



ICICLE

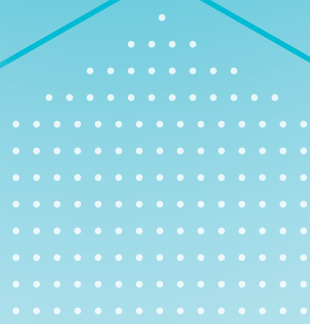
# Icicle Group Holdings Limited

冰雪集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8429

## ANNUAL REPORT 2018



## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

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

## CONTENTS

<b>2</b>	Corporate Information
<b>4</b>	How we did in 2018 and where we are heading...
<b>7</b>	Management Discussion and Analysis
<b>17</b>	Directors and Senior Management
<b>21</b>	Corporate Governance Report
<b>32</b>	Report of Directors
<b>45</b>	Environmental, Social and Governance Report
<b>57</b>	Independent Auditor's Report
<b>62</b>	Consolidated Statement of Comprehensive Income
<b>63</b>	Consolidated Statement of Financial Position
<b>64</b>	Consolidated Statement of Changes in Equity
<b>65</b>	Consolidated Statement of Cash Flows
<b>67</b>	Notes to the Consolidated Financial Statements
<b>118</b>	Financial Summary



# CORPORATE INFORMATION

## Board of Directors

### Executive Director

Ms. Woo Chan Tak Chi Bonnie  
(*Chairperson and Chief Executive Officer*)

### Non-executive Director

Mr. Chow Sai Yiu Evan

### Independent non-executive Directors

Mr. Ip Arnold Tin Chee  
Mr. Hung Alan Hing Lun  
Mr. Man Ka Ho Donald

## Compliance Officer

Ms. Woo Chan Tak Chi Bonnie

## Company Secretary

Ms. Tsui Sum Yi

## Authorised Representatives

Ms. Woo Chan Tak Chi Bonnie  
Ms. Tsui Sum Yi

## Audit Committee

Mr. Ip Arnold Tin Chee (*Chairman*)  
Mr. Hung Alan Hing Lun  
Mr. Man Ka Ho Donald

## Remuneration Committee

Mr. Hung Alan Hing Lun (*Chairman*)  
Mr. Ip Arnold Tin Chee  
Mr. Man Ka Ho Donald  
Ms. Woo Chan Tak Chi Bonnie

## Nomination Committee

Mr. Man Ka Ho Donald (*Chairman*)  
Mr. Ip Arnold Tin Chee  
Mr. Hung Alan Hing Lun  
Ms. Woo Chan Tak Chi Bonnie

## Compliance Adviser

Ballas Capital Limited  
Unit 1802, 18/F  
One Duddell Street  
Central  
Hong Kong

## Auditor

Moore Stephens CPA Limited  
801–806 Silvercord, Tower 1  
30 Canton Road  
Tsimshatsui  
Kowloon  
Hong Kong

## Registered Office

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman  
KY1-1108  
Cayman Islands

## Headquarters and Principal Place of Business in Hong Kong

Unit 4, 12/F  
18 King Wah Road  
North Point  
Hong Kong

## CORPORATE INFORMATION (CONTINUED)

### Principal Share Registrar and Transfer Office in the Cayman Islands

Estera Trust (Cayman) Limited  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman  
KY1-1108  
Cayman Islands

### Hong Kong Share Registrar

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

### Principal Bankers

DBS Bank (Hong Kong) Limited  
16th Floor, The Center  
99 Queen's Road Central  
Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Hong Kong

### Stock Code

8429

### Company Website

[www.iciclegroup.com](http://www.iciclegroup.com)

# HOW WE DID IN 2018 AND WHERE WE ARE HEADING...

4



We believe in staying one step ahead of what brands are looking at us to execute on their behalf.



2018 was a year of learning and development for Icicle. We made some bold moves in acquiring talents in strengthening our digital capabilities, with a focus on content creation and web development. As a result, our digital business grew by 11.8% year-on-year as we took on more complex production for international markets.

On the physical production side, the general market demand has been expectedly sluggish. Being one of the industry's leading team of experts in marketing print production, we maintained our revenue at similar levels at HK\$80.8 million with a slight decrease of 1.8% year-on-year. Back in 2017, we anticipated the slow-down in demand for marketing prints and led the transition proactively, allowing us to emerge from this dynamic change in the industry ever more well equipped with the skills and capabilities for connecting brands to markets in an increasingly digitised world.

## HOW WE DID IN 2018 AND WHERE WE ARE HEADING... (CONTINUED)

That said, we are looking ahead and ready to take bolder moves. Being in a space working with world-class consumer brands through our multi-media offering, we cannot help but feel the urge to do more than what brands are asking us to do. Servicing brands in a reactive way stunts the potential of the value that our talents can create in the marketplace. It also sets us back in the potential pace of development when brands are taking more work in-house, as the marketplace requires more dynamic implementation on-the-go.

In 2018, we set up an in-house video and photography studio, which has been kept busy, allowing us to produce certain digital content works on our own premise. In 2019, we are investing deeper into original contents and the technology behind distributing and data-capturing. We believe in staying one step ahead of what brands are looking at us to execute on their behalf. To that end, we are creating a direct channel between the creators and the consumers, blurring the lines between a production company and a media. Some of our talents will pivot from servicing to developing for our own distribution, which then allows us to tap into and own the data that comes with the content.

I look forward to reporting to our shareholders later in the year how our content strategy plays out. In the meantime, our diverse team of talents, made up of 8 nationalities, is excited about the opportunities and the vision of putting a foot forward into a new phase of Icycle, one that promises innovation and creativity. Leading positive change in a dynamic world is a purpose that we stay true to, a purpose which we believe ultimately delivers sustainable growth for our talents and our Group.

### **Woo Chan Tak Chi Bonnie**

*Chairperson and Chief Executive Officer*

Hong Kong, 20 March 2019





# “出海” 营销全攻略

跨界营销的新玩法  
MOST EFFECTIVE WAYS OF MARKETING TO GO GLOBAL



出海  
营销全攻略  
跨界营销的新玩法  
MOST EFFECTIVE WAYS OF MARKETING TO GO GLOBAL  
2018.11.21



# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review and Outlook

The shares of the Company (the “Shares”) were listed on GEM of the Stock Exchange on 8 December 2017 (the “Listing”) by way of share offer of 120,000,000 new shares (“Share Offer”) offered by the Company at an offer price of HK\$0.55 per Share.

The Group is a marketing production company headquartered in Hong Kong with services include overall project management and marketing production services to meet clients’ marketing and brand building requirements. We design, create and produce marketing and branding materials and contents in Hong Kong and the People’s Republic of China (the “PRC”) to clients who are international and local brand owners, including global financial institutions, luxury brand retailers and local retail chain stores. Our marketing production services are categorised into the following three service categories:

- (i) Physical media production and management;
- (ii) Digital media production and brand integration; and
- (iii) Business strategy and development.

It is the Group’s objective not only to maintain but to expand our market share by enhancing our service quality and attracting more brand owners to engage our services. Our business strategies are to:

- enlarge our social media marketing production capability and offering;
- enhance our overall service offering and expand the team across the three service categories;
- set up a studio and expand our work premises;
- enhance our business development in the PRC and sales and marketing activities; and
- enhance staff development and implementation of a real time management system.

In 2018, we have made encouraging progress in building our offer in digital media production achieving growth of approximately 11.8% as compared to 2017. The successful launch of social media influencer marketing service in partnership with an international market leader in the digital media segment has laid the foundation for stronger development in this segment. In alignment with our strategy of connecting Chinese brands to their target markets as they grow outside of their domestic markets, in addition to our successful creative and strategy advisory for a rebranding exercise executed for a leading luxury sports brand, we have also successfully signed an influencer marketing contract with a leading Chinese STEAM education solution provider. Besides, we have signed significant digital marketing contract with a global lifestyle brand. We are pleased to see that we were able to make significant impact on a brand’s positioning and its identity beyond just producing brand assets alone and that such a service offering is expected to be increasingly in demand as Chinese brands venture outside of their borders, facing challenges that are unfamiliar to them, but where our international expertise can add the best value.

Looking ahead, we will continue to commit much effort to extending our capability and offering in brand strategy, social media influencer marketing and original content brand integration while securing our core business. Our unique capability in using content to connect brands to markets will firmly establish Icicle as one of the most effective platforms for brands developing an international presence. We see that being our future driver of growth in our business and a strategy to maximise the long-term returns for the shareholders of the Company (the “Shareholders”).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Review

#### Revenue

The Group's revenue is principally generated from the provision of the marketing production services. During the year, the Group's revenue decreased by approximately 2.6% to approximately HK\$91.5 million (2017: HK\$93.9 million).

The following table sets forth the breakdown of the revenue by service category during the year:

	2018		2017	
	HK\$'000	%	HK\$'000	%
Physical media production and management				
— Printing, packaging and sourcing	78,390	85.7	78,424	83.5
— Visual merchandising, retail displays and venue decoration	2,397	2.6	3,805	4.1
Sub-total	80,787	88.3	82,229	87.6
Digital media production and brand integration	7,184	7.9	6,423	6.8
Business strategy and development	3,507	3.8	5,289	5.6
Total	91,478	100.0	93,941	100.0

During the year, the revenue from physical media production and management services were approximately HK\$80.8 million (2017: HK\$82.2 million) which resulted in slight decrease of approximately 1.8%. The revenue from printing, packaging and sourcing remained stable over the years. The significant decrease in visual merchandising, retail displays and venue decoration by approximately 37.0% was mainly attributable to the decrease in number of projects during the year.

During the year, the revenue from digital media production and brand integration services increased by approximately 11.8% to approximately HK\$7.2 million (2017: HK\$6.4 million) was directly attributable to the increase in high-value projects during the year.

During the year, the revenue from business strategy and development services decreased significantly by approximately 33.7% to approximately HK\$3.5 million (2017: HK\$5.3 million) was mainly attributable to the decrease in number of projects during the year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Other income and gains

Other income and gains principally comprised (i) administrative service income; (ii) income from sales of paper products and calligraphy stationery; (iii) income from provision of art and calligraphy workshop and (iv) interest income. During the year, the Group's other income and gains increased significantly by approximately 77.0% to approximately HK\$1.4 million (2017: HK\$0.8 million) was mainly attributable to the significant interest income from bank deposits.

The following table sets forth the breakdown of the other income and gains during the year:

	2018 HK\$'000	2017 HK\$'000
Administrative service income	60	96
Income from sales of paper products and calligraphy stationery	159	306
Income from provision of art and calligraphy workshop	305	244
Interest income	846	23
Net exchange gain	—	105
Sundry income	18	10
Total	1,388	784

### Outsourced project costs

Outsourced project costs consist of printing costs and other outsourced project costs such as video production costs. During the year, the Group's outsourced project costs increased by approximately 9.8% to approximately HK\$37.0 million (2017: HK\$33.7 million).

The following table sets forth the breakdown of the outsourced project costs during the year:

	2018 HK\$'000	2017 HK\$'000
Printing costs	30,685	27,530
Others	6,340	6,187
Total	37,025	33,717

The increase in printing costs by approximately 11.5% was mainly because more printing jobs have been outsourced to subcontractors.

The increase in other costs by approximately 2.5% was directly attributable to the increase in influencers cost resulting from increase in the digital media production services.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Materials and consumables

Materials and consumables are expenses on papers and other materials sourced by the Group for the marketing production. During the year, the Group's materials and consumables decreased by approximately 7.7% to approximately HK\$9.9 million (2017: HK\$10.7 million).

The following table sets forth the breakdown of the materials and consumables during the year:

	2018 HK\$'000	2017 HK\$'000
Paper supply	6,345	9,265
Others	3,548	1,451
Total	9,893	10,716

The decrease in paper supply by approximately 31.5% was mainly because more printing jobs have been outsourced to subcontractors.

### Listing expenses

During the year, the Group had not incurred any listing expenses. The listing expenses of approximately HK\$12.5 million incurred by the Group in connection with the preparation for the Listing of its Shares on GEM were charged to profit or loss for the year ended 31 December 2017.

