000	3,642,000
Customer 2	8,410,000	3,500,000	6,350,000	3,602,000	2,132,000
Customer 3	3,115,000	2,000,000	*Note*	*Note*	–
Customer 4	–	3,800,000	4,893,000	4,084,000	3,096,000

Note: Less than 10 percent of the Group's turnover for the year ended 31 December 2013 and eight months ended 31 August 2013.

Revenues from each of the above four customers accounted for 10 percent or more of the Group's turnover for the years ended 31 December 2011, 2012 and 2013 and the eight months ended 31 August 2013 and 2014. Further details of concentrations of credit risk arising from these customers are set out in note 24.

b) Revenue from major products and services

No analysis of the Group's major products and services has been presented as all revenue of the Group is from accepting advertisements in and publishing magazines.

c) Geographical information

No analysis of the Group's revenue from external customers and non-current assets by geographical location has been presented as the Group's operating activities are carried out in Hong Kong.

14. PLANT AND EQUIPMENT

The Group

	Furniture and fixtures	Motor vehicles	Total
	HK$	*HK$*	*HK$*
Cost			
At 1 January 2011	87,232	250,000	337,232
Additions	–	132,754	132,754
Disposals	–	(132,754)	(132,754)
At 31 December 2011 and 1 January 2012	87,232	250,000	337,232
Additions	25,567	–	25,567
Disposals	–	(250,000)	(250,000)
At 31 December 2012 and 1 January 2013	112,799	–	112,799
Additions	19,792	–	19,792
At 31 December 2013 and 1 January 2014	132,591	–	132,591
Additions	8,700	–	8,700
At 31 August 2014	141,291	–	141,291
Accumulated depreciation			
At 1 January 2011	18,695	14,726	33,421
Charge for the year	17,446	76,789	94,235
Written back on disposal	–	(14,289)	(14,289)
At 31 December 2011 and 1 January 2012	36,141	77,226	113,367
Charge for the year	20,852	41,781	62,633
Written back on disposal	–	(119,007)	(119,007)
At 31 December 2012 and 1 January 2013	56,993	–	56,993
Charge for the year	24,214	–	24,214
At 31 December 2013 and 1 January 2014	81,207	–	81,207
Charge for the period	14,954	–	14,954
At 31 August 2014	96,161	–	96,161
Carrying amount			
At 31 December 2011	51,091	172,774	223,865
At 31 December 2012	55,806	–	55,806
At 31 December 2013	51,384	–	51,384
At 31 August 2014	45,130	–	45,130

a) During the year ended 31 December 2011, the Group purchased a motor van in January 2011 for the purpose of self distribution of the to-be-published free magazines by the editing staff. However, it was later found out that more staff was required to edit that magazines and the Group need to recruit a driver for the motor van. The Group considered that it was not cost effective. Accordingly, the Group disposed of that motor van in June 2011.

   During the year ended 31 December 2012, the Group disposed of another motor vehicle in September 2012 which was acquired before 2011 and was for the director to perform marketing purpose. However, this motor vehicle was out of order. The repairment cost was not cost effective and the Group disposed this motor vehicle accordingly.

b) In 31 December 2011 and 2012, the Group disposed of motor vehicles to independent third parties on arms' length basis.

15. INVESTMENT IN A SUBSIDIARY

	At 31 December		At 31 August
	2012	**2013**	**2014**
	HK$	*HK$*	*HK$*
Investment in Winsing pursuant to the Reorganisation	–	14,854,102	14,854,102

The details of the subsidiaries are included in note 1.

The respective amounts due from/(to) subsidiaries are unsecured, non-interest-bearing and repayable on demand.

16. DUE FROM A DIRECTOR

Particulars of the amount due from a director are as follows:

Year ended 31 December 2011

	The Group		
	31 December 2011	**Maximum amount outstanding during 2011**	**1 January 2011**
	HK$	*HK$*	*HK$*
Due from a director			
Mr. Kwan Shun Keung Timmy	447,382	916,108	43,466

Year ended 31 December 2012

	The Company			The Group		
	31 December 2012	Maximum amount outstanding during 2012	1 January 2012	31 December 2012	Maximum amount outstanding during 2012	1 January 2012
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Due from a director						
Mr. Kwan Shun Keung Timmy	1	1	–	2,164,934	2,843,864	447,382

Year ended 31 December 2013

	The Company			The Group		
	31 December 2013	Maximum amount outstanding during 2013	1 January 2013	31 December 2013	Maximum amount outstanding during 2013	1 January 2013
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Due from a director						
Mr. Kwan Shun Keung Timmy	–	1	1	–	2,529,934	2,164,934

Eight months ended 31 August 2014

	The Company			The Group		
	31 August 2014	Maximum amount outstanding during 2014	1 January 2014	31 August 2014	Maximum amount outstanding during 2014	1 January 2014
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Due from a director						
Mr. Kwan Shun Keung Timmy	–	–	–	–	3,183,517	–

The balance with a director was unsecured, interest-free and repayable on demand.

17. TRADE AND OTHER RECEIVABLES

	The Company			The Group			
	At 31 December		At 31 August	At 31 December			At 31 August
	2012	2013	2014	2011	2012	2013	2014
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Trade receivables							
– For services already invoiced	–	–	–	14,355,056	15,061,056	21,578,280	2,502,322
Less: allowance for doubtful debts	–	–	–	–	–	–	–
	–	–	–	14,355,056	15,061,056	21,578,280	2,502,322
Advertising income not yet invoiced	–	–	–	–	–	512,528	9,619,029
Loans and receivables	–	–	–	14,355,056	15,061,056	22,090,808	12,121,351
Deposits, prepayment and other receivables	513,835	29,104	647,351	67,320	537,024	103,360	736,960
	513,835	29,104	647,351	14,422,376	15,598,080	22,194,168	12,858,311

a) Except for the rental and utilities deposits in a sum of HK$15,500, HK$18,500, HK$42,800 and HK$62,800 at 31 December 2011, 2012 and 2013 and 31 August 2014 respectively, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

b) During the Track Record Period, advertising services provided to the Group's customers were in general made on credit with credit period of 0 to 180 days from the date on which invoice was issued. A longer credit period of 181 days to 1 year might be extended to customers with long term business relationship, established reputation and good repayment history. 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.

For those advertising income not yet invoiced, the Group would only issue invoices to customers who have advertising package with the group after the publication of all the advertisements included in the advertising package or the period end of the advertising package. Credit period for these customers is longer than the other customers.

All outstanding trade receivable 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 Track Record Period, no legal actions were taken by the Group for debt collection.

c) The aging analysis of trade receivables based on overdue days is as follows:

	At 31 December			At 31 August
	2011	2012	2013	2014
	HK$	*HK$*	*HK$*	*HK$*
For services invoiced				
Current	13,450,000	14,065,000	16,728,272	1,235,000
1 – 30 days	648,572	530,666	2,381,657	782,722
31 – 90 days	107,249	117,560	1,587,231	320,000
Over 90 days	149,235	347,830	881,120	164,600
	14,355,056	15,061,056	21,578,280	2,502,322
Less: Impairment loss on invoiced trade receivables	—	—	—	—
	14,355,056	15,061,056	21,578,280	2,502,322

d) Trade receivables that are not impaired

Trade receivables that are neither past due nor impaired amounted to HK$13,450,000, HK$14,065,000, HK$16,728,272 and HK$1,235,000 at the end of 31 December 2011, 2012 and 2013 and 31 August 2014 respectively. These balances related to customers for whom there was no recent history of default.

Below is an ageing analysis of trade receivables that were past due as at the reporting date but not impaired:

	At 31 December			At 31 August
	2011	2012	2013	2014
	HK$	*HK$*	*HK$*	*HK$*
1 to 30 days	648,572	530,666	2,381,657	782,722
31 to 90 days	107,249	117,560	1,587,231	320,000
Over 90 days	149,235	347,830	881,120	164,600
	905,056	996,056	4,850,008	1,267,322

Receivables that were past due but not impaired as at 31 December 2011, 2012 and 2013 and 31 August 2014 relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

18. CASH AND CASH EQUIVALENTS

	The Group			
	At 31 December			At 31 August
	2011	2012	2013	2014
	HK$	*HK$*	*HK$*	*HK$*
Cash at bank and in hand stated in the consolidated statements of financial position	1,392,495	578,321	8,996,693	27,107,598
Less: Bank overdrafts *(note 20)*	(419,103)	–	–	–
Cash and cash equivalents in the consolidated statements of cash flows	973,392	578,321	8,996,693	27,107,598

Cash and cash equivalents comprise cash in hand and short-term bank deposits with maturity periods of three months or less bearing prevailing market interest rates. The directors of the Company consider that the carrying amounts of cash and cash equivalents approximate to their fair values.

