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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8238

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

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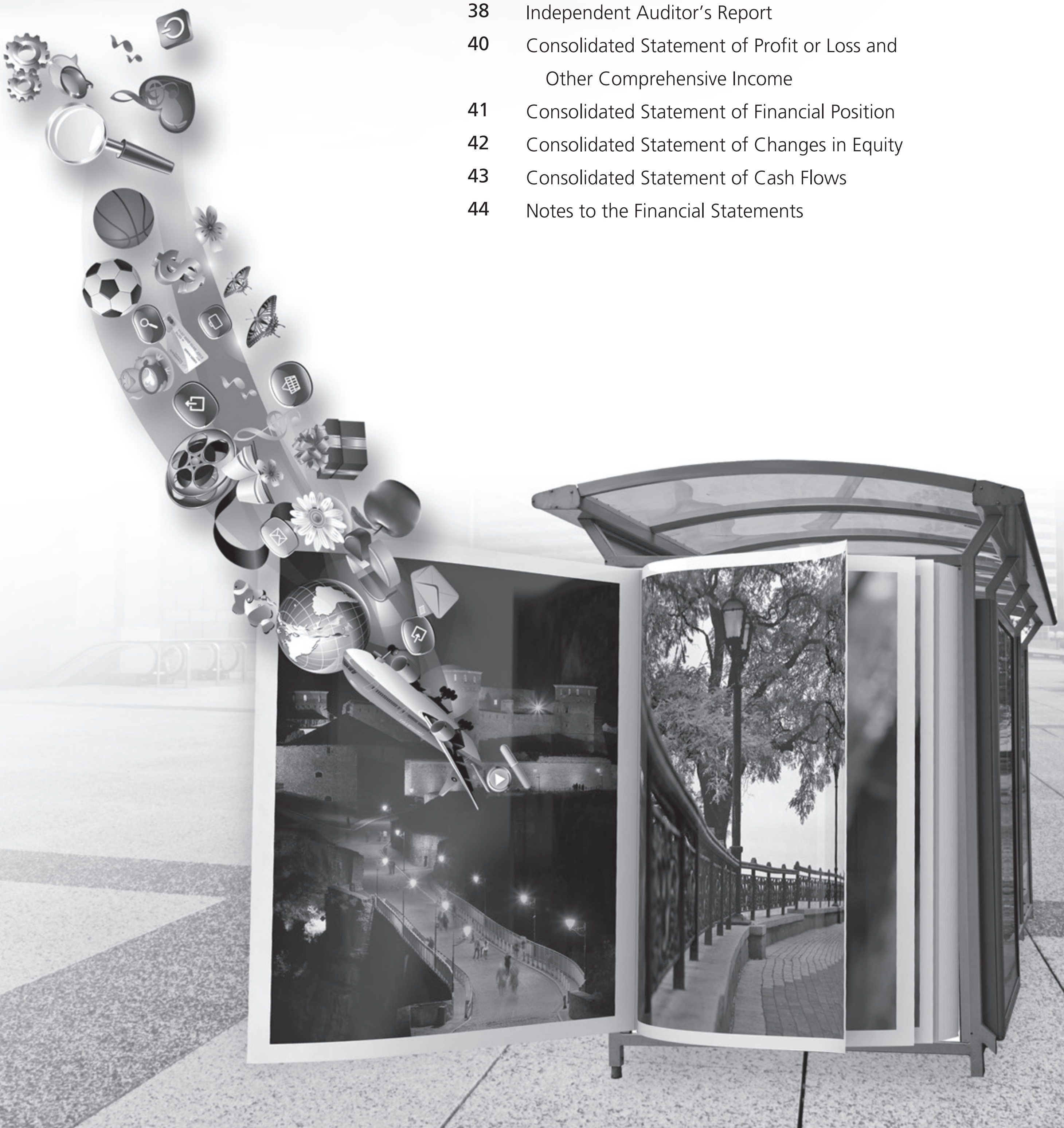
# Contents





## Corporate Information

### Board of Directors

*Executive Directors*
KWAN Shun Keung Timmy *(Chairman)*
YIP Tsz Lam (resigned on 1 February 2016)
MAK Wai Kit (appointed on 23 April 2015)
LAW Shiu Wai (appointed on 23 April 2015)

*Non-executive Director*
TSANG Hin Man Terence

*Independent Non-executive Directors*
LEE Kwok Tung Louis
TSANG Ho Ka Eugene
YU Chon Man
LIU Kwong Chi Nelson (appointed on 23 April 2015)
WONG Fei Tat (appointed on 23 April 2015)
PANG Siu Yin (appointed on 24 July 2015)

### Compliance Officer

KWAN Shun Keung Timmy

### Authorised Representatives

KWAN Shun Keung Timmy
MAK Wai Kit

### Company Secretary

MAK Wai Kit

### Audit Committee

LEE Kwok Tung Louis *(Chairman)*
TSANG Ho Ka Eugene
YU Chon Man
LIU Kwong Chi Nelson
WONG Fei Tat
PANG Siu Yin

### Remuneration Committee

TSANG Ho Ka Eugene *(Chairman)*
KWAN Shun Keung Timmy
YU Chon Man
MAK Wai Kit
LAW Shiu Wai
LIU Kwong Chi Nelson
WONG Fei Tat
PANG Siu Yin

### Nomination Committee

YU Chon Man *(Chairman)*
KWAN Shun Keung Timmy
MAK Wai Kit
LAW Shiu Wai
LEE Kwok Tung Louis
LIU Kwong Chi Nelson
WONG Fei Tat
PANG Siu Yin

### Executive Committee

KWAN Shun Keung Timmy *(Chairman)*
MAK Wai Kit
LAW Shiu Wai

### Treasury Committee

KWAN Shun Keung Timmy *(Chairman)*
MAK Wai Kit
LAW Shiu Wai

### Corporate Governance & Risk Management Committee

TSANG Hin Man Terence *(Chairman)*
KWAN Shun Keung Timmy
LEE Kwok Tung Louis
TSANG Ho Ka Eugene
MAK Wai Kit
LAW Shiu Wai
LIU Kwong Chi Nelson
WONG Fei Tat
PANG Siu Yin

### Head Office and Principal Place of Business

Room 1412, 14/F, New World Tower I
16–18 Queen's Road Central
Hong Kong

### Auditor

CCIF CPA Limited
Certified Public Accountants
9/F., Leighton Centre
77 Leighton Road, Causeway Bay
Hong Kong

# Corporate Information

## Principal Banker

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

## Registered Office

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

## Company Website

http://www.wintogroup.hk

## Principal Share Registrars and Transfer Office

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

## Hong Kong Branch Share Registrar and Transfer Office

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

## GEM Stock Code

8238

## Results

| In HK$ | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| | Year ended 31 December | | | |
| Turnover | **20,824,027** | 28,249,445 | 28,076,113 | 17,367,913 |
| (Loss)/Profit before taxation | **(3,650,971)** | 10,056,364 | 18,160,092 | 10,779,172 |
| Total comprehensive (loss)/income for the year | **(5,761,648)** | 6,626,734 | 14,572,826 | 8,731,939 |

## Summary of Assets and Liabilities

| In HK$ | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| | Year ended 31 December | | | |
| Total assets | **70,485,084** | 46,457,819 | 31,242,245 | 18,930,521 |
| Total liabilities | **6,481,881** | 36,113,058 | 19,209,627 | 13,039,144 |
| Net assets | **64,003,203** | 10,344,761 | 12,032,618 | 5,891,377 |

# Chairman's Statement

Dear Shareholders,

On behalf of Board of directors (the "Directors") of Winto Group (Holdings) Limited (the "Company", together with its subsidiaries, the "Group") I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2015 to our shareholders and investors.

The successful listing of Winto Group on the GEM Board of the Stock Exchange of Hong Kong in early 2015 marked a milestone for the Group. The Group has already owned 6 magazines with various points of sales covered different locations in Hong Kong, as well as more than 1,000 free despatching points, including petrol filling stations, foot massage shops, hair salons and cafes. In addition, the Group has established a wide customer base coming from different industries, including motor dealers, cosmetic brand owners, property agencies, jewels, professional firms, pet shops and etc. In just a few years, the Group has developed into a satisfactory scale, thanks to the unremitting and dedicated effort of the Group's management and all its staff members.

However, the Group experienced a downturn of our business in the second half of 2015 and the Group has recorded a loss for the year ended 31 December 2015 ("FY2015") as compared to the profit for the year ended 31 December 2014. The loss for FY2015 was mainly attributable to (i) the reduction in number of clients; (ii) the decrease in placement of orders from our existing clients; (iii) loss derived from outdoor advertising business; (iv) an impairment loss on trade receivable ;(v) the increase in listing-related expenses (including the increase in directors' fee, company secretary fee and compliance advisory fee incurred after the Listing); and (vi) share of loss of associates and impairment loss on interests in associates during the year.

As a result of the downturn, our turnover decreased by approximately 26.3% from approximately HK$28,249,000 for the year ended 31 December 2014 to HK$20,824,000 for the year ended 31 December 2015, which was mainly due to the decrease in number of clients. In order to tide over the bad times of the publishing industry, we will regularly review the profile of our magazines and take appropriate cost control measures. On the other hand, we are exploring new business opportunities to expand our income stream.

During the year under review, the Group set up a wholly owned subsidiary of GO Media Limited ("GO Media") in order to enrich the Group's business project portfolio and attract more advertising business opportunities. We have also acquired 20% equity interests in Strategist Media Holdings Limited (策略王傳媒控股有限公司) ("Strategist Media"), which is principally engaged in the publication and the sales of a weekly Chinese finance and investment magazine, namely 港股策略王. Hopefully, the acquisition will enable the Group to capture further advertising business opportunities through cross-selling advertising spaces in broadened range of magazines.

During the year under review, the Company underwent a share subdivision exercise. With the share subdivision becoming effective, the par value of each share of the Company has decreased and the total number of shares of the Company in issue has increased. The share subdivision has resulted in a downward adjustment to the trading price of the shares of the Company. The Board believes that the share subdivision would reduce the trading spread as well as the volatility of the trading price of its shares and thus improving liquidity in the Company's subdivided shares and would be beneficial to the Company and its shareholders as a whole.

I would like to take this opportunity to express my gratitude for the support from our business partners, readers, and advertising customers over the years. In addition to the increased public awareness and enhanced corporate image following its listing, the Group believes further expand the Group's business scope enable us to better grasp business opportunities in media industry and support by our advertising customers can certainly lead the business of the Group into the future.

**Kwan Shun Keung Timmy**
*Chairman and Executive Director*
Hong Kong, 31 March 2016

## FINANCIAL PERFORMANCE

The Group recorded total turnover of approximately HK$20,824,000 for the year ended 31 December 2015, representing a decrease of approximately 26.3% or HK$7,425,000 from approximately HK$28,249,000 for the year ended 31 December 2014. The total gross profit of the Group was approximately HK$18,417,000 for the year ended 31 December 2015, representing a decrease of approximately 29.1% as compared to that of the year ended 31 December 2014. The gross profit margin decreased to approximately 88.4% for the year ended 31 December 2015. The Group turned to net loss of approximately HK$5,762,000 for the year ended 31 December 2015 from net profit of approximately HK$6,627,000 for the year ended 31 December 2014. Loss per share of the Group for the year ended 31 December 2015 was approximately HK0.08 cents. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015.

## BUSINESS REVIEW

The Group is principally engaged in the sales and free distribution of Chinese language lifestyle magazines, the sales of advertising space in the magazines and provision of outdoor advertising services.

### Profile of the magazines of the Group:

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

- Motoz Trader is a fortnightly magazine that focuses on new car models, second-hand car market and properties while also provides lifestyle information including dinning, fashion and beauty.

- Motoz Xpress/Shopping Monthly is a 2-in-1 monthly magazine that mainly focuses on new car models and second-hand car market in Hong Kong. It also covers car installment and parts, as well as a consumer guide of updated information on consumer products.

- Pets Buyer is a bi-monthly magazine that focuses on pets related information such as pet caring tips and knowledge.

- Bplus is a quarterly magazine that focuses on cosmetic and fashion related contents and most current beauty topics.

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

- Motoz Xpress/Shopping Monthly (Free) is a free monthly magazine extracted from Motoz Xpress/Shopping Monthly.

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

*Advertising Business*

For the year ended 31 December 2015, the income from print media advertising of the Group amounted to approximately HK$20,441,000, representing a decrease of approximately 26.6% as compared to last year. This was mainly attributable to (i) the reduction in numbers of clients; and (ii) the decrease in placement of orders from our existing client.