### Depreciation and amortisation expenses

Depreciation and amortisation expenses relate mainly to depreciation of the leasehold improvements, furniture, fixture and office equipment and amortisation of intangible assets which mainly include software for business operation, self-developed project management information system known as "Icicle Hub" and online marketing and purchasing platforms. During the year, the Group's depreciation and amortisation expenses were approximately HK\$1.5 million (2017: HK\$1.6 million) which were relatively stable over the years.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Employee benefits expenses

Employee benefits expenses primarily consist of salaries, allowances and benefits in kind, discretionary bonus and retirement benefit scheme contributions. During the year, the Group's employee benefits expenses increased by approximately 1.2% to approximately HK\$19.0 million (2017: HK\$18.7 million). The increase was directly attributable to increase in average number of staff and salaries.

The following table sets forth the breakdown of the employee benefits expenses during the year:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	18,105	16,961
Discretionary bonus	62	1,053
Retirement benefit scheme contributions	809	731
Total	18,976	18,745

### Rental expenses

Rental expenses primarily represent the rental expenses paid for office premises and warehouse in Hong Kong and the rents for the printing machines for confidential data printing services. During the year, the Group's rental expenses increased by approximately 25.0% to approximately HK\$6.8 million (2017: HK\$5.4 million). The increase was directly attributable to the leasing of the new office premises as the Group's Hong Kong headquarters.

### Transportation fee

Transportation fee consists of fees paid to logistic service providers for (i) delivery of products to clients; and (ii) postage incurred in respect of the direct mailing services. During the year, the Group's transportation fee increased by approximately 4.7% to approximately HK\$7.9 million (2017: HK\$7.5 million). The increase was directly attributable to the increase in projects requiring delivery to sales distribution points.

### Other operating expenses

Other operating expenses primarily consist of auditor's remuneration, consultancy fee, professional fee, rates and building management fee, utilities and office expenses. During the year, the Group's other operating expenses increased by approximately 59.9% to approximately HK\$7.5 million (2017: HK\$4.7 million). The increase was primarily due to the increase in auditor's remuneration, compliance advisory fee, printing costs for financial reports, listing fee to the Stock Exchange and company secretarial fees.

### Income tax expense

Income tax expense of the Group for the year was approximately HK\$0.5 million (2017: HK\$2.2 million). The decrease was in line with the decrease in estimated assessable profits for the year. The provision has been taken into account the tax concession granted by the Hong Kong Special Administrative Region Government for the year of assessment of 2018–2019. Listing expenses incurred for the year ended 31 December 2017 were not deductible for tax purpose.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Profit/(loss) for the year

The Group recorded profit of approximately HK\$2.8 million for the year ended 31 December 2018 and loss of approximately HK\$2.3 million for the year ended 31 December 2017. By excluding the effect of the one-off non-recurring listing expenses of approximately HK\$12.5 million, the Group would have recorded profit after income tax of approximately HK\$10.2 million for the year ended 31 December 2017.

### Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the Group's business objectives as set out in the Company's prospectus dated 27 November 2017 (the "Prospectus") with the Group's actual business progress up to 31 December 2018:

#### Business objectives up to 31 December 2018 as set out in the Prospectus

#### Actual business progress up to 31 December 2018

##### ***Enlarge our social media marketing production capability and offering***

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>— hire one additional data analyst and a social media project manager to enhance our data analysis capabilities and initiate the social media production capabilities</li> </ul>  | <ul style="list-style-type: none"> <li>— The Group is monitoring the development of the service category and will look for appropriate experienced personnel accordingly.</li> </ul>        |
| <ul style="list-style-type: none"> <li>— develop our social media production capabilities by hiring two social media specialists who will focus on analysing social media engagement data, designing and identifying potential trends, insights and opportunities, proposing testing and campaign mechanisms, measuring the return of campaigns and conducting interim and post-campaign analysis, etc.</li> </ul> | <ul style="list-style-type: none"> <li>— The Group has filled up one position through internal transfer.</li> </ul>   |
| <ul style="list-style-type: none"> <li>— implement a data analytic platform by investing in licensing of social media data analytic platforms to extract social media engagement data and to advise brand owners on their digital marketing plans</li> </ul>   | <ul style="list-style-type: none"> <li>— The Group has partnered with an international market leader in social media influencer marketing service to share its platform of data.</li> </ul> |

##### ***Enhance the overall service offerings and expand the team across three service categories***

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>— enhance the scope of service upstream to provide strategic brand development to the clients by hiring one creative director, who will be responsible for the artwork design for the clients' overall brand building strategies</li> </ul> | <ul style="list-style-type: none"> <li>— The Group is monitoring the development of the service category and will look for appropriate experienced personnel accordingly.</li> </ul> |
| <ul style="list-style-type: none"> <li>— hire one additional original content talent to develop marketing ideas and concepts for the production of motion contents which will be sold to the brand owners for their marketing and branding purposes</li> </ul>                     | <ul style="list-style-type: none"> <li>— The Group has recruited two talents to fill up the capacity.</li> </ul>   |
| <ul style="list-style-type: none"> <li>— hire two additional marketing production talents for design of marketing and branding materials/contents for the cross media development services</li> </ul>  | <ul style="list-style-type: none"> <li>— The Group is monitoring the development of the service category and will look for appropriate experienced personnel accordingly.</li> </ul> |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Business objectives up to 31 December 2018 as set out in the Prospectus

### Actual business progress up to 31 December 2018

#### *Set up a studio and expand our work premises*

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>— add and upgrade equipment and production facilities for the staff including new accounting system</li> <li>— add and upgrade equipment and production software for our marketing production team including new computers, photographic and video production equipment such as cameras, lights and tripods, and computer software</li> </ul> | <ul style="list-style-type: none"> <li>— The Group has implemented accounting system upgrade.</li> <li>— The Group is monitoring the development of the business and will go for upgrading when there are identified needs.</li> </ul> |
|--|--|

#### *Business development*

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>— marketing and promotion of the Group's business to existing and potential clients, including (i) the development and implementation of detailed business plan in the PRC; (ii) increasing the Group's marketing activities in the PRC through frequent visits, remote discussions and networking activities with existing and potential clients; (iii) further developing the Group's brand in the PRC through online marketing activities and attending and increasing exposure in business networking activities</li> <li>— expand our business in Beijing and Shanghai by hiring two business development talents to build client network and generate business in the PRC</li> <li>— implement marketing programmes to promote our services for development and maintenance of online marketing and purchasing platforms for inventory and distribution management</li> </ul> | <ul style="list-style-type: none"> <li>— The Group has recruited an experienced business development talent to promote the Group's business in the PRC market. In addition, the chief executive officer of the Company (the "CEO") participated in speaking engagements in two large marketing conferences in the PRC. And we have also activated our WeChat corporate account.</li> <li>— The Group is monitoring the development of the PRC business and will look for appropriate talents to cope with the needs.</li> <li>— The Group has conducted an event in the PRC to promote the Group's services.</li> </ul> |
|--|---|

#### *Staff development*

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>— team and cultural development of the staff to promote staff retention and support our business growth</li> <li>— develop and implement a real time talent management system to closely monitor the performance of the staff for better work efficiency</li> <li>— team and culture development of our staff to promote staff retention and support our business growth</li> </ul> | <ul style="list-style-type: none"> <li>— The Group has conducted a few training and development programs to strengthen the teams' capacity and to build a strong principles-based performance culture.</li> <li>— The Group is in the process of designing an appropriate system.</li> <li>— The Group has conducted periodic training to strengthen the team's capability to cope with the business growth.</li> </ul> |
|--|---|

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Use of Proceeds

The following table sets forth the status of the use of proceeds from the Share Offer up to 31 December 2018:

	Total use of proceeds as stated in the Prospectus up to 31 December 2019 HK\$'000	Planned use of proceeds as stated in the Prospectus up to 31 December 2018 HK\$'000	Actual use of proceeds up to 31 December 2018 HK\$'000	Remaining balance as at 31 December 2018 HK\$'000
Enlarge the social media marketing production capability and offering	8,000	4,706	307	7,693
Enhance the overall service offerings and expand the team across three service categories	9,142	4,410	649	8,493
Set up a studio and expand the work premises	11,458	6,026	5,729	5,729
Business development	8,280	4,354	1,198	7,082
Staff development	3,120	3,120	504	2,616
General working capital	3,800	2,280	2,280	1,520
<b>Total</b>	<b>43,800</b>	<b>24,896</b>	<b>10,667</b>	<b>33,133</b>

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

The remaining unused net proceeds as at 31 December 2018 were placed as bank balances with licensed banks in Hong Kong and the Directors are not aware of any material change to the planned use of proceeds as of the date of this report.

### Principal Risks and Uncertainties and Risk Management

The Group is subject to a number of risks in the Group's business and the Group believes that risk management is important to the Group's success. Key business risks include, among others, changes in general market conditions and ability to continue to attract, recruit or retain our project managers, creative designers and key management personnel. Our business depends on our ability to maintain our existing relationship with brand owners and our ability to attract new brand owners to engage our marketing production services. Our ability to retain existing clients or attract new clients would be crucial to the Group. To cope with the expansion, we will conduct continuous development in talent acquisition and training.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Liquidity, Financial Resources, Gearing Ratio and Capital Structure

During the year, the Group financed its operations by its internal resources. As at 31 December 2018, the Group had net current assets of approximately HK\$84.1 million (2017: HK\$81.6 million), including time deposits and cash and bank balances of approximately HK\$68.4 million (2017: HK\$65.9 million) mainly denominated in Hong Kong dollars.

The gearing ratio of the Group as at 31 December 2018 was nil (2017: Nil) as the Group was not in need of any material debt financing during the year. The gearing ratio is calculated as total debt divided by total equity as at the respective year end.

There has been no change in the capital structure of the Company since the Listing. The equity attributable to owners of the Company amounted to approximately HK\$86.3 million as at 31 December 2018 (2017: HK\$83.9 million).

### Pledge of Assets

As at 31 December 2018, the Group did not have any assets pledged for credit facilities (2017: Nil).

### Foreign Exchange Exposure and Treasury Policy

The majority of the Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. During the year, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year. The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the board of directors of the Company ("Board") closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

### Capital Commitments and Contingent Liabilities

As at 31 December 2018, the Group did not have any material capital commitment and contingent liability (2017: Nil).

### Segmental Information

Segmental information is presented for the Group as disclosed in Note 7 to the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Employees and Remuneration Policies

As at 31 December 2018, the Group had 47 (2017: 53) full-time (including executive Director) and nil (2017: 7) part-time employees. The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. The Group has adopted a share option scheme and approved by the then Shareholders on 16 November 2017 (the “Share Option Scheme”) for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group’s operations. The Group has also adopted other employee benefits including a mandatory provident fund retirement benefit scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance, and has participated in central pension scheme organised and governed by the relevant local governments for its employees in the PRC. In addition, discretionary bonus is offered to eligible employees by reference to the Group’s results and individual performance. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis.

### Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group had no significant investments, material acquisitions and disposals of subsidiaries and affiliated companies during the year. During the year ended 31 December 2017, save for the corporate reorganisation (the “Corporate Reorganisation”) arrangement undergone by the Group in the preparation for the Listing, the Group did not have any other significant investments, material acquisitions and disposals of subsidiaries and affiliated companies. Details of the Corporate Reorganisation are set out in the section headed “History, reorganisation and corporate structure” of the Prospectus.

### Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus and the section headed “Use of Proceeds” of this annual report on page 14, the Group did not have other plans for material investments and capital assets.