19. TRADE AND OTHER PAYABLES

	The Group			
	At 31 December			At 31 August
	2011	2012	2013	2014
	HK$	*HK$*	*HK$*	*HK$*
Trade payables	454,901	658,710	851,163	832,993
Other payables and accrued expenses	383,066	869,915	1,527,720	2,006,880
Financial liabilities measured at amortised costs	837,967	1,528,625	2,378,883	2,839,873

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

b) The ageing analysis of trade payables presented based on invoice date as at the end of the reporting period is as follows:

	The Group			
	At 31 December			At 31 August
	2011	2012	2013	2014
	HK$	*HK$*	*HK$*	*HK$*
0 – 60 days	247,091	276,530	416,463	364,568
61 – 90 days	133,410	99,300	144,000	233,600
91 – 180 days	74,400	282,880	290,700	234,825
	454,901	658,710	851,163	832,993

The credit terms granted by the suppliers were generally ranging from 30 to 120 days. The directors of the Company consider that the carrying amounts of trade payables approximate to their fair values.

20. BANK BORROWINGS

The analysis of the carrying amounts of bank borrowings are as follows:

	At 31 December			At 31 August
	2011	2012	2013	2014
	HK$	*HK$*	*HK$*	*HK$*
Overdrafts, repayable on demand *(note 18)*	419,103	–	–	–
Portion of bank loans due for repayment within 1 year	979,287	5,126,176	6,615,658	3,639,800
	1,398,390	5,126,176	6,615,658	3,639,800
Portion of bank loans, having agreements containing repayment on demand clauses classified as current liabilities, due for repayment:				
– After 1 year but within 2 years	941,677	4,324,150	1,974,710	1,397,918
– After 2 years but within 5 years	1,167,232	2,060,193	1,427,437	715,259
	2,108,909	6,384,343	3,402,147	2,113,177
Total bank loans	3,507,299	11,510,519	10,017,805	5,752,977

All respective agreement of the Group's bank loans contains a clause which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Company's management of liquidity risk are set out in note 24(b). At 31 December 2011, 2012 and 2013 and 31 August 2014, none of the covenants relating to drawn down facilities had been breached.

a) At 31 December 2011, 2012 and 2013 and 31 August 2014, the bank loans were further analysed as follows:

	At 31 December			At 31 August
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Unsecured bank overdrafts	419,103	–	–	–
Bank loans, secured by time deposit of a director	69,793	–	1,399,661	388,006
Unsecured bank loans	3,018,403	11,510,519	8,618,144	5,364,971
	3,507,299	11,510,519	10,017,805	5,752,977

b) All the bank borrowings were denominated in HK dollar.

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

	At 31 December			At 31 August
Effective interest rates:	**2011**	**2012**	**2013**	**2014**
Fixed-rate borrowings	7.87%–11.20%	7.87%–18.53%	7.87%–18.53%	7.87%–18.53%
Variable-rate borrowings	5.75%–6.75%	3.75%–8.75%	3.75%–8.75%	3.75%–8.75%

d) At 31 December 2011, the bank loan of HK$69,793 was secured by pledging a time deposit of HK$200,900 of a director. This security was the same as the time deposit mentioned in (e) and (g).

e) At 31 December 2013 and 31 August 2014, the bank loan of HK$1,399,661 and HK$388,006 respectively was secured by pledging a time deposit of HK$202,720 and HK$202,720 respectively of a director. This security was the same as the time deposit mentioned in (d) and (g).

f) All the bank borrowing were secured by guarantees. Details of the guarantee and the related borrowings are:

	At 31 December			At 31 August
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Mr. Kwan and Ms. Yip (Joint personal guarantee)	569,793	5,657,478	5,454,348	2,575,044
Mr. Kwan (Personal guarantee)	–	759,309	527,018	353,667
Mr. Kwan (Personal guarantee) and HKSAR under Special Loan Guarantee Scheme	260,435	124,609	–	–
Mr. Kwan and Ms. Yip (Joint personnel guarantee) and HKSAR under Special Loan Guarantee Scheme	809,175	620,874	420,625	280,039
Mr. Kwan (Personal guarantee) and HKSAR under SME Loan Guarantee Scheme	600,000	1,349,015	1,327,666	750,756
Mr. Kwan and Ms. Yip (Joint personal guarantee) and HKSAR under SME Loan Guarantee Scheme	848,793	2,999,234	2,288,148	1,793,471
Mr. Kwan and Ms. Yip (Joint personal guarantee) and HKMC under SME Financing Guarantee Scheme	419,103	–	–	–
	3,507,299	11,510,519	10,017,805	5,752,977

Mr. Kwan	Mr. Kwan Shun Keung Timmy
Ms. Yip	Ms. Yip Tsz Lam
HKSAR	The Government of Hong Kong Special Administration Region
SME	Small and Medium Enterprise
HKMC	Hong Kong Mortgage Corporation Limited

At 31 December 2011, 2012 and 2013 and 31 August 2014, the total banking facilities amounting to HK$3,527,299, HK$12,030,519 and HK$11,052,114 and HK$6,272,977 respectively.

g) At 31 December 2011, 2012 and 2013 and 31 August 2014, the Group had unutilized banking facilities of HK$20,000. This borrowing was guaranteed by directors and secured by pledging time deposit of HK$200,900, HK$202,720 and HK$202,720 respectively of a director. This security was the same as the time deposit mentioned in (d) and (e).

h) At 31 December 2012 and 2013 and 31 August 2014, the Group had another unutilized banking facilities of HK$500,000 which was guaranteed by HKMC and directors.

i) In the opinion of the directors, the carrying amounts of bank loans are not significantly different from their fair values at the end of each reporting period.

21. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

Income tax payable in the consolidated statement of financial position represents:

	At 31 December			At 31 August
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Income tax payable/(recoverable) at the beginning of the year/period	931,343	3,091,414	(533,380)	2,044,342
Provision for the year/period *(note 8a)*	2,568,613	2,047,233	3,587,266	1,820,674
Income tax paid	(408,542)	(5,672,027)	(1,009,544)	(514,309)
Income tax payable/(recoverable) at the end of the year/period	3,091,414	(533,380)	2,044,342	3,350,707

22. CONVERTIBLE BONDS

The Group and the Company

On 10 September 2013, the Company entered into two subscription agreements in relation to the issue of, by each subscription agreement, two tranches of 12 per cent. coupon convertible bonds ("Convertible Bonds") in aggregate principal amount of HK$20,000,000 due on the date falling 18 months from the date of issue of each first tranche. The two first tranches and the two second tranches of both subscription agreements in aggregate HK$5,000,000 and HK$15,000,000 were issued on 10 September 2013 and 27 January 2014 respectively. The Convertible Bonds are guaranteed by Mr. Kwan and Ms. Yip.

The terms of the conversion rights of the Convertible Bonds into ordinary shares are as follows:

- Conversion rights are exercisable within 18 months from the date of issue of the first tranche of the Convertible Bonds provided that the Company has produced documentary evidence to the satisfaction of the bondholders evidencing the approval in principle of the [REDACTED] by the Stock Exchange or other relevant authority or the Stock Exchange having no comment on the document in relation to the [REDACTED] and the Bondholder shall be deemed to have served on the Company the conversion notice exercising in full the entire conversion rights attaching to the Convertible Bonds on the date of the Company producing such documentary evidence.

- On the Conversion Date, the Company shall allot and issue to the Bondholders, credited as fully paid, such number of new shares which shall represent 16.6% of the then entire enlarged issued share capital of the Company immediately before the completion of the [REDACTED] and the [REDACTED].

If the Convertible Bonds are not converted within the date falling 18 months from the date of issue of the first tranche of the Convertible Bonds, the Company shall redeem the Convertible Bonds at face value on the respective due day.

During the year ended 31 December 2013 and the eight months ended 31 August 2014, there was no conversion of the convertible bonds into shares of the Company by the bondholders and no redemption of the Convertible Bonds by the Company.

On the basis that (i) the ratio of the conversion shares has been fixed at 16.6% of the issued share capital of the Company immediately before the completion of the [REDACTED] and the completion of the [REDACTED]; (ii) it bears no relationship with the [REDACTED] and the number of the [REDACTED] and the [REDACTED]; and (iii) the numbers of conversion shares are not subject to any adjustments, the Convertible Bonds are accounted for as compound instruments under HKAS 32 "Financial Instruments – Presentation" and the proceeds have been split into between a liability component and an equity component as set out below.

At the date of issue of the Convertible Bonds, the liability component was recognised at fair value, determined based on the valuation performed by an independent professional valuer using the Capital Asset Pricing Model. The conversion option is an equity instrument. The residual amount, representing the value of the equity component, is credited to a Convertible Bonds reserve.