The main source of revenue of the Group was derived from the sales of advertising spaces in its magazines. Through its on-going business development, the Group has developed a diversified portfolio of advertising customers that covered the industries of motor dealers, car beauty, pet shops, jewels, watches, property agency, beauty, professional firm and education.

During the year under review, the major source of revenue of the Group was the sales of advertising spaces in Motoz Trader and Motoz Trader (Free). Motoz Trader and Motoz Trader (Free) mainly focus on new car models, second-hand car market and properties while providing lifestyle information including dinning, fashion and beauty. Some of the advertising customers with higher profitability, including those from the sectors of beauty, education and property agency, were solicited in addition to those related to automobiles.

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

*Sales of Magazines and Distribution of Free Magazines*

The paid version of the Group's magazines are mainly for sale at convenience stores, newsstands and book stores in Hong Kong. For the year ended 31 December 2015, the income from sales of magazines of the Group amounted to approximately HK$261,000, representing a decrease of approximately 31.9% as compared to last year primarily because a decrease of magazines sold during the year.

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

**Profile of the outdoor advertising of the Group:**

In August 2015, the Group established GO Media. GO Media is a professional outdoor media advertising company engaged in taxi advertising, minibuses advertising, ice cream vehicle advertising, roof/exterior wall advertising, outdoor light box advertising, and LED screen advertising. Its business is comprehensive and with wide coverage. Its business scope includes development of outdoor advertising/investment, management, operation, marketing, maintenance, after sale service and outdoor advertising agency services. Outdoor media is exclusive to the multi-dimensional space with high inclusiveness and flexibility, is increasingly sought after by advertisers. Outdoor advertising is a media mode which may swiftly invoke audience emotional communication, with the advantages of high coverage, strong visual impact, rich in form and variety, persistent publication time. Its expression is direct and simple, and with effective information transfer and widespread influence. For the year ended 31 December 2015, revenue of approximately HK$122,000 is contributed by outdoor advertising business.

Shortly after the establishment of GO Media, we have successfully acquired the exclusive right of use to the billboard at Elizabeth House, a commercial building in Causeway bay, Hong Kong Island. The billboard occupies a prominent seaside space, which may generate advertising income for the Group in future.

### New acquisition of the Group:

In September 2015, the Group completed the acquisition of 20% equity interests in Strategist Media Holdings Limited (策略王傳媒控股有限公司) ("Strategist Media"). The Company applied HK$5.0 million of the net proceeds from the listing to settle the consideration for the acquisition. Strategist Media is principally engaged in the publication and the sales of a weekly Chinese finance and investment magazine, namely 港股策略王, mainly through the network of convenience stores and newsstands in Hong Kong. Magazine contents cover finance, wealth management, property investment, lifestyle and etc. Strategist Media also involves in the businesses of online advertising, investor relation services and event management.

## PROSPECTS

Looking forward, the global and local economy is full of challenges. As a barometer of the economy, the advertising sector is no exception. The Company foresees difficulties in business development in the year ahead.

Nevertheless, the Group will continue to dedicate to provide the latest, fullest and quickest information to its readers. We will continue to expand the distribution network of our magazines and to place advertisements to increase our marketing activities and the public awareness of the Group, in order to increase the Group's income.

The Group believes that GO Media can enrich the Group's business project portfolio, attract more advertising business opportunities, further expand the Group's business scope, and enable us to better grasp business opportunities in the media industry.

We are also confident that our involvement with Strategist Media may have a synergy effect with our existing businesses. With more exploration, the Group may cross-sell a wider variety magazine advertising space, in turn enhance our advertising business opportunities.

To complement our existing business, the Group has been looking for new business opportunities so as to enhance return to our shareholders.

## FINANCIAL REVIEW

### Turnover

Total revenue decreased by approximately 26.3% from approximately HK$28,249,000 for the year ended 31 December 2014 to approximately HK$20,824,000 for the year ended 31 December 2015, primarily because the reduction in number of clients and the decrease in placement of orders from our existing clients. Revenue from print media advertising decreased from approximately HK$27,866,000 for the year ended 31 December 2014 to approximately HK$20,441,000 for the year ended 31 December 2015 and revenue from sales of the magazines decreased from approximately HK$383,000 for the year ended 31 December 2014 to approximately HK$261,000 for the year ended 31 December 2015.

### Cost of Sales

The Group's major costs of sales are 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).

Cost of sales increased from approximately HK$2,266,000 for the year ended 31 December 2014 to approximately HK$2,407,000 for the year ended 31 December 2015, representing an increase of approximately 6.2%. The increase in cost of sales was mainly attributable to the cost derived from outdoor advertising business.

### Gross Profit and Gross Profit Margin

The gross profit and gross profit margin of the Group were approximately HK$18,417,000 and approximately 88.4% for the year ended 31 December 2015 respectively.

### Operating Expenses

The operating expenses of the Group increased by approximately 36.4% from approximately HK$12,240,000 for the year ended 31 December 2014 to approximately HK$16,690,000 for the year ended 31 December 2015. The increase was mainly due to the increase in operating expenses derived from outdoor advertising business, impairment loss on trade receivable and the increase in listing-related expenses (including the increase in directors' fee, company secretary fee and compliance advisory fee incurred after the Listing).

### Finance Costs

Finance costs of the Group amounted to approximately HK$589,000 for the year ended 31 December 2015 (2014: approximately HK$3,697,000). The decrease in finance costs was mainly due to less interest incurred on the Convertible Bonds during the year. On 29 January 2015, all Convertible Bonds were converted into 249,000 ordinary shares of the Company at HK$0.01 each due to the approval of the Listing by the Stock Exchange.

### *Impairment loss of interests in associates*

For the investment in Strategist Media, based on the cash flow projection, the return of the investment in Strategist Media will be an immaterial value. Therefore, the Group recognised an allowance for impairment of approximately HK$4,187,000 for this investment during the financial year.

### Income Tax

Income tax for the Group was approximately HK$2,111,000 for the year ended 31 December 2015 (2014: approximately HK$3,430,000), decreased by approximately 38.5%. The decrease was mainly due to the decrease in profit before taxation of the Group during the year.

### (Loss)/Profit Attributable to Owners of the Company

During the year ended 31 December 2015, the Group turned to a loss attributable to owners of the Company of approximately HK$5,762,000 from a profit attributable to owners of the Company of approximately HK$6,627,000 for the year ended 31 December 2014. This was mainly attributable to (i) the reduction in number of clients; (ii) the decrease in placement of orders from our existing clients; (iii) loss derived from outdoor advertising business; (iv) an impairment loss on trade receivables; (v) the increase in listing-related expenses as mentioned above; and (vi) share of loss of associates and impairment loss on interests in associates during the year.

### Liquidity, Financial Resources and Capital Structure

The Group's shares were successfully listed on GEM on 16 February 2015. There has been no change in the capital structure of the Group since the Listing Date and up to the date of this report.

| | **As at 31 December** | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$** | HK$ |
| Current assets | **70,017,592** | 46,419,310 |
| Current liabilities | **6,481,881** | 36,113,058 |
| Current ratio | **10.8** | 1.3 |

The current ratio of the Group as at 31 December 2015 was approximately 10.8 times as compared to approximately 1.3 times as at 31 December 2014. The increase was mainly resulted from (i) an increase in trade receivable; (ii) an increase in cash and cash equivalent; and (iii) absence of Convertible Bonds as at 31 December 2015.

As at 31 December 2015, the Group had cash and cash equivalents of approximately HK$41,175,000 (2014: approximately HK$26,557,000).

As at 31 December 2015 and 2014, the Group had bank borrowings of approximately HK$2,498,000 and HK$7,725,000 respectively. The scheduled repayment date of the Group's bank borrowings, as set out in the loan agreements and without considering the effect of any repayment on demand clauses were as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HK$** | HK$ |
| Within 1 year | **2,458,720** | 4,295,413 |
| Between 1 and 2 years | **39,043** | 3,016,665 |
| Between 2 and 5 years | **—** | 413,352 |

As at 31 December 2015, the Group did not have any Convertible Bonds.

## Gearing Ratio

The gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was approximately 3.9% as at 31 December 2015 (2014: approximately 289.3%).

## Trade Receivables Turnover Days

The trade receivables and trade receivables turnover days increase from approximately HK$19,015,000 and approximately 246 days for the year ended 31 December 2014 to approximately HK$21,543,000 and approximately 378 days for the year ended 31 December 2015 respectively. The increase in trade receivable turnover days was mainly due to late settlement of the trade receivable by our clients. 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.

## Treasury policies

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

## Significant Investments Held

During the year ended 31 December 2015, there was no significant investment held by the Group.

## Future plans for material investments and capital assets

Save as disclosed in the Prospectus of the Group dated 30 January 2015, the Group did not have other plans for material investments and capital assets.

## Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2015, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

## Pledge of Assets

As at 31 December 2015, the Group has no assets pledged for bank borrowings or for other purpose (2014: Nil).

## Contingent Liabilities

As at 31 December 2015, 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 (2014: HK$854,000).

## Capital Commitments

As at 31 December 2015, the Group did not have any significant capital commitments.

## Foreign Currency Risk

As most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, the Group's exposure to exchange rate risk is limited.

## Information on Employees

As at 31 December 2015, the employee headcount (not including Directors) of the Group was 17 (2014: 10) and the total staff costs, including Directors' emoluments, amounted to approximately HK$5.5 million (2014: approximately HK$2.7 million).

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

## Risk Management

### *Credit risk*

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

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

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

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

### *Liquidity risk*

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

### *Interest risk*

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

## Use of Proceeds from the Placing

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

| Use of net proceeds | Planned amount as stated in the Prospectus<br>HK$ million | Actual amount utilised up to 31 December 2015<br>HK$ million | Actual balance as at 31 December 2015<br>HK$ million |
|---|---|---|---|
| Enhance public awareness to the Group's magazines (note (a)) | 4.3 | 0.0 | 4.3 |
| Publish new magazines (note (b)) | 7.4 | 5.0 | 2.4 |
| Enhance corporate image and strengthen marketing activities (note (c)) | 14.9 | 0.0 | 14.9 |
| Working capital | 2.3 | 2.3 | Nil |
| Total | 28.9 | 7.3 | 21.6 |

Notes:

(a) From January to March 2016, Ocean Media placed advertisements to green minibuses and outdoor advertisements at Sai Kung and Tuen Mun amounting to approximately HK$219,000.

(b) In September 2015, the Group completed the acquisition of 20% equity interests in Strategist Media. The Company applied HK$5.0 million of the net proceeds from the listing to settle the consideration for the acquisition. Strategist Media is principally engaged in the publication and the sales of weekly Chinese finance and investment magazines, namely 港股策略王, mainly through the network of convenience stores and newsstands in Hong Kong. Magazine contents cover finance, wealth management, property investment, lifestyle and etc. Strategic Media also involves in the businesses of online advertising, investor relation services and event management.

(c) The Group is yet in the process of selecting suitable location and property, and thus no proceeds have been spent in this regards.

# Biographical Details of Directors and Senior Management

## Directors

### Executive Directors

**Mr. KWAN Shun Keung Timmy**, aged 36, was appointed as an executive Director on 7 December 2012, he is one of the co-founders of the Group, the chairman of the Board and the chief executive officer of the Group. Mr. Kwan founded the Group and commenced his magazine business in 2009. Since the establishment of the Group, he has acquired the experiences in magazine industry focusing on the contents, determination of the retail points and distribution points, solicitation of new customers and new printers or distributers sourcing. During the six years with the Group, he has been responsible for the overall management and strategic planning and development of the Group's business operations. He is spouse of Ms. YIP Tsz Lam, a former executive Director.

**Mr. MAK Wai Kit**, aged 36, was appointed as an executive Director on 23 April 2015. Mr. Mak is also 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. Before joining the Group, Mr. Mak was the audit manager of an international audit firm. He obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in 2002.

**Ms. LAW Shiu Wai**, aged 46, was appointed as an executive Director on 23 April 2015. Ms. Law has been an assistant chief operating officer of the Group since March 2015. She holds a bachelor degree of commerce (accounting) from Curtin University of Technology. She is a member of CPA Australia and Hong Kong Institute of Certified Public Accountants. She also has more than 20 years of experience in accounting and administration. As regards her experience with listed companies, Ms. Law was the accounting manager of Dah Hwa International (Holdings) Limited (stock code: 600) from August 1990 to September 1999 and the finance manager of Winteam Pharmaceutical Group Limited (stock code: 570) from March 2007 to December 2009. Both companies are listed on the Main Board of the Stock Exchange.