# DIRECTORS AND SENIOR MANAGEMENT

## Executive Director

**Ms. Woo Chan Tak Chi Bonnie (“Ms. Bonnie Chan Woo”)**, aged 42, has been a director of the Group since January 2004. She was appointed as the executive Director on 20 January 2017 and appointed as the compliance officer of the Company on 3 April 2017. She was appointed as the CEO and the chairperson of the Board (“Chairperson”) on 16 November 2017. She was appointed as a member of both the remuneration and nomination committees on 8 December 2017. Ms. Bonnie Chan Woo is primarily in charge of the Group’s overall corporate strategy and daily operations, including business development and overall management. Ms. Bonnie Chan Woo joined the Group on 1 August 2002 and she has over 16 years of experience in marketing production services and company business management based on her experience in the Group. Ms. Bonnie Chan Woo earned her bachelor of arts degree in philosophy, politics and economics and master of arts degree from the University of Oxford in October 1997 and June 2002, respectively. Since September 2011, she has been a vice chairman of the board of directors of the Hong Kong Design Centre, which is a non-profit organisation and a partner of the Hong Kong Government aiming to establish Hong Kong as a centre of design excellence in Asia.

Ms. Bonnie Chan Woo is also a director of Icicle Group Limited (“Icicle Group”), which is a direct wholly-owned subsidiary of the Company, Icicle Production Company Limited (“Icicle Production”) and Icicle Print Management Limited (“Icicle Print Management”), the indirect wholly-owned subsidiaries of the Company, and the supervisor of 北京冰雪品牌管理有限公司 (Beijing Icicle Brand Management Company Limited\* (“Icicle Beijing”)), an indirect wholly-owned subsidiary of the Company. In addition, Ms. Bonnie Chan Woo is the sole shareholder and a director of Explorer Vantage Limited (“Explorer Vantage”) which is the controlling Shareholder.

\* for identification purpose only

## Non-Executive Director

**Mr. Chow Sai Yiu Evan (“Mr. Evan Chow”)**, aged 36, has been a director of the Group since June 2013 and was appointed as the non-executive Director on 20 January 2017. Mr. Evan Chow is primarily responsible for a consultative role in matters concerning the Group and will not be involved in the day-to-day management of the Group. Mr. Evan Chow is the ultimate beneficial owner of Hertford Global Limited (“Hertford Global”), who has been the long-term strategic investor of the Group since June 2013. Mr. Evan Chow graduated magna cum laude from Brown University in May 2004 receiving a Bachelor of Arts degree, with concentrations in Applied Mathematics-Economics and in Public and Private Sector Organizations and received departmental honors as well as being selected to Phi Beta Kappa in April 2004. Since graduation, Mr. Evan Chow has built over 13 years of experience in corporate finance and private equity investment. During the period between 2004 and 2009, Mr. Evan Chow has served various financial institutions in Hong Kong, including Citigroup Global Markets Asia Limited and Lehman Brothers Asia Limited. From April 2010 to December 2015, Mr. Evan Chow has acted as a director of a number of institutions registered under the Securities and Futures Ordinance (the “SFO”) and since March 2013 he has been the managing director of MCL Financial Group Limited, a financial service provider. Apart from his career, Mr. Evan Chow is also involved in charity and social services. He is a committee member of Centum Charitas Foundation and a member of Young Presidents’ Organization. Mr. Evan Chow is also a director of Icicle Group and Hertford Global which is one of the substantial shareholders of the Company.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### Independent Non-Executive Directors

**Mr. Ip Arnold Tin Chee (“Mr. Arnold Ip”)**, aged 56, was appointed as the independent non-executive Director on 16 November 2017 and is responsible for providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard conduct of the Company. He was appointed as the chairman of the audit committee (“Audit Committee”) and member of the nomination committee (“Nomination Committee”) and remuneration committee (“Remuneration Committee”) of the Company on 8 December 2017. Mr. Arnold Ip earned his Bachelor of Arts degree and Master of Arts degree from the University of Cambridge in the United Kingdom in June 1984 and November 1988, respectively. Mr. Arnold Ip was also formerly a director at Standard Chartered Asia Limited. Mr. Arnold Ip also served Yuanta Securities (Hong Kong) Company Limited and had been a director until January 2001. In September 2000, Mr. Arnold Ip founded the group to which Altus Holdings Limited (stock code: 8149.hk) belongs. Mr. Arnold Ip is a founding member of the management team of several funds, part of which subsequently formed Saizen REIT, a real estate investment trust listed on the Singapore Exchange Securities Trading Limited from November 2007 to October 2017. Mr. Arnold Ip is currently licensed by the Securities and Futures Commission of Hong Kong (the “SFC”) to act as a responsible officer to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He is also a principal of Altus Capital Limited, a corporation licensed by the SFC to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He was admitted to membership of The Institute of Chartered Accountants in England and Wales in July 1988.

Mr. Arnold Ip’s directorships in other companies listed on the Stock Exchange are set out below:

Name of company	Stock code	Position	Length of service
Pioneer Global Group Limited	0224	Independent non-executive director	23 June 1999 to present
Pak Fah Yeow International Limited	0239	Independent non-executive director	8 September 2004 to present
Sam Woo Construction Group Limited	3822	Independent non-executive director	15 September 2014 to present
Altus Holdings Limited	8149	Executive director	14 December 2015 to present

**Mr. Hung Alan Hing Lun (“Mr. Alan Hung”)**, aged 44, was appointed as the independent non-executive Director on 3 April 2017 and is responsible for providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard conduct of the Company. He was appointed as the chairman of the Remuneration Committee and members of the Audit Committee and Nomination Committee on 8 December 2017. Mr. Alan Hung has over 21 years of experience in the finance and investment industry. He started his career as an equity analyst at Credit Lyonnais Securities (Asia) Limited (now known as CITIC CLSA Capital Markets Limited) from February 1997 to April 1999. Thereafter, he co-founded Trading Guru Securities Limited (now known as Orient Securities Limited) and acted as its chairman overseeing the entire operation from or around May 1999 to July 2004. Mr. Alan Hung joined Kennen Investment Holdings Limited as a director overseeing investment projects in the PRC from January 2005 to January 2012. He is the co-founder of Keial Investment Holdings Limited overseeing the direction and investments since January 2012. Mr. Alan Hung earned his Bachelor of Arts Degree with honours from Brown University with concentrations in history and organization, behavior and management (OBM) in May 1997. He is a Chartered financial analyst and a certified member of the institute of Certified Management Accountants of Australia.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

**Mr. Man Ka Ho Donald (“Mr. Donald Man”)**, aged 41, was appointed as the independent non-executive Director on 16 November 2017 and is responsible for providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard conduct of the Company. He was appointed as the chairman of the Nomination Committee and member of our Audit Committee and Remuneration Committee on 8 December 2017. Mr. Donald Man earned his Bachelor of Science degree in Business Studies from The City University London, now known as the City, University of London, in United Kingdom in July 1998. Mr. Donald Man was admitted as a solicitor of the Supreme Court of England and Wales since September 2003 and has over 15 years of experience in the legal field. He is currently a registered foreign lawyer at Ince & Co’s Hong Kong office since November 2011. Mr. Donald Man has been an independent non-executive director of Kiddieland International Limited (stock code: 3830) since 31 August 2017.

### Senior Management

**Ms. Cheung Suet Fun (“Ms. Cheung”)**, aged 45, joined the Group since February 1998 and is currently the senior director, business and project management. She is primarily responsible for overseeing all revenue channels and business activities, supervising and managing the operation team of the Group. Ms. Cheung has been serving the Group for more than 19 years, witnessing our transformation from a print management company to a marketing production company. She earned a diploma in design (visual communication) from Institute of Vocational Education (Lee Wai Lee Technical Institute) in August 1995. Ms. Cheung is also a director of Icycle Production, Icycle Print Management and Icycle Beijing.

**Ms. Chan Sze Wan Stephenie (“Ms. Chan”)**, aged 44, joined the Group in January 2018 and is currently the senior director, finance and operations. Ms. Chan is responsible for overseeing the finance and operation functions of the Group and assisting the Group in strategic planning, internal control, investor relations, corporate governance and regulatory compliance. Ms. Chan possesses over 19 years of experience in the accounting and auditing industry accumulated from working for various international accounting firms. Ms. Chan earned a master’s degree in arts majoring in international accounting and a master’s degree in science majoring in finance, respectively, from City University of Hong Kong, in November 2005 and November 2007, respectively. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

**Mr. Wong Tik Lam (“Mr. Wong”)**, aged 40, joined the Group since June 2006 and is currently the director, business development. He is primarily responsible for formulating business development plans in Hong Kong and supervising and managing our business development team in Hong Kong. Prior to joining the Group, Mr. Wong gained his experience in consultant services for approximately six years. Mr. Wong earned a Higher Diploma in Hotel and Tourism Management from the Swiss School of Hotel and Tourism Management in Switzerland in May 1999 and a Bachelor of Arts degree in Hotel and Hospitality Management from the University of Strathclyde in Glasgow, United Kingdom in June 2004.

**Mr. Chan Wai Ngai (“Mr. Chan”)**, aged 45, joined the Group since May 2005 and is currently the director, printing, packaging and sourcing. He is primarily responsible for supervising and managing our sourcing team. Mr. Chan has been serving the Group for over 13 years and has participated in the development of the Group. Prior to joining the Group, Mr. Chan gained his experience in the printing industry from working in a printing company in Hong Kong for approximately eight years. He graduated from a secondary school in Hong Kong in 1994.

**Mr. Lam Chi Fung (“Mr. Lam”)**, aged 37, joined the Group since June 2007 and is currently the associate director, talent and office management. He is primarily responsible for supervising and managing our talent acquisition and infrastructure teams. Mr. Lam earned a Bachelor of Science degree in Information Systems from Anglia Polytechnic University in United Kingdom in 2004 and a Master of Science in Information System Management from Hong Kong University of Science and Technology — School of Business and Management in 2010.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

**Ms. Vachani Anita (“Ms. Vachani”)**, aged 45, joined the Group in January 2018 and is currently the head of digital. She is responsible for growing the overall digital capability of the Group. Anita possess 9 years of experience in impactful digital business transformation. Ms. Vachani earned a Postgraduate Certificate in Laws at The University of Hong Kong in 1996 and a Bachelor of Laws at The University of Hong Kong in 1995.

### Compliance Officer

Ms. Bonnie Chan Woo has been appointed as the compliance officer of our Company. Her biographical details are set out in section headed “Directors and Senior Management” in this report.

### Company Secretary

**Ms. Tsui Sum Yi (“Ms. Tsui”)**, was appointed as the company secretary of the Company (the “Company Secretary”) on 3 April 2017. Ms. Tsui is currently an assistant manager, Corporate Services, at Vistra (Hong Kong) Limited, where she is responsible to provide a full range of company secretarial and compliance services to listed and private companies. Ms. Tsui earned her bachelor of business administration degree in corporate administration and a master of corporate governance degree from the Open University of Hong Kong in June 2010 and June 2013, respectively. Ms. Tsui is an associate member of The Institute of Chartered Secretaries and Administrators and an associate member of The Hong Kong Institute of Chartered Secretaries. Ms. Tsui has over 10 years of company secretarial experience. Ms. Tsui does not act as an individual employee of the Company, but as an external service provider in respect of the appointment of Ms. Tsui as the Company Secretary.

# CORPORATE GOVERNANCE REPORT

## Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance in emphasising a quality board of directors, sound internal control, transparency and accountability with a view to safeguard the interests of all the Shareholders. The Board has adopted the principles and the code provisions of Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules. In accordance with the requirements of the GEM Listing Rules, the Company has established an Audit Committee, a Nomination Committee and a Remuneration Committee with specific written terms of reference. The Company has complied with all the code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2018 except for the deviation from code provision A.2.1 as detailed below.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current structure of the Company, Ms. Bonnie Chan Woo is the Chairperson and the CEO. In view that Ms. Bonnie Chan Woo has been managing the Group’s business and overall strategic planning since August 2002. The Board believes that the vesting of the roles of the Chairperson of the Board and CEO in Ms. Bonnie Chan Woo is beneficial to the business operations and management of the Group as it provides a strong and consistent leadership to the Group, and the current management has been effective in the development of the Group and implementation of business strategies under the leadership of Ms. Bonnie Chan Woo. In allowing the two roles to be vested in the same person, the Board believes both positions require in-depth knowledge and considerable experience in the Group’s business, and Ms. Bonnie Chan Woo is the most suitable person to take up both positions for effective management of the Group.

Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances. Notwithstanding the above, the Board believes that the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high-caliber individuals, with three of them being independent non-executive directors.

## Directors’ Securities Transactions

The Company has adopted a code of conduct regarding securities transactions (the “Model Code”) by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed that, having made specific enquiry of all the Directors, all Directors have complied with the Model Code for the year ended 31 December 2018.

Pursuant to Rule 5.66 of the GEM Listing Rules, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she was a Director.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Board of Directors

#### Composition

As at the date of this annual report, the composition of the Board is as follows:

##### Executive Director

Ms. Bonnie Chan Woo (*Chairperson and CEO*)

##### Non-executive Director

Mr. Evan Chow

##### Independent non-executive Directors

Mr. Arnold Ip

Mr. Alan Hung

Mr. Donald Man

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

The biographical details of all Directors are set out in the section “Directors and Senior Management” of this annual report. To the best of knowledge of the Company, there are no financial, business, family or other material or relevant relationships among members of the Board. With the various experience of the Directors and the nature of the Group’s business, the Board considers that the Directors have a balance of skills and experience for the business of the Group.

#### Responsibilities

Responsibilities of the Board include but are not limited to (i) convening meetings of the Shareholders, reporting on the Board’s work at these meetings, implementing the Shareholders’ resolutions passed at these meetings; (ii) determining business operation, financial, capital and investment plans; (iii) determining internal management structure, setting down fundamental management rules; (iv) appointing and discharging members of senior management, determining Directors’ remuneration and formulating the proposals for profit distributions and for the increase or reduction of registered capital; and (v) taking responsibilities pursuant to the relevant laws, regulation and the Articles of Association of the Company (the “Articles”). Pursuant to the code provision A.1.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules, the Board should meet regularly and board meetings should be at least four times every year at approximately quarterly intervals. The Board is also responsible for the corporate governance functions under code provision D.3.1 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group, and was satisfied with the performance of the corporate governance policy.

The Board supervises the management of the business and affairs of the Company following the Board’s formulated business strategies to ensure they are managed in the best interests of the Shareholders and the Company as a whole while taking into account the interest of other stakeholders. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management reports to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Appointment, Re-election and Removal of Directors

Each of the executive Director, non-executive Director and independent non-executive Directors of the Company has entered into a service contract or letter of appointment with the Company for a specific term. The non-executive Director and independent non-executive Directors have been initially appointed for a term of three years and automatically extended for successive term of one year upon the expiry of the current term unless and until it is terminated by either the Company or such Director. The term of appointment of each Director is subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles and the GEM Listing Rules.

Pursuant to the Articles, one-third of all Directors (whether executive or non-executive) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation and re-election at each annual general meeting at least once every three years.

The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

The Company may, in accordance with the Articles, by ordinary resolution remove any Director before the expiration of his/her term of office notwithstanding anything to the contrary in the Articles or in any agreement between the Company and such Director.

### Continuous Professional Development

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development ("CPD") to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

The Company received from the Directors the following records of the training attended during the year ended 31 December 2018.

<b>Name of Directors</b>	<b>Type of trainings</b>
<b>Executive Director</b>	
Ms. Bonnie Chan Woo ( <i>Chairperson and CEO</i> )	A, B
<b>Non-executive Director</b>	
Mr. Evan Chow	A, B
<b>Independent non-executive Directors</b>	
Mr. Arnold Ip	A, B
Mr. Alan Hung	A, B
Mr. Donald Man	A, B

A: attending seminars/conference/forums

B: reading relevant materials in relation to the business of the Group, directors' duties, latest development of the GEM Listing Rules and other applicable regulatory requirements.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Board Committees

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, which are sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available on the Company's website ([www.iciclegroup.com](http://www.iciclegroup.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)).

#### Audit Committee

The Audit Committee was established on 16 November 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Arnold Ip, Mr. Alan Hung and Mr. Donald Man and Mr. Arnold Ip is the chairman of the Audit Committee.

The primary duties of the Audit Committee include reviewing and supervising the Group's financial reporting system, monitoring the internal control procedures and risk management, reviewing the Group's financial information and the relationship with the external auditors of the Company, ensuring compliance with the relevant laws and regulations.

In addition, the Audit Committee is responsible for the initial establishment and the maintenance of a framework of internal controls and ethical standards for the Group's management.

During the year, four Audit Committee meetings were held, among other things, to review and consider the followings:

- the quarterly, interim and annual financial statements, reports and results announcements for presentation to the Board for approval;
- the risk management and internal control system and appointment of outsourced internal auditor for the internal audit function of the Group;
- the audit plan, scope of work, remuneration and re-appointment of external auditor;
- the continuing connected transactions conducted by the Group; and
- the Company policies and practices on corporate governance and its compliance.

#### Remuneration Committee

The Remuneration Committee has been established on 16 November 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Remuneration Committee comprises one executive Director, Ms. Bonnie Chan Woo, and three independent non-executive Directors, namely Mr. Arnold Ip, Mr. Alan Hung and Mr. Donald Man. Mr. Alan Hung is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to review and make recommendation to the Board on the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management and to establish a formal and transparent procedure for developing policy in relation to remuneration.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year, one Remuneration Committee meeting was held, among other things, to review and consider the followings:

- the policy and structure for the remuneration of the Directors and senior management; and
- the remuneration of the Directors and senior management.

The remuneration of the senior management of the Group by band for the year ended 31 December 2018 is set out below:

Remuneration band	Number of senior management
HK\$1 to HK\$1,000,000	6

### Nomination Committee

The Nomination Committee has been established on 16 November 2017 with written terms of reference in compliance with paragraph A.5 of the CG code as set out in Appendix 15 to the GEM Listing Rules. The Nomination Committee comprises one executive Director, Ms. Bonnie Chan Woo and three independent non-executive Directors, namely Mr. Arnold Ip, Mr. Alan Hung and Mr. Donald Man. Mr. Donald Man is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition and diversity of the Board and make recommendations to the Board on the appointment of the Directors and management of Board successions.

During the year, one Nomination Committee meeting was held, among other things, to review and consider the followings:

- the Board structure, size, composition and Board diversity (including skills, knowledge and experience etc.);
- the effectiveness of the related board diversity policy;
- the independence of independent non-executive directors; and
- the retirement and re-nomination of directors for re-election at the forthcoming annual general meeting of the Company (the "AGM").

### Corporate Governance Function

The Board is responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of directors and senior management. The Board reviews the disclosures in the corporate governance report to ensure compliance.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board's responsibility in this regard includes:

- (a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- (d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters; and
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

### Attendance Records of Meetings

The attendance of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meeting during the year is set out in the following table:

	Board Meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Number of meetings held during the year	4	4	1	1	1

Name of Directors	Number of meetings attended/Number of meetings entitled to attend				
<b>Executive Director</b>					
Ms. Bonnie Chan Woo	4/4	4/4	1/1	1/1	1/1
<b>Non-executive Director</b>					
Mr. Evan Chow	4/4	4/4	1/1	1/1	1/1
<b>Independent non-executive Directors</b>					
Mr. Arnold Ip	4/4	4/4	1/1	1/1	1/1
Mr. Alan Hung	4/4	4/4	1/1	1/1	1/1
Mr. Donald Man	4/4	4/4	1/1	1/1	1/1

### Board Diversity Policy

The Board has adopted a board diversity policy ("Board Diversity Policy") which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year, the Board comprises five Directors, one of which is a female. The following tables further illustrate the diversity profile of the Board members as at 31 December 2018:

Name of Director	Age Group		
	30 to 39	40 to 49	50 to 59
Ms. Bonnie Chan Woo		✓	
Mr. Evan Chow	✓		
Mr. Arnold Ip			✓
Mr. Alan Hung		✓	
Mr. Donald Man		✓	

Name of Director	Education Background			
	Accountancy	Business	Law	Others
Ms. Bonnie Chan Woo		✓		✓
Mr. Evan Chow		✓		✓
Mr. Arnold Ip	✓			✓
Mr. Alan Hung		✓		✓
Mr. Donald Man		✓	✓	

Name of Director	Professional Experience			
	Finance	Law	Marketing	Public Service
Ms. Bonnie Chan Woo	✓		✓	✓
Mr. Evan Chow	✓			✓
Mr. Arnold Ip	✓			
Mr. Alan Hung	✓			
Mr. Donald Man		✓		

Each of the Board members possessed different knowledge and professional experience, including finance, law, marketing and public service. The Board is characterised by significant diversity in terms of gender, age, education background and professional experience.

### Nomination Policy

The Board has adopted a nomination policy ("Nomination Policy") which provides a framework and sets standards for the appointment of high quality directors who should have the capacity and ability to lead the Company towards achieving sustainable development. The Company aims to achieve a balance of experience and skills amongst its directors. Factors including qualification, experience, skills, abilities and attributes as well as the factors of diversity would be used as reference in assessing the suitability of a proposed candidate. The qualification and experience of the Directors are set out in the section headed "Directors and Senior Management".

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Nomination Procedures

Nomination Committee identifies candidate(s) suitably qualified to become Board members, having regard to the Nomination Policy and the Board Diversity Policy of the Company, the Articles and the GEM Listing Rules; and recommendations are made to the full Board for appointment. Details of the appointment of Directors are set out in the section headed "Appointment, Re-election and Removal of Directors" in this report. The Board has the ultimate responsibility on all matters relating to its selection and appointment of Directors.

### Accountability and Audit

#### Directors' Responsibilities for the Consolidated Financial Statements

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

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

The Directors are responsible for overseeing the Group's financial reporting process. In preparing the consolidated financial statements for the year ended 31 December 2018, the Board has selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

#### Auditor's Remuneration

During the year ended 31 December 2018, the remuneration paid or payable to the Company's auditor, Messrs. Moore Stephens CPA Limited ("Moore Stephens"), in respect of their audit and non-audit services was as follows:

	HK\$
Audit services	440,000
Non-audit services	—
<b>Total</b>	<b>440,000</b>



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Company Secretary

The Company has appointed, externally, Ms. Tsui as the company secretary of the Company. Her biographical details are set out in the section “Directors and Senior Management” of this annual report. During the year ended 31 December 2018, Ms. Tsui has confirmed that she has taken no less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules. Ms. Tsui’s primary contact with the Company is Ms. Chan, the senior director, finance and operations of the Company.

### Internal Control and Risk Management

The Board acknowledged its overall responsibility to ensure that sound and effective risk management and internal controls are maintained, while the senior management is charged with the responsibility to design and implement an internal controls system to manage risks. A sound system of risk management and internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

#### Internal Controls

The Group has maintained internal control policies to provide sufficient guidelines for the management staff and employees of the Company to work efficiently under a standardised work procedure. The internal control policies cover various operating processes from risk assessment, financial reporting, cost management, pricing for projects, staff recruitment and training to IT system control. The internal control system is generally overseen by the executive Director and senior management. During the year, the Group has outsourced its internal audit function to an independent external consulting firm to review the effectiveness of the Group’s internal control measures. Such internal control audits covered periods of 12 months preceding the start of the audit cycle, and focuses on three critical processes of the Group. This can ensure the internal control system can be reviewed at least once on an annual basis as well. The reports, findings, and their corresponding management’s response are presented to the Audit Committee for its review and approval. The Audit Committee would make the necessary recommendations to the Board to ensure the internal control system functions properly and is in place.