The Convertible Bonds recognised in the consolidated statement of financial position are calculated as follows:

	First Tranche	Second Tranche	Total
	HK$	*HK$*	*HK$*
Face value of Convertible Bonds at issue date including:			
Equity component on initial recognition	484,415	755,409	1,239,824
Liability component on initial recognition	4,515,585	14,244,591	18,760,176

	First Tranche	Second Tranche	Total
	HK$	*HK$*	*HK$*
Movement of liability component at amortised cost:			
Liability component of first tranche at initial recognition	4,515,585	–	4,515,585
Add: imputed finance cost	253,012	–	253,012
Liability component at 31 December 2013 and 1 January 2014	4,768,597	–	4,768,597
Add: Liability component of second tranche at initial recognition	–	14,244,591	14,244,591
Imputed finance cost	602,322	1,404,073	2,006,395
Liability component at 31 August 2014	5,370,919	15,648,664	21,019,583

With reference to the valuation performed by independent professional valuer, Grant Sherman Appraisal Limited, ("Grant Sherman") in the opinion of the directors, the carrying amount of liability component was not significantly different from their fair values at the end of the reporting period. Grant Sherman is incorporated in Hong Kong and an independent professional valuer. Grant Sherman has given and has not withdrawn their written consent pursuant to requirements under paragraph 21 of Chapter 7 GEM Listing Rules.

The imputed finance cost on the bonds is calculated using the effective interest method by applying an effective interest rate of 19.53% and 17.22% per annum for first and second tranches of Convertible Bonds respectively.

23. CAPITAL AND RESERVES

a) Movements in components of equity

i) The Group

The movements in components of equity of the Group are set out in the Consolidated Statement of Changes in Equity.

ii) The Company

Since the Company was incorporated on 7 December 2012, no financial statements were prepared for the year ended 31 December 2011. Accordingly, no capital and reserve are to be disclosed.

	Share capital	Contributed surplus	Convertible Bond reserve	(Accumulated losses)/Retained profits	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
At 7 December 2012 (date of incorporation)	–	–	–	–	–
Total comprehensive income for the period	–	–	–	(1,534,719)	(1,534,719)
Issuance of shares	1	–	–	–	1
At 31 December 2012 and 1 January 2013	1	–	–	(1,534,719)	(1,534,718)
Total comprehensive income for the year	–	–	–	2,465,278	2,465,278
Issue of convertible bond	–	–	484,415	–	484,415
Issuance of shares	9,999	14,843,400	–	–	14,853,399
At 31 December 2013 and 1 January 2014	10,000	14,843,400	484,415	930,559	16,268,374
Total comprehensive income for the period	–	–	–	8,140,900	8,140,900
Issue of convertible bond	–	–	755,409	–	755,409
Dividend paid	–	–	–	(9,070,000)	(9,070,000)
At 31 August 2014	10,000	14,843,400	1,239,824	1,459	16,094,683
At 1 January 2013	1	–	–	(1,534,719)	(1,534,718)
Total comprehensive income for the period (unaudited)	–	–	–	(2,974,450)	(2,974,450)
At 31 August 2013 (unaudited)	1	–	–	(4,509,169)	(4,509,168)

b) Share capital

Since the Company was incorporated on 7 December 2012, no share capital was issued at 31 December 2011.

Authorised and issued share capital:

	Number of shares	Share capital
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
On date of incorporation, 31 December 2012 and 2013 and 31 August 2014	38,000,000	380,000
Issued:		
1 share allotted and issued, nil-paid on the date of incorporation and 31 December 2012	1	1
1,000,000 share allotted and issued, fully paid on 31 December 2013 and 31 August 2014	1,000,000	10,000

Share capital of the Group at 1 January 2011, 31 December 2011 and 1 January 2012 represented the share capital of Ocean Media.

The Company was incorporated and registered as an exempted company in the Cayman Islands on 7 December 2012 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. One share was issued at par for cash and was round up to HK$1 for the disclosure purpose.

Increase in share capital

Details of change in share capital of the Company are set out in note 1.

The holders of ordinary share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

c) Nature and purpose of reserves

(i) Contributed surplus

The contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Group reorganisation on 9 October 2013.

(ii) Convertible bond reserve

Convertible bond reserve represent the amount allocated to the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bond in note 4(h).

d) Distributability of reserve

The Company was incorporated on 7 December 2012 and has not carried on any business since the date of its incorporation save for the Reorganisation. At 31 December 2012 and 2013 and 31 August 2014, the aggregate amounts of reserves (including the Company's retained profits, if any, and contributed surplus) available for distribution to equity shareholders of the Company are Nil, HK$15,773,959 and HK$14,844,859, respectively.

e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and to generate sufficient profit to maintain growth and provide a satisfactory return to its shareholders.

The management actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic condition. In view of this, the Group will balance its overall capital structure through the payment of divided or the issue of new debt. No changes were made in the objectives or policies during the Track Record Period.

The Group monitors capital on the basis of the adjusted net debt-to-capital ratio, which was unchanged from 2011. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including trade and other payables, as shown in the consolidated statement of financial position) less cash and cash equivalents and pledged bank deposits. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt. The adjusted net debt-to-capital ratio as at 31 December 2011, 2012 and 2013 and 31 August 2014 were as follows:

	At 31 December			At 31 August
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Total debt	4,345,266	13,039,144	17,165,285	29,612,433
Less: cash and cash equivalents and pledged bank deposits	(1,392,495)	(578,321)	(8,996,693)	(27,107,598)
Net debt	2,952,771	12,460,823	8,168,592	2,504,835
Total equity	9,049,438	5,891,377	12,032,618	7,047,899
Total capital	12,002,209	18,352,200	20,201,210	9,552,734
Adjusted net debt-to-capital ratio	25%	68%	40%	26%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group's major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables, bank borrowings and balances with related parties. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate 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.

a) Credit risk

i) As at 31 December 2011, 2012 and 2013 and 31 August 2014, 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.

ii) 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 Company does not require collateral in respect of its financial assets.

iii) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 December 2011, 2012 and 2013 and 31 August 2014, the Group has certain concentration of credit risk as 42%, 30%, 29% and 30% of the total trade receivables was due from the Group's largest customer and 97%, 96%, 77% and 90% of the total trade receivables was due from the company's largest 5 customers. Taking into accounts the creditworthiness of the Group's 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.

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

b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. 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 following table set out the remaining contractual maturities at the end of reporting period of the Group's financial liabilities based on contractual undiscounted cash flows and the earliest date the Group can be required to pay. The table is prepared based on the information provided internally to the directors since the directors can monitor the remaining contractual maturity of diversified bank loans and trade and other payables precisely. The details for remaining contractual maturity of Convertible Bonds are set out in note 22.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

The Group

	At 31 December									At 31 August		
	2011			2012			2013			2014		
	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Bank borrowings	3,507,299	3,507,299	3,507,299	11,510,519	11,510,519	11,510,519	10,017,805	10,017,805	10,017,805	5,752,977	5,752,977	5,752,977
Trade and other payables	837,967	837,967	837,967	1,528,625	1,528,625	1,528,625	2,378,883	2,378,883	2,378,883	2,839,873	2,839,873	2,839,873
	4,345,266	4,345,266	4,345,266	13,039,144	13,039,144	13,039,144	12,396,688	12,396,688	12,396,688	8,592,850	8,592,850	8,592,850

The table that follows summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. Except for HK$419,103 which was bank overdraft, the other amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that the bank borrowings will be repaid in accordance with the scheduled repayment dates.

	Maturity analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments					
	Bank overdraft	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash outflows
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
31 December 2011	419,103	1,157,070	1,060,639	1,241,846	–	3,878,658
31 December 2012	–	5,688,332	4,594,383	2,193,070	–	12,475,785
31 December 2013	–	7,057,786	2,138,943	1,490,619	–	10,687,348
31 August 2014	–	4,031,977	1,482,843	733,744	–	6,248,564

c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group currently does not have a policy on hedging of interest rate risks. However, the directors monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The Group's interest rate profile as monitored by the directors is set out in (i) below.

i) Interest rate profile

The following table details the interest rate profile of the Group's bank loans at the end of reporting period:

	At 31 December						At 31 August	
		2011		2012		2013		2014
	Effective interest rates	*HK$*	*Effective interest rates*	*HK$*	*Effective interest rates*	*HK$*	*Effective interest rates*	*HK$*
Fixed rate borrowings								
– bank loans	7.87%–11.20%	1,360,435	7.87%–18.53%	2,347,640	7.87%–18.53%	2,582,620	7.87%–18.53%	1,644,851
Variable rate borrowings								
– bank loans	5.75%–6.25%	1,727,761	3.75%–8.75%	9,162,879	3.75%–8.75%	7,435,185	3.75%–8.75%	4,108,126
– bank overdrafts	6.75%	419,103	Nil	Nil	Nil	Nil	Nil	Nil
		3,507,299		11,510,519		10,017,805		5,752,977

The directors also monitor the interest rate exposures of Convertible Bonds and consider the interest rate of Convertible Bonds is fixed. The details of interest rate for Convertible Bonds are set out in note 22.

ii) Sensitivity analysis

At 31 December 2011, 2012 and 2013 and 31 August 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately HK$17,926, HK$76,510, HK$62,084 and HK$34,303. Other components of equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined based on the exposure to interest rates at the end of reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The 100 basis point increase or decrease represents directors' assessment of a reasonably possible change in interest rates over the period until the next annual end of reporting date. The analysis is performed on the same basis for the Track Record Period.

d) Currency risk

The Group's functional currency is Hong Kong dollars as substantially all the turnover are in Hong Kong dollars. The Group does not expect any significant currency risk which might materially affect the Group's results of operations.

e) Fair value

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2011, 2012 and 2013 and 31 August 2014.