### Non-executive Director

**Mr. TSANG Hin Man Terence**, aged 53, was appointed as a 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 Group, 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).

### Independent Non-executive Directors

**Mr. LEE Kwok Tung Louis**, aged 48, 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 and he has been 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 respectively. Mr. Lee has gained over 23 years' experience with unlisted groups, listed groups and professional firms in finance, accounting, auditing and so on since 1993. Mr. Lee is currently an independent non-executive director of CGN Mining Company Limited (stock code: 1164) and Zhong Ao Home Group Limited (stock code: 1538).

**Mr. TSANG Ho Ka Eugene**, aged 34, was appointed as an independent non-executive Director on 23 January 2015. Mr. Tsang 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. Mr. Tsang 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 has been an executive director of Newtree Group Holdings Limited (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 2014 to 27 February 2015 and a company secretary since 17 October 2014 to 30 October 2014 respectively. He has also been the chairman of Sky Forever Supply Chain Management Group Limited (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.

He was also a vice-chairman of Capital Finance Holdings Limited (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 27 February 2015, the chief executive officer from September 2008 to February 2012 and the authorized representative and company secretary from April 2007 to August 2012. He has also been an independent non-executive director of Jiu Rong Holdings Limited (stock code: 2358) since July 2014 to October 2015.

Mr. Tsang is currently the managing director of a diversified financial group which specializes itself in private equity in Hong Kong, Greater China and overseas and money lending business in Hong Kong and also a consultant of GenNex Financial Media Limited since January 2012 to now.

**Mr. YU Chon Man**, aged 38, 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. Mr. Yu obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University. He is currently a financial controller, qualified accountant and company secretary at China Singyes Solar Technologies Holdings Limited (stock code: 750) since June 2008. Mr. Yu was an independent non-executive director of Sky Forever Supply Chain Management Group Limited (stock code: 8047) between June 2014 and July 2014 and he has been an independent non-executive director of Time2u International Holding Limited (stock code: 1327) since December 2014.

**Mr. LIU Kwong Chi Nelson**, aged 48, was appointed as an independent non-executive Director on 23 April 2015. Mr. Liu holds a bachelor degree of social science (hons) from the University of Hong Kong, a bachelor of law (hons) degree from Manchester Metropolitan University, the United Kingdom and a master degree of laws in Chinese & comparative Law from the City University of Hong Kong. Mr. Liu was admitted as a solicitor of the High Court of Hong Kong Special Administrative Region in August 2001. He is a co-founder and a senior partner of Messrs. Cheung & Liu Solicitors with extensive experiences in commercial and corporate legal matters. Mr. Liu is a visiting lecturer in intellectual property in the Hong Kong Polytechnic University and a committee member of the Hong Kong Institute of Patent Attorneys. Mr. Liu was an independent non-executive director of Blue Sky Power Holdings Limited (Formerly known as China Print Power Group Limited) (Hong Kong Stock Code: 6828; Singapore Stock Code: UQ7) from January 2012 to July 2013.

**Ms. WONG Fei Tat**, aged 41, was appointed as an independent non-executive Director on 23 April 2015. Ms. Wong holds a bachelor degree in commerce from the University of Sydney, and a postgraduate diploma in corporate administration and a master degree in corporate governance from the Hong Kong Polytechnic University. Ms. Wong is an associate member of the Chartered Institute of Management Accountants, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries and is a certified practising accountant of CPA Australia. She has over 20 years of experience in the accounting field. Ms. Wong was an independent non-executive director of China Motion Telecom International Limited (Stock Code: 989) from February 2006 to November 2013, and an independent non-executive director of Blue Sky Power Holdings Limited (Hong Kong Stock Code: 6828; Singapore Stock Code: UQ7) from January 2012 to November 2014.

**Mr. PANG Siu Yin**, aged 56, was appointed as an independent non-executive Director on 24 July 2015. Mr. Pang graduated from the University of Leeds, England with a Bachelor of Laws (Honors) degree in 1984 and obtained a Master's degree in Business Administration from Aston University in Birmingham, England in 1985. He also obtained a Postgraduate Certificate in Laws from the University of Hong Kong in 1988. He has been a practicing solicitor of the High Court of Hong Kong since 1990 and was also admitted as a solicitor in England and Wales in 1997. He is currently a partner of LCP Lawyers, a firm of solicitors in Hong Kong, with his practice focusing on commercial and litigation.

## Senior Management

**Mr. CHIU Ka King Kevin**, aged 39, 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 ten years of working experience in sales and marketing.

**Mr. CHEN Wan Fung Wilson**, aged 47, is the creative director of the Group. Mr. Chen joined the Group as a 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. Mr. Chen, as a graphic designer, has approximately 19 years of working experience with several Hong Kong media. 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 programme 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.

**Mr. CHENG Kei Man**, aged 30, is the editor in chief of the Group. Mr. Cheng joined the Group as an 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 has over five years of working experience in editing.

## Changes in Directors' Information

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

(1) Mr. Lee Kwok Tung Louis has been an independent non-executive director of Zhong Ao Home Group Limited (Stock Code: 1538) since 5 November 2015.

(2) Mr. Tsang Ho Ka Eugene ceased to be a member of the Hong Kong Mining Investment Professionals Association during the year.

(3) Mr. Liu Kwong Chi Nelson turned from vice president into committee member of the Hong Kong Institute of Patent Attorneys during the year.

## Business Model and Strategy

The Group's mission is to establish a strong presence in the advertising industry with its successful experience in the publishing industry with a view to a long term profitability and assets growth. This will be achieved by way of adoption of flexible business model and proactive business strategies. Towards this goal, new businesses were set up or acquired to enrich the Group's business project portfolio during the year under review. More details of the Group's business development and performance and financial review for the year 2015 are set out in the "Chairman's Statement" and "Management Discussion and Analysis" sections of this annual report.

## Corporate Governance Practices

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

Code Provision A.2.1 stipulates that the roles of chairman and chief executive 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.

As 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 interests 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 Code provision A.2.1 is appropriate in such circumstance.

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

## Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made specific enquiry, all the Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding Director's securities transactions during the year ended 31 December 2015.

## Directors' and Officers' Liability Insurance

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

## Board of Directors

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

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

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

Except that Mr. Kwan Shun Keung Timmy and Ms. Yip Tsz Lam, a former executive Director, are married couple, there is no relationship, including financial, business, family or other material/relevant relationship(s) between members of the Board and the Chairman of the Company.

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

The Board's present composition is as follows:

### Executive Directors

KWAN Shun Keung Timmy *(Chairman)*
MAK Wai Kit (appointed on 23 April 2015)
LAW Shiu Wai (appointed on 23 April 2015)

### Non-executive Director

TSANG Hin Man Terence

### Independent Non-executive Directors

LEE Kwok Tung Louis
TSANG Ho Ka Eugene
YU Chon Man
LIU Kwong Chi Nelson (appointed on 23 April 2015)
WONG Fei Tat (appointed on 23 April 2015)
PANG Siu Yin (appointed on 24 July 2015)

## Directors' Attendance at Board and General Meetings

From the Listing Date (16 February 2015) up to 31 December 2015, the Board held 12 board meetings and the Company held 2 general meetings and the attendance of each director is set out as follows:

| | Number of meetings Attended/Held | |
|---|---|---|
| | Board meetings | General meetings |
| ***Executive Directors*** | | |
| Kwan Shun Keung Timmy *(Chairman)* | 12/12 | 2/2 |
| Yip Tsz Lam (resigned on 1 February 2016) | 12/12 | 2/2 |
| Mak Wai Kit (appointed on 23 April 2015) | 10/12 | 2/2 |
| Law Shiu Wai (appointed on 23 April 2015) | 10/12 | 2/2 |
| ***Non-executive Director*** | | |
| Tsang Hin Man Terence | 11/12 | 2/2 |
| ***Independent Non-executive Directors*** | | |
| Lee Kwok Tung Louis | 11/12 | 2/2 |
| Tsang Ho Ka Eugene | 7/12 | 1/2 |
| Yu Chon Man | 11/12 | 1/2 |
| Liu Kwong Chi Nelson (appointed on 23 April 2015) | 9/12 | 1/2 |
| Wong Fei Tat (appointed on 23 April 2015) | 9/12 | 2/2 |
| Pang Siu Yin (appointed on 24 July 2015) | 2/12 | 0/2 |

## Appointment and Re-election of the Directors

Each of the executive Directors has entered into a service contract with the Company with an initial term of three years commencing from 23 January 2015 and 23 April 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, which has been renewed for another three years with effect from 24 March 2015. Three of six independent non-executive directors have entered into a service contract with the Company with an initial term of three years commencing from 23 January 2015 subject to provisions contained there in. The remaining were commencing from 23 April 2015 and 24 July 2015 respectively.

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

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

## Independent Non-executive Directors

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

## Directors' Participation in Continuous Professional Trainings

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

## Audit Committee

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

The Audit Committee consists of all six independent non-executive Directors, namely, Mr. Lee Kwok Tung Louis, Mr. Tsang Ho Ka Eugene, Mr. Yu Chon Man, Mr. Liu Kwong Chi Nelson, Ms. Wong Fei Tat and Mr. Pang Siu Yin. Mr. Lee Kwok Tung Louis is the chairman of the Audit Committee.

Four Audit Committee meetings were held during the year ended 31 December 2015. The attendance was as follows:

| | Number of meetings Attended/Held |
|---|---|
| Lee Kwok Tung Louis *(Chairman)* | 4/4 |
| Tsang Ho Ka Eugene | 3/4 |
| Yu Chon Man | 4/4 |
| Liu Kwong Chi Nelson (appointed on 23 April 2015) | 3/4 |
| Wong Fei Tat (appointed on 23 April 2015) | 3/4 |
| Pang Siu Yin (appointed on 24 July 2015) | 1/4 |

## Remuneration Committee

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

The Remuneration Committee consists of eight members, namely Mr. Tsang Ho Ka Eugene, Mr. Yu Chon Man, Mr. Kwan Shun Keung Timmy, Mr. Mak Wai Kit, Ms. Law Shiu Wai, Mr. Liu Kwong Chi Nelson, Ms. Wong Fei Tat and Mr. Pang Siu Yin. Mr. Tsang Ho Ka Eugene is the chairman of the Remuneration Committee.

Three Remuneration Committee meeting was held during the year ended 31 December 2015. The attendance was as follows:

| | Number of meetings Attended/Held |
|---|---|
| Tsang Ho Ka Eugene *(Chairman)* | 3/3 |
| Kwan Shun Keung Timmy | 3/3 |
| Mak Wai Kit (appointed on 23 April 2015) | 1/3 |
| Law Shiu Wai (appointed on 23 April 2015) | 1/3 |
| Yu Chon Man | 3/3 |
| Liu Kwong Chi Nelson (appointed on 23 April 2015) | 1/3 |
| Wong Fei Tat (appointed on 23 April 2015) | 1/3 |
| Pang Siu Yin (appointed on 24 July 2015) | 0/3 |

## Nomination Committee

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

The Nomination Committee consists of eight members, namely, Mr. Yu Chon Man, Mr. Lee Kwok Tung Louis, Mr. Kwan Shun Keung Timmy, Mr. Mak Wai Kit, Ms. Law Shiu Wai, Mr. Liu Kwong Chi Nelson, Ms. Wong Fei Tat and Mr. Pang Siu Yin. Mr. Yu Chon Man is the chairman of the Nomination Committee.

Three Nomination Committee meetings were held during the year ended 31 December 2015. The attendance was as follows:

| | **Number of meetings Attended/Held** |
|---|---|
| Yu Chon Man *(Chairman)* | 3/3 |
| Kwan Shun Keung Timmy | 3/3 |
| Mak Wai Kit (appointed on 23 April 2015) | 1/3 |
| Law Shiu Wai (appointed on 23 April 2015) | 1/3 |
| Lee Kwok Tung Louis | 3/3 |
| Liu Kwong Chi Nelson (appointed on 23 April 2015) | 1/3 |
| Wong Fei Tat (appointed on 23 April 2015) | 1/3 |
| Pang Siu Yin (appointed on 24 July 2015) | 0/3 |

## Corporate Governance & Risk Management Committee

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

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

The Corporate Governance & Risk Management Committee consists of nine members, namely, Mr. Tsang Hin Man Terence, Mr. Kwan Shun Keung Timmy, Mr. Lee Kwok Tung Louis, Mr. Tsang Ho Ka Eugene, Mr. Mak Wai Kit, Ms. Law Shiu Wai, Mr. Liu Kwong Chi Nelson, Ms. Wong Fei Tat and Mr. Pang Siu Yin. Mr. Tsang Hin Man Terence is the chairman of the Corporate Governance & Risk Management Committee.