#### Risk Management

In the course of conducting the business of the Group, the Company is exposed to various types of risks, including business risks, financial risks, operation and other risks. The Board is ultimately responsible for the risk management of the Group. At operational level, a risk management team is in place to carry out risk identification, risk evaluation and its management procedures. The risk management team consists of the senior management. The objectives of the risk management are to enhance the governance and corporate management processes as well as to safeguard the Group against unacceptable levels of risks and losses. The risk management process of the Group would involve, among others, (i) a quarterly risk identification and analysis exercise which involves assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) a quarterly review of the implementation of the risk management plans and fine tune when necessary. During the year, the Audit Committee reviewed the effectiveness of the internal control and risk management systems of the Company. The Board, through the review made by the Audit Committee, considered that the internal control and risk management processes of the Group were effective and adequate for the year ended 31 December 2018.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Procedures and Internal Controls for Handling and Dissemination of Insider Information

In handling and dissemination of inside information, the Group:

- will conduct immediate dissemination once inside information is available and/or respective decision is made, except the inside information falling into the Safe Harbours of SFC that allow non-disclosure;
- complies with applicable laws, rules and guidelines on disclosure of inside information issued by SFC;
- decides and implements monitoring procedures regarding dissemination of inside information; and
- communicates with relevant persons about corporate information disclosure practices with respective training.

### Shareholders' Rights

#### Rights to convene Extraordinary General Meeting

As one of the measures to safeguard Shareholders' interests and rights, the Shareholders are encouraged to participate at the general meetings of the Company and to vote thereat. All resolutions put forward at Shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules except where the chairman decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, and the poll voting results will be posted on the websites of the Stock Exchange and the Company after the relevant Shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of Shareholders holding not less than one-tenth of the paid up capital of the Company or by such Shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to the Articles. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meeting of the Company by sending the same to the Company at the principal place of business of the Company in Hong Kong.

#### Procedures for a Shareholder of the Company to propose a person for election as a Director

Subject to the Articles and the Companies Law of the Cayman Islands (as amended from time to time), the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board.

Article 113 of the Articles provides that no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected shall have been lodged at the Head Office (as defined in the Articles) or at the Registration Office (as defined in the Articles). The period for lodgment of the notices required under this Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served at the Company's principal place of business in Hong Kong at Unit 4, 12/F, 18 King Wah Road, North Point, Hong Kong or at the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, including (i) a notice signed by the Shareholder for which such notice is given of his/her intention to propose a candidate for election; and (ii) a notice signed by the proposed candidate of the candidate's willingness to be elected together with (a) that candidate's information as required to be disclosed under Rule 17.50(2) of the GEM Listing Rules, and (b) the candidate's written consent to the publication of his/her personal data.

### Right to Put Enquires to the Board

Shareholders have the right to put their enquiries about the Company to the Board. Shareholders could send their enquiries to Unit 4, 12/F, 18 King Wah Road, North Point, Hong Kong.

### Investors Relations

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company's website offering communication channel between the Company and its stakeholders; and (v) the Company's share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

### Change in Constitutional Documents

There were no significant changes in the constitutional documents of the Company for the year ended 31 December 2018.

# REPORT OF DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

## Listing on the GEM of the Stock Exchange and Reorganisation

The Company was incorporated in the Cayman Islands on 20 January 2017 as an exempted company with limited liability. In preparation for the Listing of the Company's Shares on GEM of the Stock Exchange by way of Share Offer, the Group underwent the Corporate Reorganisation in 2017. Pursuant to the Corporate Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Corporate Reorganisation are set out in the section headed "History, reorganisation and corporate structure" of the Prospectus. On 8 December 2017, the Shares were listed on GEM of the Stock Exchange.

## Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's principal subsidiaries are set out in Note 1 to the consolidated financial statements.

## Geographical Analysis of Operations

An analysis of the Group's revenue from operations by geographical locations of customers for the year ended 31 December 2018 is set out in Note 7 to the consolidated financial statements.

## Business Review

A business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, can be found in the Management Discussion and Analysis set out on pages 7 to 16 of this annual report. In addition, an indication of likely future developments in the Group's business and stakeholder relationship can be found in "How we did in 2018 and where we are heading..." and "Environmental, Social and Governance Report" of this annual report on pages 4 to 5 and pages 45 to 56, respectively. Details of the Group's environmental policies and compliance with laws and regulations can be found in the Environmental, Social and Governance Report set out on pages 45 to 56 of this annual report. The discussion and the report form part of this report of the Directors.

## Key Performance Indicators ("KPIs") with the Strategy of the Group

An analysis of the Group's performance during the year using financial KPIs is provided in the section headed "Management Discussion and Analysis — Financial Review" on pages 8 to 12 of this annual report and in Note 7 to the consolidated financial statements.

## Principal Risk and Uncertainties

Details of principal risks and uncertainties are set out in the section headed "Management Discussion and Analysis" of this annual report on page 14.

## REPORT OF DIRECTORS (CONTINUED)

### Dividend Policy

The Company has adopted a dividend policy, pursuant to which the Company may declare and distribute dividends to the Shareholders, provided that the Group records a profit after tax and such declaration and distribution of dividends does not affect the normal operations of the Group. The declaration of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, among other things, the Group's operations, earnings, cash flows, financial condition, capital requirements, statutory reserve requirements, capital expenditure and future development requirements and any other factors the Board may consider relevant. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands, the Articles and the Shareholders.

### Financial Performance and Appropriations

The Group's financial performance for the year ended 31 December 2018 is set out in the consolidated statement of comprehensive income on page 62 of this annual report.

The Board has resolved to recommend the payment of a final dividend of HK0.15 cent (2017: Nil) per ordinary Share, totaling HK\$720,000, to Shareholders whose names appear on the register of members on 28 June 2019 subject to the approval of Shareholders at the forthcoming AGM to be held on 19 June 2019. The dividend warrants for the proposed final dividend will be despatched to Shareholders on or about 19 July 2019. The payment of interim dividends of approximately HK\$14,999,000 during the year ended 31 December 2017 was paid to the then owners of the subsidiary of the Group prior to Listing.

### Closure of the Register of Members

The AGM will be held on 19 June 2019. The register of members of the Company will be closed from Friday, 14 June 2019 to Wednesday, 19 June 2019, both dates inclusive, during which period no transfer of Shares could be registered for determination of entitlement of the Shareholders to attend and vote at the AGM. In order to qualify for attending and voting in the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with our Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 13 June 2019.

Subject to the approval of Shareholders at the AGM, the proposed final dividend will be payable to Shareholders whose names appear on the register of members of the Company on Friday, 28 June 2019 being the record date for determination of entitlement to the proposed final dividend. The register of members of the Company will be closed from Wednesday, 26 June 2019 to Friday, 28 June 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 25 June 2019.

## REPORT OF DIRECTORS (CONTINUED)

### Deed of Non-Competition

The Deed of Non-Competition dated 16 November 2017 (as defined in the Prospectus) became effective from the date of Listing. The Controlling Shareholders (as defined in the Prospectus) have confirmed that, save as disclosed in this annual report, at any time during the year ended 31 December 2018, they have not whether as principal or agent and whether undertaken directly or indirectly (including through any close associate, subsidiary, partnership, joint venture or other contractual arrangement of theirs) and whether for profit or otherwise, carry on, participate or be interested, engage or otherwise be involved in or acquire or hold shares or interests in any business which is in competition, directly or indirectly, or is likely to be in competition, directly or indirectly, with the business of marketing production services referred to in the Prospectus that is carried on by the Group in Hong Kong, the PRC and such other territories that the Group may conduct or carry on business from time to time. The Controlling Shareholders have also confirmed that they have fully complied with the undertakings contemplated under the Deed of Non-Competition during the year ended 31 December 2018.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Deed of Non-Competition for the year ended 31 December 2018. The independent non-executive Directors have reviewed the Controlling Shareholders compliance with the Deed of Non-Competition for the year ended 31 December 2018.

### Four Year Financial Summary

A summary of the published results and assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements and the Prospectus of the Company, is set out on page 118 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

### Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

### Shares Issued in the Year

Details of the Shares issued in the year are set out in Note 21 to the consolidated financial statements.

### Distributable Reserves of the Company

As at 31 December 2018, the Company's reserves available for distribution to the Shareholders amounted to approximately HK\$70,310,000 (2017: HK\$67,710,000).

### Pre-Emptive Rights

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

## REPORT OF DIRECTORS (CONTINUED)

### Tax Relief and Exemption of Holders of Listed Securities

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

### Purchase, Sale or Redemption of the Company's Listed Securities

During the year and up to the date of this report, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

### Major Customers and Suppliers

The Group's largest customer contributed approximately 24.7% (2017: 25.7%) of the total revenue for the year while the Group's five largest customers accounted for approximately 70.6% (2017: 62.5%) of the total revenue for the year. The Group's largest supplier contributed approximately 25.0% (2017: 15.6%) of the aggregation of cost of services (including outsourced project costs and materials and consumables) for the year while the Group's five largest suppliers accounted for approximately 58.1% (2017: 47.5%) of the aggregation of cost of services (including outsourced project costs and materials and consumables) for the year. To the best of the knowledge of the Directors, none of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued shares) had any beneficial interest in any of the Group's five largest customers or suppliers referred to above.

### Share Option Scheme

Icicle Group adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") on 4 March 2014 for the purpose of providing incentive or rewards to the eligible participants of Icicle Group and its subsidiaries (collectively, the "IG Group") who contribute to the success of the Group's operations.

According to the terms and conditions of the share options granted, the share options should vest when IG Group is able to achieve certain performance target for the years ended 31 December 2014 and 2015 and service condition. During the year and prior years, no share option under the Pre-IPO Share Option Scheme was vested. On 16 March 2017, the grantees signed cancellation letters, agreed to cancel all share options held by them. Pursuant to the written resolution of directors and then shareholders of Icicle Group on 16 March 2017, the directors and then shareholders of Icicle Group agreed to terminate the Pre-IPO Share Option Scheme.

The Share Option Scheme was adopted and approved by the then Shareholders on 16 November 2017. No share option has been granted pursuant to the Share Option Scheme since its adoption.

The following is a summary of the principal terms of the Share Option Scheme. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the eligible participants have had or may have made to the Group.



## REPORT OF DIRECTORS (CONTINUED)

Eligible participants of the Share Option Scheme include:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries; and
- (iii) any advisers, consultants, agents, customers and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 48,000,000 Shares, representing 10% of the issued share capital of the Company. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular and the approval of the Shareholders in general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date.

Upon acceptance of an option to subscribe for Shares granted pursuant to the Share Option Scheme (the "Option"), the eligible participant shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price of a Share in respect of the Option granted shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the Options, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the Options; and
- (iii) the nominal value of a Share.

### Directors

The Directors during the year ended 31 December 2018 and up to the date of this report were:

#### Executive Director

Ms. Bonnie Chan Woo (*Chairperson and CEO*)

#### Non-executive Director

Mr. Evan Chow

#### Independent non-executive Directors

Mr. Arnold Ip

Mr. Alan Hung

Mr. Donald Man

## REPORT OF DIRECTORS (CONTINUED)

Pursuant to the Articles, one-third of the Directors (whether executive or non-executive) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company 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 AGM of the Company and shall then be eligible for re-election.

### Biographies of Directors and Senior Management

The biographies of the Directors and senior management are set out in the section “Directors and Senior Management” of this annual report.

### Change in the Director’s Information Pursuant to Rule 17.50A(1) of The GEM Listing Rules

The change in the Director’s information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules is set out below:

- The monthly salary of Ms. Bonnie Chan Woo is adjusted to HK\$99,000 with effect from 1 January 2019.

### Directors’ Service Contracts

The executive Director has entered into a service agreement with the Company for an initial term of three years commencing from the date of Listing unless terminated by not less than three months prior written notice or otherwise in accordance with the service agreement. The non-executive Director and independent non-executive Directors have each signed a letter of appointment with the Company for an initial term of three years subject to early removal from office, retirement and re-election provisions in accordance with the Articles. None of the Directors (including those proposed for re-election at the forthcoming AGM) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

### Independent Non-Executive Directors’ Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence. The Nomination Committee has assessed the independence of the independent non-executive Directors and affirmed that all independent non-executive Directors remained independent.