25. OPERATING LEASE COMMITMENTS

As at 31 December 2011, 2012 and 2013 and 31 August 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December			At 31 August
	2011	2012	2013	2014
	HK$	*HK$*	*HK$*	*HK$*
Within one year	265,100	108,000	240,000	180,000
In the second to fifth years inclusive	114,400	99,000	100,000	–
	379,500	207,000	340,000	180,000

The Group leases premises for office and staff quarters under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease when all terms are re-negotiated. None of the leases includes contingent rentals.

26. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the Financial Information, the Group has entered into the following transactions:

a) Financial guarantee

The details of guarantees provided by the directors are set out in note 20 and 22.

b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2011	2012	2013	2013	2014
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Short-term employee benefits	451,350	564,400	536,667	296,667	330,000
Post-employment benefits	5,000	3,750	9,333	6,083	7,000
	456,350	568,150	546,000	302,750	337,000

c) Balances with a director

The details are set out in note 16.

d) Advertising space granted to a related company

During the year ended 31 December 2011 and 2012, the Group granted certain free advertising space to a related company Easy Boss Company Limited (formerly known as Multi Century International Holdings Limited), of which Mr. Kwan Shun Leung, Timmy is also a director. During the year ended 31 December 2012, the Group granted certain free advertising space to director, Mr. Kwan. During the year ended 31 December 2011, the Group granted certain free advertising space to another related company, Winning Van Call Centre Company, of which the father of Mr. Kwan was a beneficial owner.

e) Distribution service provided to the Group

During the year ended 31 December 2011, a related company, Winning Van Call Centre Company of which the father of Mr. Kwan was the beneficial owner had provided distribution service amounted to approximately HK$13,000 to the Group.

f) Trademarks assigned to the Group

During the year ended 31 December 2012, certain trademarks were assigned to the Group by the directors, Mr. Kwan and Ms Yip at HK$1.

g) Shareholder's indemnity

Mr Kwan and Ms Yip, the controlling shareholders and directors of the Company, have 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.

27. IMMEDIATE PARENT AND ULTIMATE HOLDING COMPANY

At 31 August 2014, the directors consider the immediate parent as well as the ultimate holding company of the Group to be Fuwin Group, which is incorporated in the BVI with limited liability. This entity does not produce financial statements available for public use.

28. CONTINGENT LIABILITIES

The Group is subject to maximum penalty and fines of HK$854,000 in respect of non-compliance of relevant rules and regulations in relation to registration and requirements in relation to the distribution of the magazines. This possible maximum penalty and fines will be indemnified, when required, by the shareholders as set out in note 26(g).

29. EVENTS AFTER THE REPORTING PERIOD

a) Share Option Scheme

Subsequent to 31 August 2014, the Company launched a share option scheme (the "Scheme"). The purpose of the Scheme is to enable the Company to grant options to the eligible participants in recognition of their contribution to the Group.

No share options were granted up to the date of this report.

b) Dividend

The Company declared dividend of HK$4,000,000 to its shareholders on 21 January 2015 and paid HK$950,000 and HK$3,050,000 on 21 January 2015 and 22 January 2015 respectively.

c) Increase in authorised share capital

On 23 January 2015, authorised share capital of the Company was increased from HK$380,000.00 to HK$100,000,000.00 by the creation of additional 9,962,000,000 shares as part of the Reorganisation.

(d) Allotment and issuance of shares to Fuwin

In January 2015, Fuwin subscribed for and the Company allotted and issued 251,000 Shares to Fuwin at par value as part of the Reorganisation.

e) Conversion of Convertible Bonds

On 29 January 2015, the Company allotted and issued 249,000 shares of HK$0.01 each to Convertible Bondholders for the conversion of Convertible Bonds of the face value of HK$20,000,000 pursuant to the Pre-[REDACTED] Convertible Bonds Subscription Agreement.

f) [REDACTED]

Pursuant to the written resolution passed by the shareholders of the Company in January 2015, the directors were authorised to allot and issue 598,500,000 shares by way of capitalisation of a total sum of HK$5,985,000 standing to the credit of share premium account of the Company credited as fully paid at par to the shareholders as appearing on the register of members of the Company.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 31 August 2014.

Yours faithfully,

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Betty P.C. Tse
Practising Certificate Number P03024

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 7.31 of the GEM Listing Rules is set forth below to provide the prospective investors with further information about how the proposed [REDACTED] might have affected the financial position of the Group after completion of the [REDACTED].

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial performance of the Group and financial position of the Group as at 31 August 2014 or at any future date.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company which has been prepared for the purpose of illustrating the effect of the [REDACTED] as if it had been taken place on 31 August 2014 and based on the audited consolidated net assets of the Group as at 31 August 2014 as shown in the accountants' report, the text of which is set out in Appendix I to this document, and is adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2014	Add: Estimated net proceeds from the [REDACTED]	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share
	HK$	*HK$*	*HK$*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on an [REDACTED] of HK$[REDACTED] per Share	7,047,899	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	7,047,899	[REDACTED]	[REDACTED]	[REDACTED]

This statement has been prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of the Group following the [REDACTED].

Notes:

1. It represented the consolidated net assets of the Group of HK$7,047,899 as extracted from the audited consolidated statements of financial position of the Group as at 31 August 2014 as set out in Appendix I to this document.

2. The estimated net proceeds from the [REDACTED] are based on the [REDACTED] of HK$[REDACTED] and HK$[REDACTED] per Share, being the lowest point and the highest point in the estimated [REDACTED] range of HK$[REDACTED] per Share to HK$[REDACTED] per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Share Capital" in this document.

3. The unaudited pro forma adjusted net tangible assets value per Share is arrived at based on [REDACTED] Shares expected to be in issue immediately following completion of the [REDACTED] but takes no account of any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors as referred to in the section headed "Share Capital" in this document.

4. [No adjustment has been made to reflect any [REDACTED] or other transactions of the Group entered into subsequent to 31 August 2014, and in particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group has not been adjusted the effect of the following events:

   i) The Company declared dividend of HK$4,000,000 to its shareholders on 21 January 2015 and paid HK$950,000 and HK$3,050,000 on 21 January 2015 and 22 January 2015 respectively; and

   ii) On 29 January 2015, the Company allotted and issued Shares to each of the Pre-[REDACTED] Convertible Bondholders pursuant to the Pre-[REDACTED] Convertible Bonds Subscription Agreements

   Taking into account the estimated net proceeds from the [REDACTED] at the price of HK$[REDACTED] and HK$[REDACTED] per Share and the above events, the unaudited pro forma adjusted consolidated net tangible assets per Share would have been approximately HK$[REDACTED] per Share and HK$[REDACTED] per Share, respectively on the basis that [REDACTED] Shares were in issue and the above events had been completed on 31 August 2014.]

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

[REDACTED]

The estimate of the Group's net profit for the year ended 31 December 2014 is set out in the Sub-section entitled "Profit Estimate" of the "Financial Information" section.

(A) BASES

The Directors have prepared the estimate of the consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2014 (the "Profit Estimate") on the basis of the audited consolidated results of the Group for the eight months ended 31 August 2014 and unaudited consolidated results of the Group based on the management accounts for the four months ended 31 December 2014. The Profit Estimate has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 4 in Appendix I to this document. In the absence of unforeseen circumstances, the Group believes that its estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2014 will be no less than HK$[6.0] million.

(B) LETTER FROM OUR REPORTING ACCOUNTANTS

The following is the text of the letter received by the directors from our reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this document in connection with the profit estimate for the year ended 31 December 2014.

CCIF
CCIF CPA LIMITED
9/F., Leighton Centre
77 Leighton Road
Causeway Bay Hong Kong

[REDACTED] 2015

The Directors
Winto Group (Holdings) Limited
VC Capital Limited
Ample Capital Limited

Dear Sirs,

We carried out our work, in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the accounting policies adopted and calculations made in arriving at the estimate of the consolidated profit attributable to equity shareholders of Winto Group (Holdings) Limited ("the Company") for the year ended 31 December 2014 ("the Profit Estimate"), for which the directors of the Company are solely responsible, as set forth in the section headed "Financial Information" in the document of the Company dated [REDACTED] 2015 ("the Document"). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the assumptions made by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as "the Group") for the eight months ended 31 August 2014 and unaudited consolidated results of the Company based on management accounts for the four months ended 31 December 2014.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the assumptions made by the directors as set out in Appendix III of the Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated [REDACTED] 2015, the text of which is set out in Appendix I of the Document.