Four Corporate Governance & Risk Management Committee meetings were held during the year ended 31 December 2015. The attendance was as follows:

| | Number of meetings Attended/Held |
|---|---|
| Tsang Hin Man Terence *(Chairman)* | 4/4 |
| Kwan Shun Keung Timmy | 4/4 |
| Mak Wai Kit (appointed on 23 April 2015) | 4/4 |
| Law Shiu Wai (appointed on 23 April 2015) | 3/4 |
| Lee Kwok Tung Louis | 4/4 |
| Tsang Ho Ka Eugene | 3/4 |
| Liu Kwong Chi Nelson (appointed on 23 April 2015) | 3/4 |
| Wong Fei Tat (appointed on 23 April 2015) | 3/4 |
| Pang Siu Yin (appointed on 24 July 2015) | 1/4 |

### Executive Committee

The Company established an Executive Committee on 14 July 2015 with written terms of reference. The Committee shall consist of all four executive Directors, namely, Mr. Kwan Shun Keung Timmy, Ms. Yip Tsz Lam (resigned on 1 February 2016), Mr. Mak Wai Kit and Ms. Law Shiu Wai. The chairman of the Committee is Mr. Kwan Shun Keung Timmy.

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

Three Executive Committee meetings were held during the year ended 31 December 2015. The attendance was as follows:

| | Number of meetings Attended/Held |
|---|---|
| Kwan Shun Keung Timmy | 3/3 |
| Yip Tsz Lam (resigned on 1 February 2016) | 3/3 |
| Mak Wai Kit (appointed on 23 April 2015) | 3/3 |
| Law Shiu Wai (appointed on 23 April 2015) | 3/3 |

### Treasury Committee

The Company established a Treasury Committee on 16 October 2015 with written terms of reference. The Committee shall consist of all three executive Directors, namely, Mr. Kwan Shun Keung Timmy, Mr. Mak Wai Kit and Ms. Law Shiu Wai. The chairman of the Committee is Mr. Kwan Shun Keung Timmy.

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

One Treasury Committee meeting was held during the year ended 31 December 2015. The attendance was as follows:

| | **Number of meetings Attended/Held** |
|---|---|
| Kwan Shun Keung Timmy | 1/1 |
| Mak Wai Kit (appointed on 23 April 2015) | 1/1 |
| Law Shiu Wai (appointed on 23 April 2015) | 1/1 |

### Financial Reporting

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at 31 December 2015, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going-concern basis. The responsibilities of the external auditors regarding their financial reporting are set out in the independent auditor's report contained in this annual report for the year ended 31 December 2015.

### Auditor's Remuneration

The audit work of the Group for the year ended 31 December 2015 was performed by the Company's external auditor, CCIF CPA Limited ("CCIF").

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

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| Audit services | **460** | 240 |
| Non-audit services | **—** | 749 |
| Total | **460** | 989 |

## Internal Controls

The Board conducts regular review and evaluation of the ongoing effectiveness and adequacy of the Group's internal control system covering all controls matters, including financial, operational, compliance and risk management controls. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of Shareholders and the Group's assets.

## Company Secretary

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

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

## Shareholders' Rights

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

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

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

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Room 1412, 14/F, New World Tower I, 16–18 Queen's Road Central, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionist(s).

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

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

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

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

*Right to Put Enquiries to the Board*

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

*Right to Put Forward Proposals at General Meetings*

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

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

## Investor Relations

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

The Directors hereby present their annual report and the audited consolidated financial statements for the year ended 31 December 2015.

## Group Reorganisation

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 7 December 2012. Through a group reorganisation as fully explained in the Company's prospectus dated 30 January 2015, the Company has since 9 October 2013 become the holding company of the Group. The Company has completed its initial public offering and the shares of the Company were listed on the Stock Exchange on 16 February 2015.

## Principal Activities

The principal activity of the Company is investment holding and those of the principal subsidiaries of the Company are set out in note 13 to the consolidated financial statements.

## Results and Appropriations

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Group as at 31 December 2015 are set out in the consolidated financial statements on pages 40 and 41. The Board does not recommend the payment of any final dividend for the year ended 31 December 2015.

## Summary of Financial Information

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

## Property, Plant and Equipment

Details of movements in property, plant and equipment during the year are set out in note 12 to the consolidated financial statements.

## Share Capital

Details of movements in share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

## Reserves

Details of movements in reserves of the Group and the Company during the year are set out in note 24 to the consolidated financial statements respectively.

## Distributable Reserves

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$65,912,000.

## Pre-emptive Rights

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

## Permitted Indemnity

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

## Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2015, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

## Major Customers and Suppliers

Sales to the Group's five largest customers accounted for approximately 86.7% of the total sales for the year and sales to the largest customer included therein amounted to approximately 25.8%. Purchases from the Group's five largest suppliers accounted for approximately 94.4% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 64.8%.

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

## Directors

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

## Board of Directors

### Executive Directors

KWAN Shun Keung Timmy *(Chairman)*
YIP Tsz Lam (resigned on 1 February 2016)
MAK Wai Kit (appointed on 23 April 2015)
LAW Shiu Wai (appointed on 23 April 2015)

### Non-executive Director

TSANG Hin Man Terence

**Independent Non-executive Directors**

LEE Kwok Tung Louis
TSANG Ho Ka Eugene
YU Chon Man
LIU Kwong Chi Nelson (appointed on 23 April 2015)
WONG Fei Tat (appointed on 23 April 2015)
PANG Siu Yin (appointed on 24 July 2015)

In accordance with Article 84(1) Ms. Law Shiu Wai, Mr. Lee Kwok Tung Louis and Mr. Yu Chon Man will retire at the forthcoming annual general meeting ("AGM") and, being eligible, Ms. Law Shiu Wai offers herself for re-election, but Mr. Lee Kwok Tung Louis and Mr. Yu Chon Man do not offer themselves for re-election at the AGM. In accordance with Article 83(3), Mr. Pang Siu Yin will retire at the AGM and, being eligible, offer himself for re-election at the AGM.

## Biographies of Directors and Other Senior Management

The biographical details of the Directors and other senior management are disclosed in the section headed "Directors and Senior Management Profile" on pages 16 to 18 in this annual report.

## Directors' Service Contracts

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

## Directors' Rights to Acquire Shares and Debentures

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

## Directors' Interests in Transactions, Arrangements or Contracts

There has been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

## Equity-linked Agreements

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

## Remuneration of the Directors

Details of the remuneration of the Directors are set out in note 7 to the consolidated financial statements in this annual report.

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2015.

## Contracts of Significance

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2015.

No contract of significance (including provision of services) between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2015.

## Emolument Policy

The Remuneration Committee is responsible for making recommendations to the Board on Company's policy and structure for all Directors and senior management remuneration, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to Directors and eligible participants, details of the scheme is set out on pages 32 to 34 in this annual report.

## Non-competition Undertakings

The Controlling Shareholders have entered into a deed of non-competition on 29 January 2015 (the "Deed of Non-competition"). Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus and the non-competition undertaking has become effective from the date of the listing of the Company.

## Share Option Scheme

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

### 1. Purpose

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

### 2. Participants

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

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

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

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

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

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

## 3. Maximum number of Shares available for subscription

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

## 4. Maximum entitlement of Shares of each Participant

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

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

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

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

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

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

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

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

### 8. Basis of determining the subscription price

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

### 9. Life of the Share Option Scheme

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

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

## Interests in Competing Business

As far as the Directors are aware of, none of the Directors nor the Controlling Shareholders have any interest in a business which competes or may compete with the business of the Group or have any other conflict of interests with the Group during the year ended 31 December 2015.

## Interests of the Compliance Adviser

As at 31 December 2015, as notified by the Company's compliance adviser, VC Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 27 March 2014, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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

As at 31 December 2015, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

### Long positions in the Shares

| Name | Nature of interest | Number of Shares or Underlying Shares | Approximate percentage of shareholding interests |
|---|---|---|---|
| Mr. Kwan Shun Keung Timmy | Interests in a controlled corporation and family interests (Note) | 3,724,072,000 | 51.72% |
| Ms. Yip Tsz Lam | Interests in a controlled corporation and family interests (Note) | 3,724,072,000 | 51.72% |

Note: These shares were directly held by Fuwin Group (Holdings) Limited ("Fuwin"), which is beneficially owned as to 60% by Mr. Kwan Shun Keung Timmy ("Mr. Kwan") and as to 40% by Ms. Yip Tsz Lam ("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.

Save as disclosed above, as at 31 December 2015, none of the Directors nor chief executives had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2015, so far as the Directors are aware, the following persons (other than the Directors or chief executives 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 of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital caring rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

### Long positions in the Shares

| Name | Nature of interest | Number of Shares or Underlying Shares | Approximate percentage of shareholding interests |
|---|---|---|---|
| Fuwin | Beneficial owner (Note 1) | 3,724,072,000 | 51.72% |
| Grand Powerful Group Limited | Beneficial owner (Note 2) | 498,000,000 | 6.92% |
| Mr. Cheng Ming Kit | Interests in a controlled corporation (Note 2) | 498,000,000 | 6.92% |
| Ms. Yung Yee Man Sharon | Family interests (Note 3) | 498,000,000 | 6.92% |
| Mr. Wong Man Hin Charles | Beneficial owner (Note 4) | 498,000,000 | 6.92% |
| Ms. Loo Chi Yiu | Family interests (Note 4) | 498,000,000 | 6.92% |

Notes:

1. Fuwin is owned as to 60% by Mr. Kwan and 40% by Ms. Yip.

2. The entire issued share capital of Grand Powerful Group Limited is owned by Mr. Cheng Ming Kit ("Mr. Cheng"). Mr. Cheng is therefore deemed to be interested in the 498,000,000 shares held by Grand Powerful Group Limited under the SFO.

3. Ms. Yung Yee Man Sharon is the spouse of Mr. Cheng and deemed to be interested in the 498,000,000 shares held by Mr. Cheng.

4. Ms. Loo Chi Yiu is the spouse of Mr. Wong Man Hin Charles ("Mr. Wong") and deemed to be interested in the 498,000,000 shares held by Mr. Wong.

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## Related Party Transactions

Details of related party transactions of the Group during the year ended 31 December 2015 are set out in note 28 to the consolidated financial statements. Those related party transactions constitute continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

## Connected Transactions

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

## Corporate Governance

The Company is committed to maintain a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 19 to 28.

## Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the prescribed Public Float under the GEM Listing Rules since the Listing Date and up to the date of this report.

## Auditor

The consolidated financial statements for the year ended 31 December 2015 have been audited by CCIF CPA Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint CCIF CPA Limited as auditor of the Company.

By behalf of the Board
**Kwan Shun Keung Timmy**
*Chairman and Executive Director*

Hong Kong, 31 March 2016

CCIF
CCIF CPA LIMITED
9/F Leighton Centre
77 Leighton Road
Causeway Bay Hong Kong

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

We have audited the consolidated financial statements of Winto Group (Holdings) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 40 to 88, which comprise the consolidated statement of financial position as at 31 December 2015, and 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 year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**CCIF CPA Limited**
*Certified Public Accountants*
Hong Kong, 31 March 2016

**Betty P.C. Tse**
Practising Certificate Number P03024

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

| | Note | **2015 HK$** | 2014 HK$ |
|---|---|---|---|
| **Revenue** | 4 & 11 | **20,824,027** | 28,249,445 |
| Cost of sales | | **(2,406,898)** | (2,266,279) |
| **Gross profit** | | **18,417,129** | 25,983,166 |
| Other revenue and other net income | 4 | **10,385** | 10,264 |
| Operating expenses | | **(16,689,862)** | (12,240,245) |
| **Profit from operations** | | **1,737,652** | 13,753,185 |
| Finance costs | 5(a) | **(588,623)** | (3,696,821) |
| Share of loss of associates | 14 | **(612,659)** | — |
| Impairment loss on interests in associates | 14 | **(4,187,341)** | — |
| **(Loss)/profit before taxation** | 5 | **(3,650,971)** | 10,056,364 |
| Income tax | 6 | **(2,110,677)** | (3,429,630) |
| **(Loss)/profit for the year attributable to owners of the Company** | | **(5,761,648)** | 6,626,734 |
| Other comprehensive income for the year | | **—** | — |
| **Total comprehensive (loss)/income for the year attributable to owners of the Company** | | **(5,761,648)** | 6,626,734 |
| | | **HK cents** | HK cents |
| **(Loss)/earnings per share** | | | |
| Basic and diluted | 10 | **(0.08)** | 0.11 |

The notes on pages 44 to 88 form an integral part of these financial statements.