## REPORT OF DIRECTORS (CONTINUED)

### Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

#### (i) Interests in the Shares of the Company

Name of Director	Nature of interest	Number of Shares held <sup>(1)</sup>	Shareholding percentage
Ms. Bonnie Chan Woo <sup>(2)</sup>	Interest in a controlled corporation	277,200,000 (L)	57.75%
Mr. Evan Chow <sup>(3)</sup>	Interest in a controlled corporation	82,800,000 (L)	17.25%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- Explorer Vantage was incorporated in the British Virgin Islands ("BVI") and is beneficially and wholly-owned by Ms. Bonnie Chan Woo. By virtue of the SFO, Ms. Bonnie Chan Woo is deemed to be interested in the Shares held by Explorer Vantage.
- Hertford Global was incorporated in the BVI and is beneficially and wholly-owned by Mr. Evan Chow. By virtue of the SFO, Mr. Evan Chow is deemed to be interested in the Shares held by Hertford Global.

#### (ii) Interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of share(s) held <sup>(1)</sup>	Shareholding percentage
Ms. Bonnie Chan Woo	Explorer Vantage <sup>(2)</sup>	Beneficial owner	1(L)	100%
	Omelas Foundation Limited ("OFL") <sup>(3)</sup>	Interest in a controlled corporation	5(L)	100%
	Gooseberries Limited ("GL") <sup>(4)</sup>	Interest in a controlled corporation	10,000(L)	100%
	Papercom Limited ("Papercom") <sup>(5)</sup>	Interest in a controlled corporation	10,000(L)	100%

Notes:

- The Letter "L" denotes the person's long position in the shares.
- Explorer Vantage is beneficially and wholly-owned by Ms. Bonnie Chan Woo.
- OFL is beneficially and wholly-owned by Explorer Vantage. Under the SFO, Ms. Bonnie Chan Woo is deemed to be interested in all the shares held by Explorer Vantage.
- GL is beneficially and wholly-owned by Explorer Vantage. Under the SFO, Ms. Bonnie Chan Woo is deemed to be interested in all the shares held by Explorer Vantage.
- Papercom is beneficially and wholly-owned by Explorer Vantage. Under the SFO, Ms. Bonnie Chan Woo is deemed to be interested in all the shares held by Explorer Vantage.

## REPORT OF DIRECTORS (CONTINUED)

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were 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 he will be taken or deemed to have under the SFO), or was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which was required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

### Substantial Shareholders' and Other Person's Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2018, to the knowledge of the Directors, Shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures 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 recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### (a) Interests in the Shares of the Company

Name	Type of interest	Number of Shares held <sup>(1)</sup>	Percentage of shareholding in the Company
Explorer Vantage <sup>(2)</sup>	Beneficial owner	277,200,000 (L)	57.75%
Hertford Global <sup>(3)</sup>	Beneficial owner	82,800,000 (L)	17.25%
Mr. Darrin Woo <sup>(4)</sup>	Interest of spouse	277,200,000 (L)	57.75%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- Explorer Vantage was incorporated in the BVI and is beneficially and wholly-owned by Ms. Bonnie Chan Woo.
- Hertford Global was incorporated in the BVI and is beneficially and wholly-owned by Mr. Evan Chow.
- Mr. Darrin Woo is the spouse of Ms. Bonnie Chan Woo. By virtue of the SFO, Mr. Darrin Woo is deemed to be interested in the Shares which are interested by Ms. Bonnie Chan Woo.

Save as disclosed above, as at 31 December 2018, to the knowledge of the Directors, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures 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 recorded in the register required to be kept by the Company under Section 336 of the SFO.

## REPORT OF DIRECTORS (CONTINUED)

### Rights to Acquire Shares or Debentures

Saved as disclosed above, at no time during the year ended 31 December 2018 and up to the date of this report, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and in the section "Share Option Scheme" of this annual report, at no time during the year ended 31 December 2018 and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

### Equity-Linked Agreements

Save for the Share Option Scheme, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

### Directors' Interest in Competing Business

Since the date of Listing and up to the date of this report, none of the Directors, nor the substantial Shareholders nor their respective close associates (as defined under the GEM Listing Rules) had any interests (other than their interest in the Company or (prior to completion of the Corporate Reorganisation) its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

### Directors' Interests in Transaction, Arrangement or Contracts of Significance

Save as disclosed in Note 25 to the consolidated financial statements, there were no other transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year.

### Loan Agreements with Covenants relating to Specific Performance of the Controlling Shareholder

On 20 August 2018, Icicle Production, an indirect wholly-owned subsidiary of the Company, as the borrower, entered into a bank facility letter (the "Facility Letter") with DBS Bank (Hong Kong) Limited as the lender (the "Lender"), pursuant to which the Lender agreed to make available a bank overdraft facility, with a maximum facility of HK\$10,000,000, which has been made available and will continue to be made available by Lender to Icicle Production on the terms and conditions therein contained. Pursuant to the Facility Letter, a specific performance covenant is imposed on Ms. Bonnie Chan Woo, the controlling Shareholder of the Company, to hold not less than 51% beneficial interest of the Company and Icicle Production.

## REPORT OF DIRECTORS (CONTINUED)

### Contracts of Significance with Controlling Shareholders

During the year ended 31 December 2018, save as mentioned in the sections “Related Party Transactions” and “Continuing Connected Transactions”, there had been no contract of significance between the Company or any of its subsidiaries and a Controlling Shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

### Related Party Transactions

Details of the related party transactions of the Group for the year ended 31 December 2018 are set out in Note 25 to the consolidated financial statements. Save as mentioned in the section “Continuing Connected Transactions” below, other related party transactions did not constitute connected transactions and continuing connected transactions under Chapter 20 of the GEM Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

### Continuing Connected Transactions

During the year ended 31 December 2018, certain transactions entered into by the Group with the connected persons (as defined below) constituted continuing connected transactions (the “CCTs”) exempt from the reporting, announcement, annual review and independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules are as follows:

Continuing connected transactions	Connected Persons	Actual amount for the year ended		Note
		Annual cap	31 December 2018	
Print-on-demand production management and administrative services	NewspaperDirect Limited (“NewspaperDirect”)	HK\$1,100,000	HK\$398,000	(i)
Marketing and video production services	Studio SV Limited (“Studio SV”)	HK\$3,000,000	HK\$5,000	(ii)

Notes:

- (i) NewspaperDirect is a company owned by Mr. Darrin Woo, the spouse of Ms. Bonnie Chan Woo, the Chairperson, CEO, executive Director and a Controlling Shareholder, as to 51%. Accordingly, NewspaperDirect, being an associate of Ms. Bonnie Chan Woo, is a connected person of our Company upon Listing under Rule 20.07(4) of the GEM Listing Rules.

NewspaperDirect is principally engaged in the distribution of out-of-market newspapers. The Group has been providing, among other things, print-on-demand production management and administrative services to NewspaperDirect. On 16 November 2017, the Group entered into a service agreement with NewspaperDirect, pursuant to which the Group has agreed to provide the print-on-demand production management and administrative services to NewspaperDirect for a term commencing from the Listing to 31 December 2019.

- (ii) Studio SV is a company owned as to 50% by Explorer Vantage and thus indirectly 50% owned by Ms. Bonnie Chan Woo, the Chairperson, CEO, executive Director and a Controlling Shareholder. Accordingly, Studio SV, being an associate of Ms. Bonnie Chan Woo, is a connected person of our Company upon Listing under Rule 20.07(4) of the GEM Listing Rules.

Studio SV is principally engaged in the business of creating, producing, financing, licencing original TV content, format and intellectual property rights for a global market. The Group has been providing marketing and video production services to Studio SV. On 16 November 2017, the Group entered into a service agreement with Studio SV, pursuant to which the Group has agreed to provide the marketing and video production services to Studio SV for a term commencing from the Listing to 31 December 2019.

## REPORT OF DIRECTORS (CONTINUED)

### Review of Continuing Connected Transactions by Independent Non-Executive Directors

In compliance with Rule 20.53 of the GEM Listing Rules, the independent non-executive Directors have reviewed the CCTs and confirmed that the CCTs have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms and on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (3) according to the agreements governing them on the terms that are fair and reasonable and in the interests of the Shareholders as a whole.

### Assurance Engagement on Continuing Connected Transactions

In compliance with Rule 20.54 of the GEM Listing Rules, the Company has engaged its auditor, Moore Stephens, to report on the Group's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740, *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the HKICPA. Moore Stephens has issued an unqualified letter containing its work and conclusion in respect of the continuing connected transactions disclosed by the Group in the annual report in accordance with Rule 20.54 of the GEM Listing Rules.

## Corporate Governance

The Company has complied with all applicable principles and the code provisions of the CG Code contained in Appendix 15 to the GEM Listing Rules during the Period (except for the deviation from CG code provision A.2.1).

Details of the Company's corporate governance practices are set out in the section "Corporate Governance Report" of this annual report.

## Environmental, Social and Governance

The Group is committed to support environmental protection to ensure business development and sustainability. The Group has implemented green office practices to reduce the consumption of energy and natural resources. These practices include the use of recycled paper, reduce energy consumption by switching off idle lightings, computers and electrical appliances and the use of environmentally friendly products whenever possible.

The Environmental, Social and Governance Report are set out in the section headed as the same in this annual report.



## REPORT OF DIRECTORS (CONTINUED)

### Compliance with Relevant Laws and Regulations and Relationships with Key Shareholders

The Company has complied with all applicable laws and regulations in all material respects and maintained good relationship with its customers, suppliers, employees and investors. During the year ended 31 December 2018, there were no material and significant dispute between the Group and its employees, customers and/or suppliers.

### Compliance Adviser's Interests

As notified by Ballas Capital Limited ("Ballas"), compliance adviser of the Company, neither Ballas nor any of its close associates and none of the directors or employees of Ballas had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this report.

### Permitted Indemnity Provisions

The Articles provide that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or willful defaults.

The Company has arranged for appropriate insurance coverage in respect of potential legal actions against its Directors and senior management.

### Emolument Policy

The remuneration policy of the Group is to reward its employees and executives based on, among other things, the Group's operating results, individual performance and comparable market statistics. Remuneration package typically comprises of salaries, contribution to pension schemes and discretionary bonuses.

The Remuneration Committee will review annually the remuneration of all the Directors to ensure that it is attractive enough to attract and retain a competent team of executive members. The Director's fee for each of the Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee. The remuneration package of each of the Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within the Group.

### Retirement Benefits Plan

Details of retirement benefits plan of the Group for the year ended 31 December 2018 are set out in Note 5.12(ii) to the consolidated financial statements.

## REPORT OF DIRECTORS (CONTINUED)

### Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the Directors' remuneration and the five highest paid individuals for the year ended 31 December 2018 are set out in Note 10 to the consolidated financial statements.

### Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of at least 25% of the issued Shares as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

### Event after the Reporting Period

The Group has no significant events after the reporting period.

### Auditor

Moore Stephens will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

There has been no change of auditor of the Company since the Listing Date.

By order of the Board

**Woo Chan Tak Chi Bonnie**

*Chairperson and Chief Executive Officer*

Hong Kong, 20 March 2019

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## About this Report

This report is prepared based on the Environmental, Social and Governance (“ESG”) Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 20 of the GEM Listing Rules issued by the Stock Exchange. This ESG report complies with the “comply or explain” provisions set out in the ESG Reporting Guide for the financial year ended 31 December 2018 by making general disclosures on environmental and social information and environmental key performance indicators (“KPIs”) which are considered to be relevant and material to the Group’s businesses and operations.

A complete index in compliance with the ESG Reporting Guide is also available at the end of this report for reference. Except for “comply or explain” provisions that the Group believes are inapplicable to its operations, for which explanations have been given in the said index, the Group has complied with all the “comply or explain” provisions set out in the ESG Reporting Guide during the year.

## ESG Governance

The Group’s success relies on the support of major stakeholders and is committed to promoting sustainable development of the business to create long term value for the major stakeholders including shareholders, clients, employees, vendors, regulators and the general public as well as the environment. The Group concerns about the environmental, social and governance impacts when conducting business operation. While making effort to pursue sustainable growth of the business, the Group strives to balance the interests of all stakeholders.