Yours faithfully,

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Betty P.C. Tse
Practising Certificate Number P03024

(C) LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for inclusion in this document by the Joint Sponsors in connection with the profit estimate for the year ended 31 December 2014.

VC CAPITAL LIMITED
滙盈融資有限公司

AmCap
Ample Capital Limited
豐盛融資有限公司

[REDACTED] 2015

The Directors
Winto Group (Holdings) Limited

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to the equity holders of Winto Group (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2014 (the "Profit Estimate ") as set out in the document issued by the Company dated [•] January 2015 (the "Document").

The Profit Estimate, for which you as the directors of the Company (the "Directors") are solely responsible, has been prepared by them based on the basis of the audited consolidated results of the Group for the eight months ended 31 August 2014 and unaudited consolidated results of the Group based on the management accounts for the four months ended 31 December 2014.

We have discussed with you the bases and assumptions, as set forth in Appendix III to the Document, upon which the Profit Estimate has been made. We have also considered and relied upon the letter dated [REDACTED] 2015 addressed to you and us from CCIF CPA Limited regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by CCIF CPA Limited, we are of the opinion that the Profit Estimate, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

For and on behalf of

VC Capital Limited	**Ample Capital Limited**
Philip Chau	**H. W. Tang**
Managing Director	*President*

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 December 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [23 January 2015 to take effect upon [REDACTED]]. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

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 on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed 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. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution — majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative),or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office, in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009) Revision of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and [REDACTED] in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 3 January, 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE GROUP

1. Incorporation

The Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 7 December 2012. The Company's registered office is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company established a principal place of business in Hong Kong at Unit 4, 7th Floor, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Former Companies Ordinance on 22 January 2013. Mr. Kwan and Ms. Yip have been appointed as the authorized representatives of the Company for acceptance of service of process and notice in Hong Kong. The address for acceptance of service of process in Hong Kong of Mr. Kwan and Ms. Yip is House 86, Boulevard Du Lac, The Beverly Hills, Sam Mun Tsai Road, Tai Po, New Territories, Hong Kong.

As the Company was incorporated in the Cayman Islands, its corporate structure and operation is subject to the laws of the Cayman Islands and its constitutive documents which comprise the Memorandum of Association and the Articles of Association. A summary of certain parts of its constitution and relevant aspects of the Cayman Companies Law is set out in the section entitled "Summary of the Constitution of the Company and Cayman Company Law" in Appendix IV to this document.

2. Changes in share capital

As at the date of incorporation, the authorized share capital of the Company was HK$380,000.00 divided into 38,000,000 Shares of a par value of HK$0.01 each. The following sets out the changes in the Company's share capital since the date of incorporation:

(a) on 7 December 2012, one subscriber Share with a par value of HK$0.01 was allotted and issued, credited as fully paid, to Codan Trust Company (Cayman) Limited and such Share was transferred to Fuwin on the same date;

(b) on 18 October 2013, in consideration of the acquisition by the Company of the entire issued share capital of Winsing, the Company allotted and issued 999,999 Shares to Fuwin credited as fully paid;

(c) on 23 January 2015, the sole Shareholder resolved to increase authorised share capital of the Company from HK$380,000.00 to HK$100,000,000.00 by the creation of additional 9,962,000,000 Shares;

(d) On 29 January 2015, Fuwin subscribed for and the Company allotted and issued 251,000 Shares to Fuwin at par value;

(e) on 29 January 2015, upon full conversion of the Pre-[REDACTED] Convertible Bonds, the Company allotted and issued 124,500 Shares and 124,500 Shares to Grand Powerful and the Second Pre-[REDACTED] Convertible Bondholder respectively; and

(f) assuming that the [REDACTED] becomes unconditional and the [REDACTED] and the [REDACTED] are duly completed, the authorised share capital of the Company will be HK$100,000,000.00 divided into 10,000,000,000 Shares and the issued share capital (taking no account of any Shares that may be issued under the Share Option Scheme) of the Company will be HK$[REDACTED] divided into [REDACTED] Shares, all fully paid or credited as fully paid. Apart from the issue of Shares under the Share Option Scheme, there is no present intention to issue any part of authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid and as mentioned in the paragraph headed "Written resolutions of the sole Shareholder passed on 23 January 2015 and 29 January 2015" under the section headed "Further information about the Group" in this Appendix, there has not been any alteration in the share capital of the Company since its incorporation.

3. Written resolutions of the sole Shareholder passed on 23 January 2015 and 29 January 2015

Pursuant to the written resolutions of the sole Shareholder passed on 23 January 2015 and 29 January 2015:

(a) the Articles were conditionally approved and adopted with effect from the [REDACTED];

(b) the authorised share capital of the Company was increased from HK$380,000.00 to HK$100,000,000.00 by the creation of additional 9,962,000,000 Shares which shall rank pari passu with the exiting Shares in all respects;

(c) conditional on all the conditions set out in "Structure and conditions of the [REDACTED]" in this document being fulfilled:

(i) the [REDACTED] was approved and the Directors were authorized to allot and issue the [REDACTED];

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" of this Appendix, were approved and adopted and the Directors were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and [REDACTED] with Shares upon the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

(iii) conditional on the share premium account of the Company being credited as a result of the issue of the New Shares under the [REDACTED], the Directors were authorized to capitalise the amount of HK$[REDACTED] out of the share premium account of the Company and to appropriate such amount as capital to pay up in full at par [REDACTED] Shares for allotment and issue to the holders of Shares whose names appear on the register of members of the Company at the close of business on [REDACTED] 2015 (or as they may direct) in proportion as nearly as possible without involving fractions to their then existing shareholdings in the Company and so that the Shares to be allotted and issued shall rank pari passu in all respects with the then existing issued Shares and the Directors were authorized to give effect to such [REDACTED];

(d) a general mandate (the "Issuing Mandate") was given to the Directors to exercise all powers of the Company to allot, issue and [REDACTED] with, otherwise than (i) by way of rights issue, (ii) scrip dividend schemes or similar arrangements in accordance with the Articles, (iii) an issue of Shares upon the exercise of any options which may be granted under the Share Option Scheme or (iv) the [REDACTED] or the [REDACTED], Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be issued pursuant to the exercise of the Share Option Scheme); and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (e) below, from the date passing of the resolution until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

(e) a general mandate (the "Repurchase Mandate") was given to the Directors to exercise all powers of the Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of the Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be issued pursuant to the exercise of the Share Option Scheme) from the date passing of the resolution until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

(f) the extension of the Issuing Mandate pursuant to paragraph (d) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (e) above.

4. Corporate Reorganisation

The Group underwent the Reorganisation in preparation for the [REDACTED]. For further information relating to the Reorganisation, please refer to the paragraph headed "Reorganisation" in the section headed "History and development" in this document.

5. Changes in share capital of subsidiaries

Subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this document.

Save for the alternations disclosed in the paragraph headed "Reorganisation" in the section headed "History and Development" of this document, there is no other alteration in the authorised or issued share capital of the Company's subsidiaries which took place within two years immediately preceding the date of this document.

6. Repurchases by the Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase of the Company's Shares.

(a) Relevant legal and regulatory requirements in Hong Kong

The GEM Listing Rules permit shareholders to grant a general mandate to the directors of a company to repurchase shares of such company that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by shareholders in general meeting.

(b) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

On 23 January 2015, the Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be issued pursuant to the exercise of the Share Option Scheme) on the Stock Exchange or on any other stock exchange which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose. The mandate will expire at the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association and any other applicable laws to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of the Shareholders in a general meeting.

(c) Source of Funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association and applicable laws and regulations of the Cayman Islands and any other laws and regulations applicable to the Company. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the [REDACTED] rules of the Stock Exchange. Under the Cayman Companies Law, any repurchases by the Company may be made out of profits or share premium of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or from sums standing to the credit of the share premium account of the Company or, subject to the Cayman Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, subject to the Cayman Companies Law, out of capital.

(d) Status of repurchased shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Companies Law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of the company's issued share capital shall be reduced by the aggregate par value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(e) Connected parties

The Company is prohibited from knowingly repurchasing Shares on the Stock Exchange from a "connected person" (as defined in the GEM Listing Rules) and a connected person may not knowingly sell his securities to the Company on the Stock Exchange.

(f) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders.