# Consolidated Statement of Financial Position

At 31 December 2015

| | Note | 2015 HK$ | 2014 HK$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | 12 | **267,492** | 38,509 |
| Interests in associates | 14 | **200,000** | — |
| | | **467,492** | 38,509 |
| **Current assets** | | | |
| Due from ultimate holding company | 15 | **2,510** | — |
| Trade and other receivables | 16 | **28,390,380** | 19,861,846 |
| Tax recoverable | 20 | **449,729** | — |
| Cash and cash equivalents | 17 | **41,174,973** | 26,557,464 |
| | | **70,017,592** | 46,419,310 |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **3,984,118** | 5,438,731 |
| Bank borrowings | 19 | **2,497,763** | 7,725,430 |
| Tax payable | 20 | **—** | 749,065 |
| Convertible bonds | 21 | **—** | 22,199,832 |
| | | **(6,481,881)** | (36,113,058) |
| **Net current assets** | | **63,535,711** | 10,306,252 |
| **Total assets less current liabilities** | | **64,003,203** | 10,344,761 |
| **Net assets** | | **64,003,203** | 10,344,761 |
| **Capital and reserves** | | | |
| Share capital | 24 | **7,200,000** | 10,000 |
| Reserve | | **56,803,203** | 10,334,761 |
| **Total equity attributable to owners of the Company** | | **64,003,203** | 10,344,761 |

Approved and authorised for issue by the board of directors on 31 March 2016.

**Kwan Shun Keung Timmy**
*Director*

**Mak Wai Kit**
*Director*

The notes on pages 44 to 88 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

| | Share capital HK$ | Share premium HK$ | Convertible bonds reserve HK$ | Retained profits/ (accumulated loss) HK$ | Total equity HK$ |
|---|---|---|---|---|---|
| At 1 January 2014 | 10,000 | — | 484,415 | 11,538,203 | 12,032,618 |
| Total comprehensive income for the year | — | — | — | 6,626,734 | 6,626,734 |
| Issue of convertible bonds | — | — | 755,409 | — | 755,409 |
| Dividend paid (Note 9) | — | — | — | (9,070,000) | (9,070,000) |
| At 31 December 2014 and 1 January 2015 | **10,000** | **—** | **1,239,824** | **9,094,937** | **10,344,761** |
| Total comprehensive loss for the year | **—** | **—** | **—** | **(5,761,648)** | **(5,761,648)** |
| Issue of new shares | **2,510** | **—** | **—** | **—** | **2,510** |
| Issue of shares upon conversion of convertible bonds | **2,490** | **22,492,401** | **—** | **—** | **22,494,891** |
| Transfer of convertible bonds reserve upon conversion of convertible bonds | **—** | **1,239,824** | **(1,239,824)** | **—** | **—** |
| Issue of new shares by way of placing | **1,200,000** | **43,200,000** | **—** | **—** | **44,400,000** |
| Share issue expenses | **—** | **(3,477,311)** | **—** | **—** | **(3,477,311)** |
| Capitalisation issue | **5,985,000** | **(5,985,000)** | **—** | **—** | **—** |
| Dividend paid (Note 9) | **—** | **—** | **—** | **(4,000,000)** | **(4,000,000)** |
| At 31 December 2015 | **7,200,000** | **57,469,914** | **—** | **(666,711)** | **64,003,203** |

The notes on pages 44 to 88 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

| | Note | 2015 HK$ | 2014 HK$ |
|---|---|---|---|
| **Operating activities** | | | |
| (Loss)/profit before taxation | | **(3,650,971)** | 10,056,364 |
| Adjustments for: | | | |
| Depreciation | | **36,552** | 21,575 |
| Finance cost | | **588,623** | 3,696,821 |
| Interest income | | **(1,889)** | (11) |
| Impairment loss on trade receivable | | **778,000** | — |
| Share of loss of associates | | **612,659** | — |
| Impairment loss on interests in associates | | **4,187,341** | — |
| **Operating profit before changes in working capital** | | **2,550,315** | 13,774,749 |
| Increase in due from ultimate holding company | | **(2,510)** | — |
| (Increase)/decrease in trade and other receivables | | **(10,024,781)** | 3,050,569 |
| (Decrease)/increase in trade and other payables | | **(1,437,392)** | 3,061,306 |
| **Cash (used in)/generated from operations** | | **(8,914,368)** | 19,886,624 |
| Income tax paid — Hong Kong profits tax | | **(3,309,471)** | (4,724,907) |
| **Net cash (used in)/generated from operating activities** | | **(12,223,839)** | 15,161,717 |
| **Investing activities** | | | |
| Payment for the purchase of plant and equipment | | **(265,535)** | (8,700) |
| Payment to acquire associates | | **(5,000,000)** | — |
| Interest received | | **1,889** | 11 |
| **Net cash used in investing activities** | | **(5,263,646)** | (8,689) |
| **Financing activities** | | | |
| Dividends paid | | **(4,000,000)** | (9,070,000) |
| Drawn down of new bank loans | | **896,833** | 4,724,907 |
| Repayment of bank loans | | **(6,124,500)** | (7,017,282) |
| Interest paid | | **(310,785)** | (511,635) |
| Proceeds from issue of convertible bond | | **—** | 15,000,000 |
| Proceeds from capital injection | | **2,510** | — |
| Proceeds from placing of new shares | | **44,400,000** | — |
| Professional service fees paid in respect of share placing | | **(2,759,064)** | (718,247) |
| **Net cash generated from financing activities** | | **32,104,994** | 2,407,743 |
| **Net increase in cash and cash equivalents** | | **14,617,509** | 17,560,771 |
| **Cash and cash equivalents at 1 January** | | **26,557,464** | 8,996,693 |
| **Cash and cash equivalents at 31 December** | 17 | **41,174,973** | 26,557,464 |

The notes on pages 44 to 88 form an integral part of these financial statements.

## 1. GENERAL INFORMATION

Winto Group (Holdings) Limited ('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 and its shares are listed on the Growth Enterprise Market (the "GEM Board") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Room 1412, 14th Floor, New World Tower 1, 16–18 Queen's Road Central, Hong Kong respectively.

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 13.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

### b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest dollar except for per share data. Hong Kong dollar is the functional and the presentation currency of the Group and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis as explained in the accounting policies set out below.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### b) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements 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 believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 27.

### c) 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 consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. 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.

### d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### d) Associates *(Continued)*

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

### e) Property, plant and equipment

Property, plant and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment losses (see note 2(g)(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, fixtures and equipment | 20% |

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### f) 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 and is regardless of whether the arrangement takes the legal form of a lease.

***Operating lease charges***

Where the Group has the use of assets 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 charged as expenses in the accounting period in which they are incurred.

### g) 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, any impairment loss is determined and recognised 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 (that is, 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 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### g) Impairment of assets *(Continued)*

#### *i) Impairment of receivables (Continued)*

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 are 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

— investments in subsidiaries in the Company's statement of financial position

— interests in associates

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 of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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).

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### g) Impairment of assets *(Continued)*

#### *ii) Impairment of other assets (Continued)*

— *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) and then, to reduce the carrying amount of other assets in the 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 of disposal, 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.

### h) 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 2(g)(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 2(g)(i)).

### i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### j) 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.

### k) 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.

### l) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### m) 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.

### n) 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) Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

#### *(iii) Termination benefits*

Termination benefits are recognised when, and only when, the Company 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### o) 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 date of 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 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 date of 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### o) Income tax *(Continued)*

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 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 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.

### p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### q) Revenue recognition

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

#### *i) Print media advertising*

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

— the amount of revenue can be measured reliably;

— it is probable that the economic benefits associated with the advertising contracts will flow to the Group;

— the stage of completion of the advertising contracts at the end of the reporting period can be measured reliably; and

— the costs incurred for the advertising contracts and the costs to complete the advertising contracts can be measured reliably.

#### *ii) Sale of magazines*

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

#### *iii) Outdoor advertising income*

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

#### *iv) Interest income*

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

### r) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### s) 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 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 Company or an entity related to the Company.

   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).

   viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

   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.

### t) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, 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.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

| | |
|---|---|
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010–2012 Cycle |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011–2013 Cycle |

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### Annual Improvements to HKFRSs 2010–2012 Cycle and 2011–2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

## 4. REVENUE AND OTHER REVENUE AND OTHER NET INCOME

The principal activities of the Group are sales and free distribution of Chinese language lifestyle magazines, sales of advertising space in the magazines and provision of outdoor advertising services.

| | **2015**<br>**HK$** | 2014<br>HK$ |
|---|---|---|
| **Revenue** | | |
| Print media advertising | **20,441,097** | 27,866,052 |
| Sales of magazines | **261,280** | 383,393 |
| Outdoor advertising | **121,650** | — |
| | **20,824,027** | 28,249,445 |
| **Other revenue and other net income** | | |
| Sundry income | **8,496** | 10,253 |
| Interest income on financial assets not at fair value through profit or loss — bank interest income | **1,889** | 11 |
| | **10,385** | 10,264 |
| | **20,834,412** | 28,259,709 |

## 5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

### a) Finance costs

| | 2015<br>HK$ | 2014<br>HK$ |
|---|---|---|
| Interest on bank overdraft | **5,620** | 33,584 |
| Interest on bank borrowings | **287,944** | 476,593 |
| Interest on convertible bonds | **295,059** | 3,186,644 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **588,623** | 3,696,821 |

The above bank borrowings interests relate to bank borrowings which repayment terms contain a repayment on demand clause.

### b) Staff costs (including directors' remuneration)

| | 2015<br>HK$ | 2014<br>HK$ |
|---|---|---|
| Salaries, wages and other benefits | **5,325,564** | 2,648,431 |
| Contributions to defined contribution retirement plan | **142,791** | 89,721 |
| | **5,468,355** | 2,738,152 |

### c) Other items

| | 2015<br>HK$ | 2014<br>HK$ |
|---|---|---|
| Impairment loss on trade receivables | **778,000** | — |
| Depreciation | **36,552** | 21,575 |
| Auditor's remuneration | **460,000** | 240,000 |
| Operating lease charge | **550,518** | 240,000 |
| Cost of inventory | **2,183,520** | 2,137,266 |
| Listing expenses | **4,090,726** | 7,526,169 |

## 6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

a) Income tax recognised in profit or loss:

| | 2015<br>HK$ | 2014<br>HK$ |
|---|---|---|
| Current tax — Hong Kong Profits Tax | | |
| Provision for the year | **2,130,258** | 3,429,630 |
| Over-provision in respect of prior years | **(19,581)** | — |
| | **2,110,677** | 3,429,630 |

i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

ii) Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year after, taking into account the reduction granted by the Hong Kong SAR Government of 75% of the tax payable subject to a maximum reduction of HK$20,000 (2014: HK$10,000).

iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in these countries.

iv) At the end of reporting period, the group has not recognized deferred tax assets in respect of cumulative tax losses of HK$5,499,146 (2014: Nil) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant entities. The tax losses do not expire under current tax legislation. The Group had no other significant unprovided deferred tax for both years.

b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

| | 2015<br>HK$ | 2014<br>HK$ |
|---|---|---|
| (Loss)/profit before taxation | **(3,650,971)** | 10,056,364 |
| Notional tax on (loss)/profit before taxation, calculated at 16.5% (2014: 16.5%) | **(602,410)** | 1,659,300 |
| Tax effect of non-deductible expenses | **1,869,055** | 1,771,174 |
| Tax effect of non-taxable income | **(312)** | — |
| Tax effect of unrecognised temporary differences | **(43,434)** | 9,156 |
| Tax effect of one-off tax reduction | **—** | (10,000) |
| Tax effect of unused tax losses | **907,359** | — |
| Over-provision in prior years | **(19,581)** | — |
| Actual tax expense | **2,110,677** | 3,429,630 |