To be environmentally and socially responsible, the Group has established policies and procedures (“ESG Policies”) for administering efficient use of resources and manpower, energy saving and waste reduction. We strive to provide a safe and healthy workplace for our employees and conserve the environment for the benefit of the community. We encourage environmental protection and promote awareness towards environmental protection to the employees.

The Board has the overall responsibility for monitoring and reviewing corporate governance practices across the Group and directs the overall strategy and development of the Group’s operations and business. The senior management of the Group oversees the day-to-day compliance of ESG Policies, identifies and addresses ESG-related risks and communicates with the Board to ensure appropriate and effective ESG risk management and control systems are in place.

## Scope of the Report

The scope of this ESG report covers the marketing production services in Hong Kong and provides ESG information related to the production site directly controlled by the Group, and its Hong Kong office. The reporting period of this report covers the financial year of 2018 (from 1 January 2018 to 31 December 2018), which is the same as the reporting period of the Group’s annual report. ESG data from our vendors or service providers is not included as such data is difficult to verify with available resources.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Materiality Assessment

#### Stakeholders Engagement

The Group maintains ongoing communication with stakeholders which helps to understand the expectations of the stakeholders, and facilitates the Group to actively respond to them in a timely manner.

Major Stakeholders	Expectations
Government and Regulators	Laws and regulations compliance
Shareholders	Good corporate governance Sustainable growth and profitability
Clients	High-quality products and services Cost-effectiveness Information confidentiality
Employees	Employee benefits improvement Career development Occupational health and safety
Environment	Natural resources saving Waste and pollution reduction
Society	Anti-corruption Community involvement
Material and service suppliers	Continuous engagement Timely settlement of payment

Having considered the Group's operations and evaluated the stakeholders' expectations, we have identified the following areas of concern for reporting.

As a marketing production company headquartered in Hong Kong with a focus on printing, packaging and sourcing business, we have identified the following areas of concern from the stakeholders' perspectives:

#### Environment

- Use of sustainable raw materials
- Environmental impact of the production process
- Energy use efficiency

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Social Responsibility

- Protection of minors and provision of fair employment opportunities
- Employee compensation and benefits
- Health and safety in the working environment
- Training and career advancement opportunities
- Pleasant working environment

### Governance

- Ethical conduct with business partners
- Protection of clients' confidential data
- Prevention and reporting of misconduct

### Environment

The Group strives to uphold the spirit of creating and maintaining a clean and safe environment. It is our environmental policy to have full compliance with all applicable environmental legislation, and to continuously improve our processes and increase client satisfaction. This is achieved through controlling and mitigating our environmental impact, utilising the resources efficiently within our operations, and requesting the same from our supply chain partners.

### Emissions and Energy Consumption

Given the Group's business portfolio, there are air pollutants inevitably produced in the printing processes as printing inks can generate volatile organic compounds ("VOCs"). We are mindful in sourcing more environmental friendly printing inks (e.g. soy oil-based processing inks) aiming to reduce VOC emissions. We have installed air-conditioners and filtering devices at the production site.

The direct energy consumption arising from the use of petrol, diesel and gas is minimal since the Group does not maintain vehicles and has engaged logistic service providers for the delivery of products. Employees such as salespersons who need to travel frequently are encouraged to take public transport.

We consider electricity consumption as a major source of our indirect greenhouse gas ("GHG") emission. In 2018, our total electricity consumption in our Hong Kong office and warehouse is 191,842 KWh (2017: 232,615 KWh).

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

We pursue to utilise energy efficiently and as the major means to reduce our GHG emission. In order to continuously improve our energy performance and lower our carbon footprint, monitoring our energy usage is crucial. In the ordinary course of business, we have gradually implemented various energy-saving, emission and waste reduction measures as follows:

- Keep indoor air-conditioning temperature at 25°C;
- Encourage staff to shut down computers after work and switch off lights if the employees are expected to be away from the room for more than one hour;
- Encourage staff to switch office equipment, such as printers and computers, to energy saving mode (the equipment will enter the sleep mode under the standby condition);
- Replace the lighting system in the office by LED gradually.

Apart from the energy saving in operation process, we always look for possible energy-saving opportunities, especially on choosing environmental friendly equipment and facilities of the Group. In the procurement of office equipment, we always opt for the model with higher energy efficiency.

### Water Management

We endeavour to implement an effective water management through efficient water use. Our primary goal is to reduce the water consumption by measuring our water use and promoting water-saving behaviours to all staff. For example, staff are encouraged to fully empty any containers before washing, to turn off water taps promptly, to check faucets and pipes for leaks, and to adopt water saving appliances.

### Paper Usage

Paper is the major raw material in our business. The Group is the holder of the Chain of Custody Certificate accredited by the Forest Stewardship Council ("FSC") since 2007, a certificate which certifies the management system of the Group is able to ensure the original source of materials of the papers comes from responsibly managed forests. Although not all of the clients of the Group understand the benefits of using FSC paper, the Group strongly supports the use of FSC paper and actively promotes the product to its clients. All the scrap paper generated from production sites are collected for paper recycling which amounting to around 124.32 tonnes (2017: 199.58 tonnes).

To promote green office and reduce the amount of paper usage, we encourage staff to be mindful when printing documents and make use of double sided printing where possible. Non-essential items should be used in e-format instead of printing out and any documents that are no longer in use should be shredded and recycled.

### Waste Management

Apart from scrap paper, toner cartridges is the key waste produced by the Group from the physical media production business segment. We classified the toner cartridges as key hazardous waste of our business production. We have arranged all 408 (2017: 380) used toner cartridges being collected by the printer service provider for recycling to minimise the impact to environment and manage to reduce our hazardous waste to 0 tonne.

The non-hazardous waste produced by the Group mainly consists of scrap paper generated from production process and packaging materials such as carton boxes and wrapping paper, all of which are recovered by professional recycling firms.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The packaging of products mainly consists of carton boxes. The Group encourages its clients to return the carton boxes for reuse.

### The Environment and Natural Resources

The Group considers environmental protection and preserving natural resources as an indispensable component of our sustainable and responsible business, we have established policies with respect to reduce the impacts of operational activities on the environment, optimise the use of natural resources and implement environmental protection measures.

In the future, we will continue our commitment to environmental protection and strive to build a greener and healthier environment to fulfil our responsibilities as a member of the community we all live in.

### Environmental Performance Indicators

#### Aspect A1: Emissions

Performance indicator		2018 Data	2017 Data	HKEx ESG Reporting Guide KPI
Emission	Total Greenhouse gases ("GHG") emission (Scope 1, 2, 3) (tonnes)	156.99	188.22	KPI A1.1, A1.2
	Total GHG emission per million HKD of goods sold (tonnes)	1.72	2.00	KPI A1.1, A1.2
	Total GHG emission per number of employee (tonnes)	2.99	3.55	KPI A1.1, A1.2
	Indirect Emission (Scope 2, 3)			
	— Electricity (tCO <sub>2</sub> )	151.56	183.77	KPI A1.1, A1.2
	— Paper waste in production disposed at landfills (tCO <sub>2</sub> )	—	—	KPI A1.1, A1.2
	— Paper waste in general office disposed at landfills (tCO <sub>2</sub> )	5.43	4.46	KPI A1.1, A1.2
Non-hazardous waste	Total non-hazardous waste disposed to landfill (tonnes)	2.53	2.43	KPI A1.4
	Total non-hazardous waste produced per million HKD of goods sold (tonnes)	0.03	0.03	KPI A1.4
	Total non-hazardous waste produced per number of employee (tonnes)	0.05	0.05	KPI A1.4
	— General office waste disposed to landfill (tonnes)	2.53	2.43	KPI A1.4

#### Aspect A2: Use of resources

Performance indicator		2018 Data	2017 Data	HKEx ESG Reporting Guide KPI
Energy	Total energy consumption (Kwh)	191,842.00	232,615.00	KPI A2.1
	Total energy consumed per million HKD of goods sold (Kwh)	2,097.14	2,476.18	KPI A2.1
	Total energy consumed per number of employee (Kwh)	3,648.34	4,388.96	KPI A2.1
	Indirect energy consumption (Kwh)			
	— Electricity (Kwh)	191,842.00	232,615.00	KPI A2.1



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Performance indicator		2018 Data	2017 Data	HKEx ESG Reporting Guide KPI
Water	Total water consumption (M <sup>3</sup> )	107.00	116.00	KPI A2.2
	Total water consumption per number of employee (M <sup>3</sup> )	2.03	2.19	KPI A2.2
Packaging material	Total packaging materials — carton box and wrapping paper (tonnes)	77.70	30.00	KPI A2.5
	Total packaging materials consumed per million HKD of goods sold (tonnes)	0.85	0.32	KPI A2.5

### Notes:

1. Energy and water usage includes the general office usage and resources used in production sites and warehouse.
2. GHG calculation and waste calculation calculated based on the general office usage and disposed wastage generate from production.

## Social Responsibility

### Employment and Labour Standards

Employees are our valuable asset and one of the important stakeholders. Employment conditions relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare are set out in the staff handbook.

We strive to provide a pleasant working environment to retain talents. We offer talents with competitive remuneration and benefits, training and appraisal. We support diversity in our staff combination and ensure they are not discriminated on race, age, gender, marital status, religion or belief. We do not force any staff to work overtime and we provide travel allowance and meal allowance for the staff work overtime. We also offer compensation leave for all approved overtime allowance.

We enforce zero tolerance towards child labour and forced labour and strictly follow applicable labour laws. Procedures are established to ensure that recruiting process and daily operation are in par with the standard. During the year, we did not identify any issue with child labour and forced labour within the Group.

### Health and Safety

Providing a healthy and safe working environment is essential to sustain our operation. We are required to comply with various safety laws and regulations in Hong Kong. Our operations are also subject to occupational health and safety regulations issued by the relevant occupational health and safety authorities in Hong Kong. We have taken measures to promote occupational health awareness and safety at workplace. All employees are provided with needed job information, guidance, training and supervision. During the year, we had not experienced any significant workplace accident. We also provide medical insurance to the employees.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Staff Development and Training

The Group strives to assist employees' development by providing them with opportunities to advance their careers. To this end, we provide orientation for employees to understand our business operation and culture. We also provide our employees, from time to time, with technical and operational on-the-job training, and sponsor our employees to attend external trainings and courses. To allow employees to interact and to strengthen their bonding, we organise recreational activities, such as team building activities and annual dinner. An appraisal system is set up to assess employees' performance based on their contribution, attitude and cooperativeness to the Group. This also provides an opportunity for us to communicate so that we can understand employees' expectations and assist their career development.

### Governance

#### Supply Chain Management

Material and service suppliers are an integral part of our business. Our suppliers and subcontractors include suppliers of papers and other packaging and sourcing materials, logistic service providers, printing companies, photo and video shooting service providers, freelancers for digital media production and translators. In order to provide quality, safe and responsible products to the clients, the Group has formulated strict procedures for selecting suppliers and sub-contractors to work with. In addition to the selection criteria such as legal operating licenses, good service quality and price, the Group also pays attention to the environmental and social performance of the suppliers. During its selection process for potential suppliers, on-site assessments are carried out.

#### Product Responsibility

Client satisfaction and day-to-day quality control are essential to our business. Our project managers take the primary responsibility for day-to-day monitoring of our services in terms of quality and time efficiency in delivery. We keep close contact with our clients to take instructions, report work status and provide advices from time to time. Creative design and other important documents throughout the critical workflow processes are subject to our strict quality control to ensure our work is done in accordance with the standard and the specifications of our clients. To optimise the marketing performance of our digital production services for the achievement of the marketing objectives of the brand owners, we constantly collect feedback from target audiences, monitor public responses and produce evaluation reports for evaluation and fine-tuning purposes.