(g) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules, the Cayman Companies Law and other applicable laws. On the basis of the current financial position of the Group as disclosed in this document and taking into account its current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this document. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(h) General

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED] (assuming that any options that may be granted under the Share Option Scheme are not exercised at all), would result in up to [REDACTED] Shares being repurchased by us during the period in which the Repurchase Mandate remains in force. None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Cayman Companies Law and other applicable laws. If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No connected person of the Company has notified us that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE GROUP'S BUSINESS

1. Summary of material contracts

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within two years preceding the date of this document:

(a) the sale and purchase agreement dated 2 October 2013 entered into between Mr. Kwan and Ms. Yip as vendors and Winsing as purchaser for the transfer by Mr. Kwan and Ms. Yip of the entire issued share capital of Ocean Media to Winsing at the consideration of Winsing allotting and issuing 10 shares of Winsing to Fuwin credited as fully paid;

(b) the sale and purchase agreement dated 9 October 2013 entered into between Fuwin as vendor and the Company as purchaser for the transfer by Fuwin of the entire issued share capital of Winsing to the Company at the consideration of the Company allotting and issuing 999,999 Shares to Fuwin credited as fully paid;

(c) the subscription agreement dated 10 September 2013 and entered into between the Company and Grand Powerful relating to the subscription of the Pre-[REDACTED] Convertible Bonds for an aggregate consideration of HK$10,000,000;

(d) the subscription agreement dated 10 September 2013 and entered into between the Company and Wong Man Hin Charles relating to the subscription of the Pre-[REDACTED] Convertible Bonds for an aggregate consideration of HK$10,000,000;

(e) the Deed of Indemnity, the principal terms of which are summarised in the sub-paragraph headed "Estate duty, tax and other indemnity" under the paragraph headed "Other information" in this Appendix:

(f) the Deed of Non-Competition, the principal terms of which are summarised in the paragraph headed "Non-competition undertakings" under the "Relationship with Controlling Shareholders" section of this document; and

(g) the Underwriting Agreement, the principal terms of which are summarised in the "Underwriting" section of this document.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, the Group members were the registered owner of the following trademarks which were registered in the following jurisdictions:

Trademark	Registered Owner	Place of Registration	Class *(Note)*	Registration Number	Expiry Date
	Ocean Media (Hong Kong) Limited	Hong Kong	9, 16, 35 and 41	301279422	1 February 2019
	Ocean Media (Hong Kong) Limited	Hong Kong	9, 16, 35 and 41	301515564	4 January 2020
	Ocean Media (Hong Kong) Limited	Hong Kong	16, 35 and 41	302241468	3 May 2022
	Ocean Media (Hong Kong) Limited	Hong Kong	16, 35 and 41	302241477	3 May 2022
	Ocean Media (Hong Kong) Limited	Hong Kong	16, 35 and 41	302241422	3 May 2022
	Ocean Media (Hong Kong) Limited	Hong Kong	16, 35 and 41	302241440	3 May 2022
	Ocean Media (Hong Kong) Limited	Hong Kong	16, 35 and 41	302241459	3 May 2022
	Ocean Media (Hong Kong) Limited	Hong Kong	16, 35 and 41	302622096	28 May 2023

Note:

Class	***Specification of Goods/Services in Hong Kong***
9	Apparatus and instruments for recording, transmission, reproduction and duplication of sound and/or images; recording disc; electrical, electronic, apparatus alarms (other than for vehicles), amplifiers, antennas, batteries, electric, for vehicles, battery chargers, bells (Alarm-), electric, bells (Signal-), Bells (warning devices), cabinets for loudspeakers, cassette players, chargers for electric batteries, cigar lighters for automobiles, clocks (Time-) time recording devices, compact disc players, compact discs audio-video, compact discs read-only memory, compasses (Directional-), computer peripheral devices, distance measuring apparatus, distance recording apparatus, DVD players, gloves for divers, mileage recorders for vehicles, navigation apparatus for vehicles on-board computers, navigational instruments, protection devices for personal use against accidents, radar apparatus, receivers (audio- and video-), receivers (telephone-), remote control apparatus, satellite navigational apparatus; sound alarms, speed checking apparatus for vehicles, speed indicators, steering apparatus, automatic, for vehicles, stereos (personal-), time recording apparatus, tires (automatic indicators of low pressure in vehicle-), traffic accidents (reflecting discs, for wear, for the prevention of-) vehicle radios, voltage regulators for vehicles.
16	Paper, cardboard and goods made from these materials; printed matter; photographs; newspapers; magazines; periodicals; journals and books; all included in class 16.
35	Advertising, advertising agencies, advertising by mail order, advertising material (updating of-), advice for consumers (commercial information and-) consumer advice shop, commercial information agencies, layout services for advertising purposes, on-line advertising on a computer network, publicity, publicity texts (publication of-), recruitment (personnel-), rental of advertising space; samples (distribution of-); texts (writing of publicity-).
41	Academies education; competitions (organization of-) education or entertainment, competitions (organization of sports-); entertainment; providing online electronic publications, not downloadable, publication of books, publication of electronic books and journals on-line, publication of texts, other than publicity texts; radio and television programmes (production of-), reporters services (news-); texts (writing of-), other than publicity texts.

(b) Domain Names

As at the Latest Practicable Date, the Group was the registered proprietor of the following domain name:

Domain Name	Registrant	Expiry Date
oceanmediahk.com	Ocean Media (Hong Kong) Limited	22 June 2015

Save as aforesaid, there are no other trademarks, service marks or other intellectual or industrial property rights which are material in relation to the Group's business.

3. Connected transactions and related party transactions

Save as disclosed in the section headed "Connected Transactions" of this document and in note 26 to the consolidated financial statement of the Group included in the Accountants' Report, the text of which is set out in Appendix I to this document, during the two years immediately preceding the date of this document, we have not engaged in any other material connected transactions or related party transactions.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares that may be issued under the Share Option Scheme), the interests or short positions of Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed will be as follows:

Name of Director	Nature of Interest	Number of Shares or Underlying Shares *(Note 1)*	Approximate percentage of shareholding interest
Mr. Kwan	Interest in a controlled corporation and family interest *(Note 2)*	[REDACTED]	[REDACTED]
Ms. Yip	Interest in a controlled corporation and family interest *(Note 2)*	[REDACTED]	[REDACTED]

Notes:

1 The letter "L" denotes to the person with long position in the Shares.

2 These Shares will be directly held by Fuwin, which is beneficially owned as to 60% by Mr. Kwan. and as to 40% by Ms. Yip. Mr. Kwan and Ms. Yip are spouses to each other and they are deemed to be interested in the Shares in which his/her spouse is interested.

(b) Interests and short positions of the Substantial Shareholders in the Shares and underlying Shares of the Company

So far as the Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares that may be issued under the Share Option Scheme), the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares 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 would be recorded in the register required to be kept under Section 336 of the SFO, or who are directly or indirectly interested in 10% 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:

Name	Nature of Interest	Number of Shares or Underlying Shares *(Note 1)*	Approximate percentage of shareholding interest
Fuwin	Beneficial owner *(Note 2)*	[REDACTED]	[REDACTED]
Grand Powerful	Beneficial owner *(Note 3)*	[REDACTED]	[REDACTED]
Cheng Ming Kit	Interest in a controlled corporation *(Note 3)*	[REDACTED]	[REDACTED]
Wong Man Hin Charles	Beneficial owner *(Note 4)*	[REDACTED]	[REDACTED]
Loo Chi Yiu	Family interest *(Note 4)*	[REDACTED]	[REDACTED]

Notes:

1 The letter "L" denotes to the person with long position in the Shares.

2. The issued share capital of Fuwin is owned as to 60% by Mr. Kwan and 40% by Ms. Yip.

3. The entire issued share capital of Grand Powerful is owned by Mr. Cheng Ming Kit. Mr. Cheng Ming Kit is therefore deemed to be interested in the [REDACTED] Shares held by Grand Powerful under the SFO.

4. Ms. Loo Chi Yiu is the spouse of Mr. Wong Man Hin Charles and deemed to be interested in the [REDACTED] Shares held by Mr. Wong Man Hin Charles.

2. Particulars of services agreements and letters of appointment

(a) Executive Directors

Each of the executive Directors has entered into a service agreement dated 23 January 2015 with the Company, pursuant to which each of them accepted that, for a specific term of three years from the [REDACTED] Date unless terminated in accordance with the terms of the service agreement. Upon termination, the executive Director shall, upon the Company's request, resign immediately from such offices held by him/her in the Company or with any other member of the Group. The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles. Under the services agreements, the initial annual salaries payable by the Company to Mr. Kwan and Ms. Yip are HK$480,000 and HK$100,000 respectively and may, subject to the discretion of the Board, be increased. Each of the executive Directors will also be entitled to a discretionary bonus as decided by the Board. The amount of the annual salary increment and the bonus payable under such service agreements is at the discretion of the Board, provided that the respective parties to such service agreements shall abstain from voting and not be counted in the quorum in respect of any such determination of the Board in relation to him/her.