## 7. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

| | Year ended 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | Fee HK$ | Salaries allowances, and benefits-in-kind HK$ | Bonus HK$ | Retirement benefit scheme contribution HK$ | Total HK$ |
| **Executive directors** | | | | | |
| Kwan Shun Keung Timmy | — | 480,000 | — | 6,000 | 486,000 |
| Yip Tsz Lam[1] | — | 100,000 | — | 5,000 | 105,000 |
| Mak Wai Kit[2] | — | 648,667 | — | 12,000 | 660,667 |
| Law Shiu Wai[2] | — | 370,667 | — | 12,533 | 383,200 |
| **Non-executive director** | | | | | |
| Tsang Hin Man Terence | — | 120,000 | — | 6,000 | 126,000 |
| **Independent non-executive director** | | | | | |
| Lee Kwok Tung Louis[3] | 93,817 | — | — | — | 93,817 |
| Tsang Ho Ka Eugene[3] | 93,817 | — | — | — | 93,817 |
| Yu Chon Man[3] | 93,817 | — | — | — | 93,817 |
| Liu Kwong Chi Nelson[4] | 82,667 | — | — | — | 82,667 |
| Wong Fei Tat[4] | 82,667 | — | — | — | 82,667 |
| Pang Siu Yin[5] | 52,580 | — | — | — | 52,580 |
| | 499,365 | 1,719,334 | — | 41,533 | 2,260,232 |

| | Year ended 31 December 2014 | | | | |
|---|---|---|---|---|---|
| | Fee HK$ | Salaries allowances, and benefits-in-kind HK$ | Bonus HK$ | Retirement benefit scheme contribution HK$ | Total HK$ |
| **Executive directors** | | | | | |
| Kwan Shun Keung Timmy | — | 400,000 | — | 3,000 | 403,000 |
| Yip Tsz Lam | — | 50,000 | — | 1,500 | 51,500 |
| **Non-executive director** | | | | | |
| Tam B Ray Billy[6] | — | 27,419 | — | 1,371 | 28,790 |
| Tsang Hin Man Terence | — | 92,581 | — | 4,629 | 97,210 |
| | — | 570,000 | — | 10,500 | 580,500 |

1. Resigned as executive director on 1 February 2016.
2. Appointed as executive director on 23 April 2015.
3. Appointed as independent non-executive director on 23 January 2015.
4. Appointed as independent non-executive director on 23 April 2015.
5. Appointed as independent non-executive director on 24 July 2015.
6. Resigned as non-executive director on 24 March 2014.

## 7. DIRECTORS' EMOLUMENTS *(Continued)*

During the years ended 31 December 2015 and 2014, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments for the years ended 31 December 2015 and 2014.

## 8. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2014: one) are directors whose emolument is disclosed in note 7. The aggregate of the emoluments in respect of the other two (2014: four) individuals are as follows:

| | **2015 HK$** | 2014 HK$ |
|---|---|---|
| Salaries, allowance and benefits-in-kind | **352,516** | 983,258 |
| Discretionary bonus | **320,000** | 320,000 |
| Retirement benefit scheme contributions | **15,625** | 43,050 |
| | **688,141** | 1,346,308 |

The emoluments of the two (2014: four) individuals with the highest emoluments are within the band of nil to HK$1,000,000.

## 9. DIVIDENDS

Details of dividends attributable to each of the financial year are as follows:

| | **2015 HK$** | 2014 HK$ |
|---|---|---|
| Interim dividends of HK$4 (2014: HK$9.07) per share declared and paid | **4,000,000** | 9,070,000 |

Dividends during the years ended 31 December 2015 and 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 directors consider that the dividend payments made during the year are not indicative of the future dividend policy of the Group.

## 10. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

The basic and diluted (loss)/earnings per share for the year ended 31 December 2015 and 2014 is calculated based on the loss attributable to owners of the Company for the year ended 31 December 2015 in the amount of HK$5,761,648 (2014: profit of HK$6,626,734) and the weighted average of 7,048,383,562 ordinary shares (2014: 5,995,000,000 after adjusting for share subdivision and capitalisation issue in 2015) in issue during the year, calculated as follows:

| | **2015 Number of shares** | 2014 Number of shares |
|---|---|---|
| Issued ordinary shares at 1 January | **1,000,000** | 1,000,000 |
| Effect of Capitalisation issue | **598,500,000** | 598,500,000 |
| Effect of shares issued under allotment | **231,745** | — |
| Effect of conversion of convertible bond | **229,899** | — |
| Effect of shares issued under initial public offering | **104,876,712** | — |
| Effect of shares subdivision | **6,343,545,206** | 5,395,500,000 |
| Weighted average number of ordinary shares | **7,048,383,562** | 5,995,000,000 |

For the year ended 31 December 2014, the weighted average number of ordinary shares has been adjusted to reflect the effect of capitalisation issue and shares subdivision completed on 29 January 2015 and 8 June 2015 respectively.

Diluted and basic loss per share for the year ended 31 December 2015 were the same because there was no potential ordinary shares outstanding at the year end date.

Diluted and basic earnings per share for the year ended 31 December 2014 were the same because there is anti-dilutive effect as if the conversion of all potential ordinary shares arising from convertible bonds.

## 11. SEGMENT REPORTING

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

1. Print media

2. Outdoor advertising

### a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segment, the Group's CODM monitors the revenue attributable to each reportable segment on the following bases:

Segment assets include all tangibles and current assets with the exception of interests in associates and other corporate assets. Segment liabilities include provisions and trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

## 11. SEGMENT REPORTING *(Continued)*

### a) Segment results, assets and liabilities *(Continued)*

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

In addition to receiving segment information CODM is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below.

*Segment results*

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Print media HK$** | **Outdoor advertising HK$** | **Total HK$** | Print media HK$ | Outdoor advertising HK$ | Total HK$ |
| Revenue from external customers | **20,702,377** | **121,650** | **20,824,027** | 28,249,445 | — | 28,249,445 |
| Inter-segment revenue | **—** | **—** | **—** | — | — | — |
| Reportable segment revenue | **20,702,377** | **121,650** | **20,824,027** | 28,249,445 | — | 28,249,445 |
| Reportable segment profit/(loss) | **11,908,436** | **(1,603,865)** | **10,304,571** | 20,840,828 | — | 20,840,828 |
| Unallocated income | | | **656** | | | — |
| Unallocated expenses | | | **(13,956,198)** | | | (10,784,464) |
| (Loss)/profit before taxation | | | **(3,650,971)** | | | 10,056,364 |

*Other segment information*

| | **2015** | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Print media HK$** | **Outdoor advertising HK$** | **Unallocated HK$** | **Total HK$** | Print media HK$ | Outdoor advertising HK$ | Unallocated HK$ | Total HK$ |
| Interest income from bank deposit | **1,221** | **12** | **656** | **1,889** | 11 | — | — | 11 |
| Finance costs | **(293,560)** | **—** | **(295,063)** | **(588,623)** | (510,177) | — | (3,186,644) | (3,696,821) |
| Depreciation for the year | **(16,770)** | **(12,886)** | **(6,896)** | **(36,552)** | (21,575) | — | — | (21,575) |
| Impairment loss on trade receivables | **(778,000)** | **—** | **—** | **(778,000)** | — | — | — | — |
| Addition to non-current assets | **8,378** | **194,198** | **62,959** | **265,535** | 8,700 | — | — | 8,700 |

## 11. SEGMENT REPORTING *(Continued)*

### b) Segment results, assets and liabilities

| | 2015 HK$ | 2014 HK$ |
|---|---|---|
| **Segment assets** | | |
| Print media | **53,539,074** | 45,710,469 |
| Outdoor advertising | **7,990,770** | — |
| Elimination of inter-segment receivables | **—** | — |
| | **61,529,844** | 45,710,469 |
| Interests in associates | **200,000** | — |
| Unallocated assets | **8,755,240** | 747,350 |
| Consolidated total assets | **70,485,084** | 46,457,819 |
| **Segment liabilities** | | |
| Print media | **47,769,836** | 36,738,990 |
| Outdoor advertising | **9,594,633** | — |
| Elimination of inter-segment payables | **(52,015,807)** | (22,825,764) |
| | **5,348,662** | 13,913,226 |
| Unallocated liabilities | **1,133,219** | 22,199,832 |
| Consolidated total liabilities | **6,481,881** | 36,113,058 |

### c) Major customers

| | 2015 HK$ | 2014 HK$ |
|---|---|---|
| Customer 1 | **5,370,000** | 5,370,000 |
| Customer 2 | **3,470,000** | 6,450,000 |
| Customer 3 | **4,018,223** | 4,469,248 |
| Customer 4 | **2,617,472** | Note |

Note: Less than 10 percent of the Group's turnover for the year ended 31 December 2014.

Revenues from each of the above customers accounted for 10 percent or more of the Group's turnover for the years ended 31 December 2015 and 2014. Further details of concentrations of credit risk arising from these customers are set out in note 26.

### d) Geographical information

No analysis of the Group's revenue from external customers and non-current assets by geographical location has been presented as all the Group's operating activities are carried out in Hong Kong.

## 12. PLANT AND EQUIPMENT

| | Furniture, fixtures and equipment HK$ |
|---|---|
| **Cost** | |
| At 1 January 2014 | 132,591 |
| Additions | 8,700 |
| At 31 December 2014 and 1 January 2015 | 141,291 |
| Additions | 265,535 |
| At 31 December 2015 | 406,826 |
| **Accumulated depreciation** | |
| At 1 January 2014 | 81,207 |
| Charge for the year | 21,575 |
| At 31 December 2014 and 1 January 2015 | 102,782 |
| Charge for the year | 36,552 |
| At 31 December 2015 | 139,334 |
| **Carrying amounts** | |
| At 31 December 2015 | 267,492 |
| At 31 December 2014 | 38,509 |

## 13. SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2015:

| Name of subsidiary | Place of incorporation/ operation | Class of Shares held | Issued and fully paid up share capital | Attributable equity interest held by the Company Direct | Indirect | Principal activities | Legal form |
|---|---|---|---|---|---|---|---|
| Winsing Group (Holdings) Limited ("Winsing") | BVI/Hong Kong | Ordinary | US$50,000 | 100% | — | Investment holding | Private limited liability company |
| Ocean Media (Hong Kong) Limited ("Ocean Media") | Hong Kong | Ordinary | HK$10,000 | — | 100% | Sales and free distribution of Chinese lifestyle magazines and sales of advertising spaces in the magazines | Private limited liability company |
| Leading Profile Limited ("Leading Profile") | BVI/Hong Kong | Ordinary | US$1 | 100% | — | Investment holding | Private limited liability company |
| GO Media Limited | Hong Kong | Ordinary | HK$1 | 100% | — | Provision of outdoor advertising services | Private limited liability company |

## 14. INTERESTS IN ASSOCIATES

| | 2015 HK$ | 2014 HK$ |
|---|---|---|
| Cost of investments in associates | 5,000,000 | — |
| Share of post-acquisition losses and other comprehensive loss | (612,659) | — |
| Impairment loss | (4,187,341) | — |
| | 200,000 | — |

The following list contains the particulars of the associates, all of which are unlisted corporate entities whose quoted market price is not available:

| Name of company | Place of incorporation/ operation | Class of shares held | Issued and fully paid up share capital | Attributable equity interest held by the Company Direct | Indirect | Principal activity |
|---|---|---|---|---|---|---|
| Strategist Media Holdings Limited | BVI/Hong Kong | Ordinary | US$975 | — | 20% | Investment holding |
| Strategist Publishing Limited | Hong Kong | Ordinary | HK$100 | — | 20% | Sales and distribution of Chinese finance and investment magazines and sales of advertising spaces in the magazine |
| Strategist Digital Limited | Hong Kong | Ordinary | HK$100 | — | 20% | Sales of advertising spaces in the online media platforms |
| Strategist Financial Services Limited | Hong Kong | Ordinary | HK$100 | — | 20% | Event management |

## 14. INTERESTS IN ASSOCIATES *(Continued)*

On 15 September 2015, the Group acquired 20% of equity interests of Strategist Media Holdings Limited and its subsidiaries, Strategist Publishing Limited, Strategist Digital Limited and Strategist Financial Services Limited (together "Strategist Media Group") at a consideration of HK$5,000,000.

The investment in Strategist Media Group enables the Group to capture further advertising business opportunities through cross-selling advertising spaces in broadened range of magazines.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of Strategist Media Group, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

| | 2015<br>HK$ |
|---|---|
| Revenue | 3,229,673 |
| Loss from continuing operations | (3,063,294) |
| Post-tax profit or loss from discontinued operations | — |
| Other comprehensive income | — |
| Total comprehensive loss | (3,063,294) |
| Group's share of loss and total comprehensive loss | (612,659) |
| Dividend received from associates | — |
| Gross amounts of associates | |
| Current assets | 5,277,872 |
| Non-current assets | — |
| Current liabilities | (3,952,649) |
| Non-current liabilities | — |
| Equity and net assets of associates | 1,325,223 |
| Reconciled to the Group's interests in associates | |
| Proportion of the Group's ownership interests in associates | 265,045 |
| Goodwill | 4,122,296 |
| Impairment loss | (4,187,341) |
| Carrying amount of the Group's interest in associates | 200,000 |

During the year ended 31 December 2015, in view of the net loss situation, the directors assessed the impairment of interests in the associates and recognised an impairment loss of HK$4,187,341. The recoverable amount is based on the share of the present value of the estimated future cash flows which is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0%, which do not exceed the long-term average growth rate for the relevant industry. The cash flows are discounted using a pre-tax discount rate of 51.33%. The key assumptions for the value-in-use calculation are budgeted gross margin and budgeted revenue, which are determined based on the past performance and management's expectations regarding market development.

## 15. DUE FROM ULTIMATE HOLDING COMPANY

The balance with ultimate holding company was unsecured, interest-free and repayable on demand.

## 16. TRADE AND OTHER RECEIVABLES

| | **2015** **HK$** | 2014 HK$ |
|---|---|---|
| Trade receivables | | |
| — For services already invoiced (note c) | **22,321,488** | 17,068,632 |
| Less: allowance for doubtful debts | **(778,000)** | — |
| | **21,543,488** | 17,068,632 |
| Advertising income not yet invoiced | **—** | 1,946,560 |
| Loans and receivables | **21,543,488** | 19,015,192 |
| Deposits (note a) | **4,331,134** | 82,800 |
| Prepayment | **2,456,718** | 12,999 |
| Other receivables | **59,040** | 3,504 |
| Deferred professional service fees in respect of preparation for share placing (note f) | **—** | 747,351 |
| | **28,390,380** | 19,861,846 |

**a)** Except for HK$251,134 (2014: HK$42,800) of the rental and utilities deposits at 31 December 2015, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

**b)** During the year ended 31 December 2015 and 2014, 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. 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 year ended 31 December 2015 and 2014, no legal actions were taken by the Group for debt collection.

## 16. TRADE AND OTHER RECEIVABLES *(Continued)*

**c)** The aging analysis of trade receivables based on overdue days and net of allowance for doubtful debts, is as follows:

| | 2015<br>HK$ | 2014<br>HK$ |
|---|---|---|
| For services invoiced | | |
| Current | **10,837,678** | 15,085,000 |
| 1–30 days | **994,180** | 1,223,512 |
| 31–90 days | **2,069,450** | 673,720 |
| Over 90 days | **7,642,180** | 86,400 |
| | **21,543,488** | 17,068,632 |

**d) Impairment of trade receivables**

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

*Movements in the allowance for doubtful debts*

| | 2015<br>HK$ | 2014<br>HK$ |
|---|---|---|
| At 1 January | **—** | — |
| Impairment loss recognised | **778,000** | — |
| At 31 December | **778,000** | — |

As at 31 December 2015, trade receivables amounting to HK$778,000 (2014: Nil) were individually determined to be impaired.

## 16. TRADE AND OTHER RECEIVABLES *(Continued)*

### e) Trade receivables that are not impaired

Trade receivables that are neither past due nor impaired amounted to HK$10,837,678 (2014: HK$15,085,000) as at 31 December 2015. These balances are related to customers with good credit quality.

Below is an ageing analysis of trade receivables that were past due as at the reporting date but not impaired:

| | **2015** **HK$** | 2014 HK$ |
|---|---|---|
| 1 to 30 days | **994,180** | 1,223,512 |
| 31 to 90 days | **2,069,450** | 673,720 |
| Over 90 days | **7,642,180** | 86,400 |
| | **10,705,810** | 1,983,632 |

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

**f)** The amounts represented legal and other professional fees relating to the placing of the Company's shares. Such fees are to be deducted from equity upon the listing of the shares of the Company on the GEM of the Stock Exchange on 16 February 2015.

## 17. CASH AND CASH EQUIVALENTS

| | **2015** **HK$** | 2014 HK$ |
|---|---|---|
| Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows | **41,174,973** | 26,557,464 |

Cash and cash equivalents comprise cash in hand and short-term bank deposits with a maturity period of three months period or less bearing prevailing market interest rates. The directors of the Group consider that the carrying amounts of cash and cash equivalents approximate to their fair values.

## 18. TRADE AND OTHER PAYABLES

| | 2015 HK$ | 2014 HK$ |
|---|---|---|
| Trade payables | **789,665** | 1,032,601 |
| Other payables and accrued expenses | **2,152,838** | 4,406,130 |
| Receipt in Advance | **1,041,615** | — |
| Financial liabilities measured at amortised costs | **3,984,118** | 5,438,731 |

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 is as follows:

| | 2015 HK$ | 2014 HK$ |
|---|---|---|
| 0–60 days | **392,856** | 382,921 |
| 61–90 days | **212,340** | 149,300 |
| 91–180 days | **184,469** | 468,080 |
| Over 180 days | — | 32,300 |
| | **789,665** | 1,032,601 |

The credit terms granted by the suppliers during the year were generally ranging from 30 to 120 days (2014: 30 to 120 days). The directors of the Company consider that the carrying amounts of trade payables approximate to their fair values.

### 19. BANK BORROWINGS

The analysis of the carrying amounts of bank borrowings are as follows:

| | 2015<br>HK$ | 2014<br>HK$ |
|---|---|---|
| Portion of bank borrowings due for repayment within 1 year | **2,458,720** | 4,295,413 |
| Portion of bank borrowings, having agreements containing repayment on demand clauses classified as current liabilities, due for repayment: | | |
| — After 1 year but within 2 years | **39,043** | 3,016,665 |
| — After 2 years but within 5 years | **—** | 413,352 |
| | **39,043** | 3,430,017 |
| Total bank borrowings | **2,497,763** | 7,725,430 |

The banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. In addition, the agreement for the Group's bank borrowings contains a clause which gives 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 the scheduled repayment obligations. Further details of the Group's management of liquidity risk are set out in note 25(b). At 31 December 2015 and 2014, none of the covenants relating to drawn down facilities had been breached.

All of the bank borrowings are carried at amortised cost.

a) At 31 December 2015, the bank borrowings were further analysed as follows:

| | 2015<br>HK$ | 2014<br>HK$ |
|---|---|---|
| Bank borrowing, secured by time deposit of a director | **—** | 207,478 |
| Unsecured bank borrowings | **2,497,763** | 7,517,952 |
| | **2,497,763** | 7,725,430 |

b) All the bank borrowings were denominated in HK dollar.

## 19. BANK BORROWINGS *(Continued)*

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

| Effective interest rates | 2015 | 2014 |
|---|---|---|
| Fixed-rate borrowings | — | 7.87%–18.53% |
| Variable-rate borrowings | **4.75%** | 3.75%–8.75% |

d) At 31 December 2015 and 2014, all the bank borrowings were secured by guarantees. Details of the guarantee and the related borrowings are:

| | 2015<br>HK$ | 2014<br>HK$ |
|---|---|---|
| Mr. Kwan and Ms. Yip (Joint personal guarantee) | — | 5,272,431 |
| Mr. Kwan (Personal guarantee) | — | 261,373 |
| Mr. Kwan and Ms. Yip (Joint personal guarantee) and HKSAR under Special Loan Guarantee Scheme | — | 207,478 |
| Mr. Kwan (Personal guarantee) and HKSAR under SME Loan Guarantee Scheme | — | 444,250 |
| Mr. Kwan and Ms. Yip (Joint personal guarantee) and HKSAR under SME Loan Guarantee Scheme | — | 1,539,898 |
| | — | 7,725,430 |

| | |
|---|---|
| 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 |

At 31 December 2015, the total facilities underlying the above bank borrowings amounted to HK$Nil (2014: HK$9,142,263).

e) At 31 December 2015, all the banking facilities were utilised. At 31 December 2014, the Group had total unutilised banking facilities of HK$1,416,833, HK$20,000 of the unutilised banking facilities was guaranteed by directors and secured by pledging a time deposit of HK$203,632 of a director; HK$500,000 of the unutilised banking facilities was guaranteed by Hong Kong Mortgage Corporation Limited and directors of the Company; HK$896,833 of the unutilised banking facilities was guaranteed by directors of the Company.

f) In the opinion of the directors, the carrying amounts of bank borrowings are not significantly different from their fair values at the end of each reporting period.

## 20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Income tax (recoverable)/payable in the consolidated statement of financial position represents:

| | **2015** **HK$** | 2014 HK$ |
|---|---|---|
| Income tax payable at the beginning of the year | **749,065** | 2,044,342 |
| Provision for the year (Note 6a) | **2,110,677** | 3,429,630 |
| Income tax paid | **(3,309,471)** | (4,724,907) |
| Income tax (recoverable)/payable at the end of the year | **(449,729)** | 749,065 |

## 21. CONVERTIBLE BONDS

During the year ended 31 December 2013, the Company entered into two subscription agreements in relation to the issue of 12 per cent. coupon convertible bonds ("Convertible Bonds"). The Convertible Bonds were issued in the aggregate principal amount of HK$20,000,000 in two tranches for HK$5,000,000 and HK$15,000,000 during the years ended 31 December 2013 and 2014 respectively. The Convertible Bonds were guaranteed by Mr. Kwan and Ms. Yip.

The Convertible Bonds may be converted at any time between the date of issue to maturity date if:

— Conversion rights are exercisable provided that the Company has produced documentary evidence to the satisfaction of the bondholders evidencing the approval in principle of the Listing by the Stock Exchange or other relevant authority or the Stock Exchange having no comment on the prospectus in relation to the Listing 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 Bondholder, credited as fully paid, such number of new shares which shall represent 16.6% of the entire enlarged issued share capital of the Company immediately before the completion of the Capitalisation Issue and the Placing as set out in note 24(b)(vi) and (vii).

If the Convertible Bonds are not converted within the maturity date, the Company redeem the Convertible Bonds at face value on the respective due day.

On 29 January 2015, all the Convertible Bonds were converted into 249,000 ordinary shares of the Company at HK$0.01 each due to the approval of the Listing by the Stock Exchange.

## 21. CONVERTIBLE BONDS *(Continued)*

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 Capitalisation Issue and the completion of the Placing; (ii) it bears no relationship with the Capitalization issue and the number of the placing shares and the placing price as set out in note 24(b); 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 between a liability component and an equity component as set out below.

| | **First tranche** HK$ | **Second tranche** HK$ | **Total** 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 |
| Liability component: | | | |
| At 1 January 2014 | 4,768,597 | — | 4,768,597 |
| Add: Second tranche at initial recognition | — | 14,244,591 | 14,244,591 |
| Imputed finance cost | 931,439 | 2,255,205 | 3,186,644 |
| At 31 December 2014 | 5,700,036 | 16,499,796 | 22,199,832 |
| At 1 January 2015 | **5,700,036** | **16,499,796** | **22,199,832** |
| Add: Imputed finance cost | **82,517** | **212,542** | **295,059** |
| Less: Conversion of convertible bond | **(5,782,553)** | **(16,712,338)** | **(22,494,891)** |
| At 31 December 2015 | **—** | **—** | **—** |

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.

## 22. SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

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

## 22. SHARE OPTION SCHEME *(Continued)*

During the year ended 31 December 2015, no option was granted under the Scheme to directors, employees or consultants of the Group, and as at the end of the reporting period, there was no outstanding share options granted under the Scheme (2014: Nil).

## 23. EMPLOYEE RETIREMENT BENEFITS

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). Contributions to the plan vest immediately.