(b) Non-executive Director

Mr. Tsang Hin Man Terence has signed a letter of appointment on 24 March 2014 with the Company, pursuant to which Mr. Tsang has accepted the appointment as a non-executive Director for a term of one year from the date of appointment unless terminated in accordance with the terms of the letter of appointment letter. Upon termination, Mr. Tsang shall, upon the Company's request, resign immediately from such offices held by him in the Company or with any other member of the Group. His appointment is subject to the provisions of retirement and rotation of Directors under the Articles. His initial annual director's fee is HK$120,000.

(c) Independent Non-executive Directors

Each of the independent non-executive Directors has signed a letter of appointment dated 23 January 2015 with the Company, pursuant to which each of them accepted that their respective appointment as an independent non-executive Director for a term of three years from the date of appointment unless terminated in accordance with the terms of the letters of appointment. Upon termination, the independent non-executive Directors (as the case may be) shall, upon the Company's request, resign immediately from such offices held by him in the Company or with any other member of the Group. Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles. The initial annual directors' fees for Mr. Lee Kwok Tung Louis, Mr. Tsang Ho Ka Eugene and Mr. Yu Chan Man are HK$100,000, HK$100,000 and HK$100,000 respectively.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service agreements with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Directors' remuneration

For details of the Directors' remuneration during the Track Record Period, please refer to the section headed "Directors, senior management and staff".

Under the current arrangements, the aggregate remuneration and benefits in kind the Directors will be entitled to receive for the financial year ending 31 December 2015 is expected to be approximately HK$[1,000,000].

Save as disclosed in Appendix I to this document, no Director received any remuneration or benefits in kind from the Group for the Track Record Period.

4. Disclaimers

Save as disclosed in this document:

(a) the Directors were not aware of any person (not being a Director or chief executive of the Company) who would, immediately after completion of the [REDACTED] and the [REDACTED] taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and any Shares which may be taken up under the [REDACTED], have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who would, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group;

(b) taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and any Shares which may be taken up under the [REDACTED], none of the Directors nor chief executive of the Company had any interest or short position in any of the shares, underlying shares or debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;

(c) none of the Directors nor any of the parties listed in the section headed "Consents of experts" of this Appendix was interested in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this document, acquired by or disposed of or leased to the Company or any of its subsidiaries, or were proposed to be acquired by or disposed of or leased to the Company or any of its subsidiaries;

(d) none of the Directors nor any of the parties listed in the section headed "Consents of experts" of this Appendix was materially interested in any contract or arrangement subsisting at the date of this document which was significant in relation to the Company's business;

(e) none of the parties listed in the section headed "Consents of experts" of this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(f) none of the Directors nor their close associates nor any Shareholder which to the best knowledge of the Directors held more than 5% of the total issued Shares as at the Latest Practicable Date had any interest in any of the five largest customers or the five largest suppliers of the Group.

D. 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:

(a) Purpose

The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented Participants (as defined in paragraph (c) below) 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.

(b) Conditions

The Share Option Scheme is conditional upon, among others:

(i) the GEM Listing Committee of the Stock Exchange granting the [REDACTED] of, and permission to [REDACTED] in, the Shares which may be issued by the Company pursuant to the exercise of the Options; and

(ii) the commencement of [REDACTED] of Shares on the Stock Exchange.

(c) Scope of Participants and eligibility of Participants

The Board may, at its discretion, invite:

(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; or

(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.

(d) Acceptance of offer

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 favor 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.

(e) 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.

(f) Maximum number of Shares available for subscription

(i) Subject to (iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of the Shares in issue as at the [REDACTED] Date, unless the Company obtains an approval from its shareholders pursuant to (ii) below.

(ii) Subject to (iv) below, the Company may seek approval from its shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of the Shares in issue as at the date of approval to refresh such limit.

(iii) Subject to (iv) below, the Company may seek separate approval from its shareholders in general meeting for granting Options to specified Participants beyond the 10% limit provided that the Options granted in excess of such limit are specially approved by the Shareholders in general meeting and the Participants are specifically identified by the Company before such approval is sought. In such case, the Company shall send a circular to its shareholders containing the information required under the GEM Listing Rules.

(iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of Shares in respect of which Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time. No Options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such limit being exceeded.

(g) Conditions, restrictions or limitations on offers of Options

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 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.

(h) Maximum entitlement of Shares of each Participant

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

(ii) Notwithstanding (i) above, 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 close associates (or his associates if the Participant is a connected person) abstaining from voting. The number and the terms of the Options to be granted to such Participant shall be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date for grant for the purpose of calculating the subscription price.

(i) Grant of Options to connected persons

(i) Any grant of Options to a Participant who is a director, chief executive or substantial Shareholder (as defined under the GEM Listing Rules) of the Company or their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the Participant).

(ii) Where the Board proposes to grant any Option to a Participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates, and such Option which if exercised in full, would result in such Participant becomes entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued and issuable to him or her pursuant to all Options granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:

(1) representing in aggregate more than 0.1% of the relevant class of securities of the Company in issue on the date of such grant; and

(2) having an aggregate value, based on the closing price of the Shares as at the date of such grant, in excess of HK$5,000,000, such proposed grant of Options must be approved by the Shareholders in general meeting. In such a case, the Company shall send a circular to its shareholders containing all those terms as required under the GEM Listing Rules. The Participant concerned, his associates and all core connected persons of the Company must abstain from voting at such general meeting (except where any core connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

(j) Exercise of 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.

(k) Transferability of Options

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favor of any third party over or in relation to any Option.

(l) If a grantee ceased to be a Participant by reason other than death or misconduct

If the grantee ceases to be a Participant for any reason other than on the grantee's death or the termination of the grantee's employment or directorship on one or more of the grounds specified in paragraph (n) below, the grantee may exercise the Option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of 9 months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company in the Group whether salary is paid in lieu of notice or not, or the last date of appointment as director of the relevant company in the Group, as the case may be, failing which it will lapse.

(m) On the death of a grantee

If the grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the grantee's employment or directorship under paragraph (n) below arises, the personal representative(s) of the grantee shall be entitled to exercise the Option up to the entitlement of such grantee at the date of death (to the extent which has become exercisable and not already exercised) within a period of 12 months or such longer period as the Board may determine from the date of death, failing which it will lapse.

(n) Termination of employment of a grantee by reason of misconduct

An Option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceased to be a Participant by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty.

(o) Voluntary winding-up of the Company

In the event a notice is given by the Company to its shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees. Each grantee (or his or her legal representative(s)) may by notice in writing to the Company (such notice to be received by the Company not later than 4 Business Days prior to the proposed general meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and, in any event, no later than the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of shares to the grantee which falls to be issued on such exercise. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(p) General offer by way of take-over

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (as defined in the Takeovers Code) with the offeror, the Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to Shareholders, the grantee shall, notwithstanding any other terms on which his Option were granted, be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under the scheme of arrangement, as the case may be.

(q) Rights on a compromise or arrangement

If a compromise or arrangement between the Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the grantee on the same date as it despatches the notice which is sent to each shareholder or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court provided that the relevant Options are not subject to a term or condition precedent to them being exercisable which has not been fulfilled, exercise any of his or her Options whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme.

(r) Rank pari passu

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu with the fully paid Shares in issue as from the date of allotment and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof is before the date of allotment.

(s) Alteration in capital structure

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, open offer, consolidation, sub-division, or reduction of share capital of the Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange, excluding any alteration in the capital structure of the Company as a result of an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company or any employee, consultant or adviser to the Group or in the event of any distribution of the Company's legal assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the Option so far as unexercised; or

(ii) the subscription price or any combination thereof, as an independent financial adviser or the auditors of the Company shall certify in writing, either generally or as regards any particular grantee, to have, in their opinion, fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of the GEM Listing Rules or such other guidelines or the supplemental guidance as may be issued by the Stock Exchange from time to time, but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

(t) Duration 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.

(u) Cancellation of Options granted

Any Option granted but not exercised may not be cancelled except with the written consent of the relevant grantee and the prior approval of the Directors. Where the Company cancels Options and offers Options to the same grantee, the offer of the grant of such new Options may only be made with available Options to the extent not yet granted (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (f) above. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Option is cancelled by the Company as provided above.

(v) Termination of the Share Option Scheme

The Company may by resolution in general meeting terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme in relation to any outstanding Options shall remain in full force and effect.

(w) Alteration of provisions of the Share Option Scheme

The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that provisions relating to matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to extend the class of person eligible for the grant of Options or to the advantage of the Participants without the prior approval of the Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms and conditions of the Share Option Scheme must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules. Any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(x) Restrictions on the time of grant of Options

The Company shall not grant any options after inside information has come to its knowledge until it has announced the information. In particular, it shall not grant any option during the period commencing one month immediately before the earlier of:

(i) the date of the board meeting (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for approving the Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and

(ii) the deadline for the issuer to announce its results for any year, half year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement.