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

## 24. CAPITAL AND RESERVES

**a)** The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

***The Company***

| | Share capital | Share premium | Contributed surplus | Convertible bonds reserve | Retained profits/ (accumulated losses) | Total |
|---|---|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ |
| At 1 January 2014 | 10,000 | — | 14,843,400 | 484,415 | 930,559 | 16,268,374 |
| Total comprehensive income for the year | — | — | — | — | 8,291,386 | 8,291,386 |
| Issue of convertible bond | — | — | — | 755,409 | — | 755,409 |
| Dividend paid | — | — | — | — | (9,070,000) | (9,070,000) |
| At 31 December 2014 and 1 January 2015 | **10,000** | **—** | **14,843,400** | **1,239,824** | **151,945** | **16,245,169** |
| Total comprehensive loss for the year | **—** | **—** | **—** | **—** | **(2,553,402)** | **(2,553,402)** |
| Issue of new shares | **2,510** | **—** | **—** | **—** | **—** | **2,510** |
| Issue of new shares upon conversion of convertible bonds | **2,490** | **22,492,401** | **—** | **—** | **—** | **22,494,891** |
| Transfer of convertible bonds reserve upon conversion of convertible bonds | **—** | **1,239,824** | **—** | **(1,239,824)** | **—** | **—** |
| Issue of new shares by way of placing | **1,200,000** | **43,200,000** | **—** | **—** | **—** | **44,400,000** |
| Share issue expenses | **—** | **(3,477,311)** | **—** | **—** | **—** | **(3,477,311)** |
| Capitalisation issue | **5,985,000** | **(5,985,000)** | **—** | **—** | **—** | **—** |
| Dividend paid | **—** | **—** | **—** | **—** | **(4,000,000)** | **(4,000,000)** |
| At 31 December 2015 | **7,200,000** | **57,469,914** | **14,843,400** | **—** | **(6,401,457)** | **73,111,857** |

## 24. CAPITAL AND RESERVES *(Continued)*

### b) Share capital

| | 2015 Number of shares | 2015 Share capital HK$ | 2014 Number of shares | 2014 Share capital HK$ |
|---|---|---|---|---|
| Ordinary shares of HK$0.001 each (1 January 2015 and 31 December 2014: HK$0.01 each) | | | | |
| Authorized share capital: | | | | |
| At beginning of year (note i) | **38,000,000** | **380,000** | 38,000,000 | 380,000 |
| Increase in authorized shares (note ii) | **9,962,000,000** | **99,620,000** | — | — |
| Share subdivision (note iii) | **90,000,000,000** | **—** | — | — |
| At end of year | **100,000,000,000** | **100,000,000** | 38,000,000 | 380,000 |
| Issued & fully paid: | | | | |
| At beginning of year | **1,000,000** | **10,000** | 1,000,000 | 10,000 |
| Issued during the year (note iv) | **251,000** | **2,510** | — | — |
| Issued of shares upon conversion of Convertible Bonds (note v) | **249,000** | **2,490** | — | — |
| Issued of new shares by way of placing (note vii) | **120,000,000** | **1,200,000** | — | — |
| Capitalisation issue (note vi) | **598,500,000** | **5,985,000** | — | — |
| Share subdivision (note iii) | **6,480,000,000** | **—** | — | — |
| At end of year, ordinary share of HK$0.001 each (1 January 2015 and 31 December 2014: HK$0.01 each) | **7,200,000,000** | **7,200,000** | 1,000,000 | 10,000 |

(i) 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.

(ii) On 23 January 2015, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 shares of HK$0.01 each as part of the Reorganisation.

(iii) On 8 June 2015, the authorised share capital of the Company was increased from HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each to HK$100,000,000 divided into 100,000,000,000 shares of HK$0.001 each by creation of additional 90,000,000,000 shares.

Pursuant to a special resolution passed on 5 June 2015, each of the Company's authorised and issued shares of par value HK$0.01 each were subdivided into ten shares of par value of HK$0.001 each (the "Share Subdivision"). The Share Subdivision was effective on 8 June 2015 and the authorised share capital of the Company was divided into 100,000,000,000 shares of HK$0.001 each and the issued share capital of the Company was divided into 7,200,000,000 of HK$0.001 each. Details of Share Subdivision are disclosed in the circular issued by the Company on 14 May 2015.

## 24. CAPITAL AND RESERVES *(Continued)*

### b) Share capital *(Continued)*

(iv) On 29 January 2015, Fuwin Group (Holdings) Limited (the "Fuwin") subscribed for and the Company allotted and issued 251,000 Shares to Fuwin at par value as part of the Reorganisation.

(v) On 29 January 2015, the Company allotted and issued 249,000 shares of HK$0.01 each to the Convertible Bondholders for the conversion of Convertible Bonds with a face value of HK$20,000,000 pursuant to the Pre-IPO Convertible Bonds Subscription Agreement. After the Capitalisation Issue under the Reorganisation as set out at point (vi) below, the Convertible Bondholders who will be interested in 249,000 shares immediately before the Completion of the Capitalisation Issue would be interested in 99,600,000 shares (representing 400 times of 249,000 shares) immediately after the completion of the Capitalisation Issue, in proportion to their respective shareholdings before the Capitalisation Issue.

(vi) Pursuant to the written resolutions passed by the shareholders of the Company on 23 January 2015 and on 29 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.

(vii) On 16 February 2015, the 180,000,000 placing shares offered by the Company and Fuwin, which comprising 120,000,000 new shares offered by the Company and 60,000,000 sale shares offered by Fuwin, at the placing price of HK$0.37 per placing share raising gross proceeds of approximately HK$44,400,000 (the "Placing").

The holders of ordinary shares 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 bonds reserve*

Convertible bonds 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 2(k).

#### *iii) Share Premium*

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

## 24. CAPITAL AND RESERVES *(Continued)*

### d) 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 dividend or the issue of new debt. No changes were made in the objectives or policies during the two years ended 31 December 2015 and 2014.

The Group monitors capital on the basis of the gearing ratio, which was unchanged since 2013. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including trade and other payables, bank borrowings and convertible bonds, as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt. The gearing ratio were as follows:

| | **2015**<br>**HK$** | 2014<br>HK$ |
|---|---|---|
| Total debt | **6,481,881** | 35,363,993 |
| Less: cash and cash equivalents | **(41,174,973)** | (26,557,464) |
| Net debt | **(34,693,092)** | 8,806,529 |
| Total equity | **64,003,203** | 10,344,761 |
| Total capital | **29,310,111** | 19,151,290 |
| Gearing ratio | **N/A** | 46% |

## 25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables, bank borrowings and convertible bonds. Details of the financial instruments are disclosed in the 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) 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 minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets.

iii) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has certain concentration of credit risk as 40% (2014: 34%) of the total trade receivables of the Company was due from the largest customer and 93% (2014: 93%) of the total trade receivables of the Group was due from the largest 5 customers. Taking into accounts the creditworthiness of the customers, the credit risk measures and the historical levels of bad debts, the directors consider that such concentration of credit risk would not result in significant credit default exposure to the Group.

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

## 25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### b) Liquidity risk

The Group is responsible for its 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 is required to pay.

Specifically, for bank borrowings 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 entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the borrowings with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Within 1 year or on demand HK$** | **Total contractual undiscounted cash flow HK$** | **Carrying amount HK$** | Within 1 year or on demand HK$ | Total contractual undiscounted cash flow HK$ | Carrying amount HK$ |
| Convertible bonds | **—** | **—** | **—** | 22,908,333 | 22,908,333 | 22,199,832 |
| Bank borrowings | **2,497,763** | **2,497,763** | **2,497,763** | 7,725,430 | 7,725,430 | 7,725,430 |
| Trade and other payables | **2,942,503** | **2,942,503** | **2,942,503** | 5,438,731 | 5,438,731 | 5,438,731 |
| | **5,440,266** | **5,440,266** | **5,440,266** | 36,072,494 | 36,072,494 | 35,363,993 |

## 25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### b) Liquidity risk *(Continued)*

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. The amounts include interest payments computed using contractual rates. 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 such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

| | Maturity analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments dates | | | | | |
|---|---|---|---|---|---|---|
| | On demand | 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 2014 | — | 4,611,053 | 3,119,632 | 421,552 | — | 8,152,237 |
| 31 December 2015 | **—** | **2,520,178** | **39,200** | **—** | **—** | **2,559,378** |

### 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:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Effective interest rates** | **HK$** | Effective interest rates | HK$ |
| Fixed rate borrowings | | | | |
| — convertible bonds | **—** | **—** | 17.22%–19.53% | 22,199,832 |
| — bank loans | **—** | **—** | 7.87%–18.53% | 1,148,080 |
| Variable rate borrowings | | | | |
| — bank loans | **4.75%** | **2,497,763** | 3.75%–8.75% | 6,577,350 |
| | | **2,497,763** | | 29,925,262 |

## 25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### c) Interest rate risk *(Continued)*

#### *ii) Sensitivity analysis*

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after tax and decrease/increase retained profits by approximately HK$20,857 (2014: HK$54,921). 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. No sensitivity analysis performed for fair value interest risk to fixed rate borrowings as the directors of the Group considered the effect is not significant. The 100 basis point increase or decrease represents directors' assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting date. The analysis is performed on the same basis for years ended 31 December 2015 and 2014.

### 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 result of operations.

### e) Fair value

The carrying amounts of all financial instruments carried at amortised cost are not material different from their fair values at 31 December 2015 and 31 December 2014.

## 26. OPERATING LEASE COMMITMENTS

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | 2015<br>HK$ | 2014<br>HK$ |
|---|---|---|
| Within one year | 28,149,556 | 100,000 |
| In the second to fifth years inclusive | 99,000 | — |
| | 28,248,556 | 100,000 |

The Group leases premises for office and certain media resources under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are re-negotiated. None of the leases includes contingent rentals.

## 27. 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 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 consolidated statement of profit or loss 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.

## 27. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

#### *b) 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 (carrying amount: HK$21,543,488 (2014: HK$19,015,192)).

#### *c) Impairment of interests in associates*

The Group accounts for its 20% equity interest in Strategist Media Group. The Group has performed an impairment assessment on its investment on the Strategist Media Group. The recoverable amount was determined by measuring the fair value less costs of disposal. It was derived from a discounted cash flow model with key assumptions including the revenue growth rates and the discount rates and was categorised as a level 3 measurement. The revenue growth rates were projected by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0%. The discount rates were determined by independent professional valuer with reference to risk-free rate, beta of similar companies, market risk premium and other specific adjustments applicable to the Strategist Media Group.

Based on the impairment assessment, the recoverable amount is approximately HK$200,000 which is lower than the carrying amount of HK$4,387,341 as at 31 December 2015. As such, an impairment charge to interests in associates of HK$4,187,341 relating to Strategist Media Group has been recognised.

## 28. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the Group has entered into the following transactions:

### a) Financial guarantee

The details of guarantees provided by the directors are set out in note 19.

### b) Key management personal remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 is as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HK$** | HK$ |
| Short-term employee benefits | **2,218,699** | 570,000 |
| Post-employment benefits | **41,533** | 10,500 |
| | **2,260,232** | 580,500 |

### c) 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 as set out in note 29.

## 29. CONTINGENT LIABILITIES

The Group is subject to maximum penalty and fines of HK$854,000 (2014: 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 28(c).

## 30. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

| | Note | 2015 HK$ | 2014 HK$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | | **56,064** | — |
| Investment in subsidiaries | | **14,854,102** | 14,854,102 |
| | | **14,910,166** | 14,854,102 |
| **Current assets** | | | |
| Due from ultimate holding company | | **2,510** | — |
| Due from subsidiaries | | **50,635,734** | 22,843,548 |
| Trade and other receivables | | **164,291** | 747,351 |
| Cash and cash equivalents | | **8,532,375** | — |
| | | **59,334,910** | 23,590,899 |
| **Current liabilities** | | | |
| Trade and other payable | | **1,133,219** | — |
| Convertible bonds | | **—** | 22,199,832 |
| | | **(1,133,219)** | (22,199,832) |
| **Net current assets** | | **58,201,691** | 1,391,067 |
| **Total assets less current liabilities** | | **73,111,857** | 16,245,169 |
| **Net assets** | | **73,111,857** | 16,245,169 |
| **Capital and reserves** | | | |
| Share capital | 24 | **7,200,000** | 10,000 |
| Reserve | | **65,911,857** | 16,235,169 |
| **Total equity attributable to owners of the Company** | | **73,111,857** | 16,245,169 |

Approved and authorised for issue by the board of directors on 31 March 2016.

**Kwan Shun Keung Timmy**
*Director*

**Mak Wai Kit**
*Director*

## 31. IMMEDIATE AND ULTIMATE HOLDING COMPANY AND ULTIMATE CONTROLLING PARTIES

At 31 December 2015, in the opinion of the directors of the Company, the ultimate and immediate holding company of the Company is Fuwin Group (Holdings) Limited ("Fuwin") which is incorporated in the BVI. Fuwin did not produce financial statements available for public use. Fuwin is wholly owned by Mr. Kwan Shun Keung Timmy and Ms. Yip Tsz Lam, the ultimate controlling parties of the Group.

## 32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARD AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these consolidated financial statements. There include the following which may be relevant to the Group.

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| Amendments to HKFRS 11 | Accounting for Acquisition of Interests in Joint Operations[2] |
| Amendments to HKAS 1 | Disclosure Initiative[2] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[2] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[2] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale of Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle[2] |

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