Where the grantee is a Director, no option shall be granted:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(y) Present status of the Share Option Scheme

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme. On the assumption that [REDACTED] Shares are in issue on the date of commencement of [REDACTED]ings in the Shares on the Stock Exchange, the application to the [REDACTED] Division of the Stock Exchange for the [REDACTED] of, and permission to [REDACTED] in the Shares on the Stock Exchange includes the [REDACTED] Shares which may be issued upon the exercise of the Options which may be granted under the Share Option Scheme.

(z) Value of options

The Directors consider it inappropriate to value the options that can be granted under the Share Option Scheme on the assumption that they had been granted at the Latest Practicable Date, as various determining factors for the calculation of such value cannot be reasonably fixed at this stage. It would not be meaningful and to a certain extent would be misleading to the Shareholders if the value of the options is calculated based on a set of speculative assumptions. However, the information on value of the options granted in any financial period will be provided to the Shareholders based on Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology as at the end of relevant financial period for any annual or interim reports of the Company.

E. OTHER INFORMATION

1. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Company to the [REDACTED] Division of the Stock Exchange for the [REDACTED] of, and permission to [REDACTED] in, the Shares in issue and to be issued as mentioned herein, including any such number of Shares falling to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Ample Capital, being one of the Joint Sponsors, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules.

Due to the subscription of the Pre-[REDACTED] Convertible Bond by the Second Pre-[REDACTED] Convertible Bondholder, VC Capital is not considered as an independent sponsor according to the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules. VC Capital, Value Convergence Holdings Limited and/or its subsidiaries will not own any shareholding in the Company upon the [REDACTED] (other than those arising from the underwriting obligation under the Underwriting Agreement).

VC Capital has received or will receive a financial advisory and documentation fee of approximately HK$4.0 million as one of the Joint Sponsors in relation to the [REDACTED] and will be reimbursed for its expenses.

Ample Capital has received or will receive a financial advisory and documentation fee of approximately HK$2.8 million as one of the Joint Sponsors in relation to the [REDACTED] and will be reimbursed for its expenses.

2. Estate duty, tax and other indemnity

The Controlling Shareholders (the "**Indemnifiers**") have entered into a deed of indemnity (the "**Deed of Indemnity**") on 29 January 2015 with and in favor of the Company (for itself and as trustee for each of the Company's present subsidiaries), being the material contract (g) referred to in paragraph headed "Summary of material contracts" above, to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by the Company or any members of the Group by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in Hong Kong, Macau or any other relevant jurisdiction as a result or in consequence of any event or transaction occurring on or before the [REDACTED] Date, whether or not such event or transaction shall have taken place in conjunction with any circumstances whenever occurring; and

(b) tax liabilities (including all fines, penalties, costs, charges, liabilities, expenses and interests incidental or relating to taxation) which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the [REDACTED] Date or any event or transaction entered into or occurring on or before the [REDACTED] Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the audited accounts of any member of the Group for any accounting period up to 31 August 2014;

(b) to the extent that such taxation liability or claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, Macau Financial Services Bureau, or any other relevant authority (whether in Hong Kong, Macau, or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or

(c) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Group for each of the three years ended 31 December 2013 and for the eight months ended 31 August 2014 and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or

(d) to the extent that such taxation arises as a result of the Group or any of members of the Group being in breach of any provision of the Deed of Indemnity; or

(e) to the extent that such taxation arises as a result of any incomes, profits or gains earned, accrued or received by the Group or any event occurred or any transactions entered into in the ordinary course of business of the Group on or after 1 September 2014.

Pursuant to the Deed of Indemnity, the Indemnifiers have on a joint and several basis undertaken to indemnify each member of the Group (a) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which any member may incur, suffer, accrue, directly or indirectly, from any act of such member arising from or in connection with any non-compliance of such member on or before the [REDACTED] Date, including not having obtained all relevant approvals, permits, licences and/or certificates for conducting its businesses, including but not limited to the non-compliances with the RLNO, Newspapers Regulations, BRO, Macau Press Ordinance (including but not limited to the non-compliances as disclosed in this document) or any other applicable laws, rules or regulations in Hong Kong, Macau, the British Virgin Islands, the Cayman Islands or in any part of the world or all litigation, arbitration, claims, counter-claims, actions, complaints, demands, judgments and/or legal proceedings by or against any of the members of the Group which was issued, accrued and/or arising from any act of any of such members at any time on or before the [REDACTED] Date; and (b) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings arising from or in connection with any non-compliance (the "Tenancy Non-compliance") by Ocean Media with any of the provisions of the tenancy agreement of the Former Leased Property and the government lease, occupation permit and deed of mutual covenant relevant to the Former Leased Property including but not limited to:

(a) any difference in rentals between the premises (the "Substitute Premises") in substitution for the Former Leased Property for the remaining term of the tenancy agreement for the Former Leased Property;

(b) any costs or expenses arising from the relocation of the Group's business or assets from the Former Leased Property to the Substitute Premises; and

(c) any operating and business losses which the Group may suffer as a direct result of the relocation of its business from the Former Leased Property to the Substitute Premises.

3. Litigation

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance, and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of the Group.

4. Consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualification
VC Capital Limited	Licensed corporation under the SFO for regulated activity of type 6 (advising on corporate finance)
Ample Capital Limited	Licensed corporation under the SFO for regulated activities of type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management)
Michael Li & Co.	Solicitors, Hong Kong SAR
William M.F. Wong	Senior Counsel, Hong Kong SAR
Rato, Ling, Vong, Lei & Cortés – Advogados	Lawyers, Macau
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
CCIF CPA Limited	Certified Public Accountants
Grant Sherman Appraisal Limited	Independent professional valuer

Each of VC Capital Limited, Ample Capital Limited, Michael Li & Co., William M. F. Wong, Rato, Ling, Vong, Lei & Cortés – Advogados, Conyers Dill & Pearman (Cayman) Limited, CCIF CPA Limited and Grant Sherman Appraisal Limited have given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, valuation certificate, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in the Company or any of the Company's subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of its subsidiaries.

5. Promoter

The Company has no promoter for the purpose of the GEM Listing Rules.

6. Preliminary expenses

The preliminary expenses incurred by the Company in relation to its incorporation were approximately HK$51,000 and were payable by the Company.

7. Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name:	Fuwin
Description:	Corporation
Place of incorporation:	BVI
Date of incorporation:	14 November 2012
Registered office:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Number of [REDACTED] Shares to be sold:	[REDACTED] Shares

Since the issued share capital of Fuwin is owned as to 60% by Mr. Kwan and as to 40% by Ms. Yip, both executive Directors of the Company, Mr. Kwan and Ms. Yip are beneficially interested in the [REDACTED] [REDACTED] Shares to be sold under the [REDACTED].

8. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Miscellaneous

Save as disclosed in this document:

(i) within the two years immediately preceding the date of this document, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years immediately preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of the Company or any of its subsidiaries;

(iv) the Directors confirm that there has been no material adverse change in the financial or [REDACTED] position of the Group since 31 August 2014 (being the date to which the latest audited consolidated financial statements of the Group were prepared which was set out in the accountants' report in Appendix I to this document) to the date of this document; and

(v) no founder, management or deferred shares of any member of the Group have been issued or agreed to be issued.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the paragraph headed "Consents of Experts" in Appendix V to this document, the statement of adjustments to the accountants' report set forth in Appendix I to this document, a statement of particulars of the Selling Shareholder (including its name, address and description) and copies of each of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Michael Li & Co. at 19th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and the Articles of the Company;

(b) the audited financial statements of Ocean Media for the three financial years ended 31 December 2013 and the eight months ended 31 August 2014;

(c) the accountants' report prepared by CCIF CPA Limited, the text of which is set out in Appendix I to this document and the related statement of adjustments;

(d) the letter report on unaudited pro forma financial information issued by CCIF CPA Limited, the text of which is set out in Appendix II to this document;

(e) the letters relating to the profit estimate from CCIF CPA Limited and the Joint Sponsors, respectively, the texts of which are set out in Appendix III to this document;

(f) the rules of the Share Option Scheme;

(g) the service agreements and letters of appointment referred to in the section headed "Directors, senior management and staff" of this document;

(h) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this document;

(i) the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this document;

(j) the Cayman Companies Law;

(k) the letter of advice issued by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of Cayman Islands company law as referred to in Appendix IV to this document;

(l) the Macau legal opinion issued by Rato, Ling, Vong, Lei & Cortés – Advogados;

(m) the Hong Kong legal opinion issued by Michael Li & Co.;

(n) the advice dated 6 November 2012, the advice dated 31 May 2013, the supplemental advice dated 18 June 2013 and the second supplemental advice dated 9 January 2015 issued by Mr. William M.F. Wong;

(o) the three appraisal reports on the Pre-[REDACTED] Convertible Bonds dated 10 March 2014, 10 March 2014 and 27 October 2014 issued by Grant Sherman; and

(p) the statement of particulars of the Selling Shareholder (including its name, address and description).