For projects involving printing, our marketing production team will check the artwork files received from our clients and conduct quality check of colour separation and film output before bulk printing. For all new clients or upon request by our clients, our marketing production team will conduct production monitoring at the production sites of our suppliers. We also closely monitor the product quality delivered by our suppliers.

For projects involving confidential data printing and direct mailing service, we have a strict internal data handling procedures to ensure that the confidentiality of privacy data is protected. All relevant work processes are done on a printer server with no internet access and no removable storage device is allowed to be used throughout the process. All data are encrypted and only relevant project handlers are provided with the unique login identify to access to the data. Project handlers are required to check and confirm the printing sample with our clients before bulk printing and lettershopping. Prior to delivery of the letters for postage, our staff will count the number of letters to ensure it matches with the total number of data recorded. All printed sheets containing confidential data and the relevant records of quality control are required to be destroyed within one month after the project is completed.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

To further enhance our overall service quality, any incident of a project would be reported instantly and recorded and shared on our management information system among different teams. A monthly meeting will be held to review any incident being reported and the relevant rectification measures, and make recommendations to improve the working procedures. Minutes of these meetings, together with any improvement proposals, will be passed to the management team for further discussion and approval.

Client satisfaction survey will be automatically sent to our clients through our project management information system "Icicle Hub" randomly to collect clients' feedback for evaluation and improvement.

The Group has established a systematic and efficient mechanism for handling client complaints. Whenever it receives any client complaints about the products, the corresponding staff is required to report to the senior management who will respond immediately and measures are taken to correct and prevent the occurrence of similar events in the future.

During the year, the Group did not experience any complaint from our clients which had materially and adversely affect our business nor did the Group make any material compensation to our clients.

### Anti-corruption

The Group is committed to doing business with integrity and will not tolerate any bribery or other misconduct. All employees must comply with related national and local government laws and regulations on prevention of bribery, extortion, fraud and money laundering. All employees not only have responsibility to understand and comply with the above regulations, but also have obligation to report violation to the fit and appropriate person. Whistle blower policies and procedures are in place and disclosed to all employees. Any misconduct can be reported to the Chairperson or Independent Non-Executive Directors, further investigation would then be carried out. The Group strictly complies with the laws and regulations relevant to anti-corruption and there was no incident reported on bribery, extortion, fraud, and money laundering during the year.

### Community Involvement

We care about our community as our business cannot grow without good employees, resources and facilities from the community. We encourage our employees to participate in voluntary work for the benefit of the community. We donate to charitable bodies whom we believe are best place to provide care for those in need. We have made long-term commitments to work with community organisations in Hong Kong. Our partners include Homeless World Cup, Hong Kong Design Centre, PARASITE and Design Trust.

Since 2006, we have been supporting the Homeless World Cup Fundraising Tournament annually in Hong Kong which is organised by Street Soccer Hong Kong Limited and co-organised by Wofoo Social Enterprises and Society for Community Organisation, which are non-profit organisations. Homeless World Cup is a social movement which uses football to inspire homeless people to change their own lives.

In the coming future, the Group will continue to attach great importance to community services, and will encourage our employees to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## HKEX ESG Reporting Guide Index

Subject Areas and Aspects	"Comply or explain" Provisions	Relevant section in the ESG Report	Remarks
<b>A: Environmental</b>			
<b>Aspect A1: Emissions</b>	General Disclosure	Environment	Electricity consumption is a major source of indirect GHG emission generated in our core business
	Information on:		
	(a) the policies; and		
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste		
	KPI A1.1 Types of emissions and respective emissions data	Environment	
	KPI A1.2 Greenhouse gas emissions in total and, where appropriate, intensity	Environment	
	KPI A1.3 Total hazardous waste produced and, where appropriate, intensity	–	
KPI A1.4 Total non-hazardous waste produced and, where appropriate, intensity	Environment		
KPI A1.5 Description of measures to mitigate emissions and results achieved	Environment		
KPI A1.6 Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved	Environment		

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Subject Areas and Aspects	"Comply or explain" Provisions	Relevant section in the ESG Report	Remarks
<b>A: Environmental</b>			
<b>Aspect A2: Use of Resources</b>	General Disclosure	Environment	
	Policies on efficient use of resources including energy, water and other raw materials		
	KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity	Environment	
	KPI A2.2 Water consumption in total and intensity	Environment	
	KPI A2.3 Description of energy use efficiency initiatives and results achieved	Environment	
	KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	—	
KPI A2.5 Total packaging material used for finished products and, if applicable, with reference to per unit produced	Environment		
<b>Aspect A3: The Environment and Natural Resources</b>	General Disclosure	Environment	
	Policies on minimising the issuer's significant impact on the environment and natural resources		
	KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	—	

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Subject Areas and Aspects	"Comply or explain" Provisions	Relevant section in the ESG Report	Remarks
<b>B: Social — Employment and Labour Practices</b>			
<b>Aspect B1: Employment</b>	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare</p>	Social Responsibility	
<b>Aspect B2: Health and Safety</b>	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards</p>	Social Responsibility	
<b>Aspect B3: Development and Training</b>	<p>General Disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities</p>	Social Responsibility	
<b>Aspect B4: Labour Standards</b>	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to preventing child and forced labour</p>	Social Responsibility	

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Subject Areas and Aspects	"Comply or explain" Provisions	Relevant section in the ESG Report	Remarks
<b>— Operating Practices</b>			
<b>Aspect B5: Supply Chain Management</b>	General Disclosure	Governance	
	Policies on managing environmental and social risks of the supply chain		
<b>Aspect B6: Product Responsibility</b>	General Disclosure	Governance	
	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress		
<b>Aspect B7: Anti-corruption</b>	General Disclosure	Governance	
	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to bribery, extortion, fraud and money laundering		
<b>— Community</b>			
<b>Aspect B8: Community Investment</b>	General Disclosure	Governance	
	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration communities' interests		

# INDEPENDENT AUDITOR'S REPORT

57

## MOORE STEPHENS

Moore Stephens CPA Limited  
801-806 Silvercord, Tower 1,  
30 Canton Road, Tsimshatsui,  
Kowloon, Hong Kong

T +852 2375 3180  
F +852 2375 3828

[www.moorestephens.com.hk](http://www.moorestephens.com.hk)

大  
華  
馬  
施  
會  
計  
師  
事  
務  
所  
有  
限  
公  
司

To the Shareholders of **Icicle Group Holdings Limited**  
(Incorporated in the Cayman Islands with limited liability)

### Opinion

We have audited the consolidated financial statements of Icicle Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 62 to 117, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

### Basis for opinion

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



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Key Audit Matters

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

Key audit matter	How the matter was addressed in our audit
<p><b>Assessment of recoverability of trade receivables</b></p> <p><i>Refer to Notes 4(i), 6(ii) and 17 to the consolidated financial statements</i></p> <p>As at 31 December 2018, the Group had trade receivables with an aggregate carrying amount of approximately HK\$27,976,000 (2017: HK\$28,829,000) and allowances for expected credit losses ("ECLs") of approximately HK\$204,000 (2017: Nil).</p> <p>Upon the initial application of the new impairment requirements, a difference between the previously reported carrying amount as at 31 December 2017 and the new carrying amount of ECLs as at 1 January 2018 was approximately HK\$184,000 and has been recognised in the retained earnings as at 1 January 2018 as permitted under HKFRS 9.</p> <p>Allowances for ECLs on trade receivables are based on management's estimate of the lifetime ECLs, which are estimated by taking into account the credit losses experience, ageing of the trade receivables, customers' settlement records, customers' financial status, expected timing and amount of realisation of outstanding balances, and ongoing business relationships with customers. Management also considered forward-looking information that may impact the customers' abilities to repay the outstanding balances in order to estimate the allowances for ECLs on trade receivables.</p> <p>We have identified assessment of recoverability of trade receivables as a key audit matter because the estimation of lifetime ECL model involved significant management judgement and estimates.</p>	<p>Our key procedures to assess the matter included:</p> <ul style="list-style-type: none"> <li>— Obtaining an understanding of the internal control that the Group has designed and implemented to manage and monitor its credit risk;</li> <li>— Assessing the appropriateness of ECL model by evaluating the assumptions and testing the key data used by management in the model, challenging the assumptions, including both historical and forward-looking information used to determine the ECLs;</li> <li>— Assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant financial records; and</li> <li>— Inquiring of management for the status of each of the material outstanding trade receivables as supported by corroborative audit evidence, such as historical credit losses data, on-going business relationship with those customers by taking account of settlement records, contract with those customers, available public information and economic outlook that is relevant to the operations of those customers.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter	How the matter was addressed in our audit
<p><b>Revenue recognition</b></p> <p><i>Refer to Notes 4(ii), 6(i) and 7 to the consolidated financial statements</i></p> <p>For the year ended 31 December 2018, the Group recognised revenue amounting to approximately HK\$91,478,000 from provision of marketing production services.</p> <p>The Group's principal activities are provision of marketing production services, mainly located in Hong Kong. Revenue represents revenue from the provision of physical media production and management, digital media production and brand integration and business strategy and development.</p> <p>The Group's accounting policy in recognising such revenue was at a point in time. In particular, revenue from provision of marketing production services is recognised when the control of the end products is transferred to customers.</p> <p>We have identified revenue recognition as a key audit matter because the determination of the revenue recognition requires significant management judgement. It is also a key component in the consolidated financial statements.</p>	<p>Our key procedures to address the matter included:</p> <ul style="list-style-type: none"> <li>— Obtaining understanding of the key internal controls over the revenue recognition cycle of the Group;</li> <li>— Performing test of details on revenue transactions on sample basis to verify the revenue was recognised appropriately, including inspecting agreements with customers to understand the terms of delivery and acceptance of the sales transactions, and checking the contract terms to evaluate the enforceability of the Group's right to payment for performance completed to date;</li> <li>— Inquiring of management for the basis of recognising revenue at a point in time and challenging appropriateness of that basis based on the effect of the contract terms;</li> <li>— Performing cut off test on revenue transactions on sample basis to verify whether revenue was recognised in appropriate reporting period; and</li> <li>— Performing analytical review on the fluctuation of the revenue when compared with prior reporting period to identify any unusual fluctuations.</li> </ul>

### Information other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018 of the Company other than the consolidated financial statements and our auditor's report thereon.

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Responsibilities of Directors for the Consolidated Financial Statements

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

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

The audit committee of the Company assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Moore Stephens CPA Limited**

*Certified Public Accountants*

### **Hung, Wan Fong Joanne**

Practising Certificate Number: P05419

Hong Kong, 20 March 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

62

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>	7	91,478	93,941
Other income and gains	8	1,388	784
Outsourced project costs		(37,025)	(33,717)
Materials and consumables		(9,893)	(10,716)
Listing expenses		—	(12,474)
Depreciation and amortisation expenses		(1,538)	(1,614)
Employee benefits expenses		(18,976)	(18,745)
Rental expenses		(6,785)	(5,428)
Transportation fee		(7,888)	(7,537)
Other operating expenses		(7,495)	(4,686)
<b>Profit/(loss) before income tax</b>	9	3,266	(192)
Income tax expense	11	(482)	(2,155)
<b>Profit/(loss) for the year attributable to the owners of the Company</b>		2,784	(2,347)
<b>Other comprehensive (expense)/income:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operation		(213)	445
<b>Other comprehensive (expense)/income for the year, net of income tax</b>		(213)	445
<b>Total comprehensive income/(expense) for the year attributable to the owners of the Company</b>		2,571	(1,902)
<b>Earnings/(loss) per share attributable to the owners of the Company</b>			
Basic and diluted (HK cents)	13	0.58	(0.64)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

63

	Notes	2018 HK\$'000	2017 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	2,054	1,940
Intangible assets	15	143	357
		<b>2,197</b>	<b>2,297</b>
<b>Current assets</b>			
Inventories	16	—	335
Trade and other receivables, deposits and prepayments	17	31,095	32,389
Amounts due from related companies	18	417	2,145
Current tax recoverable		1,230	356
Time deposits and cash and bank balances	19	68,406	65,939
		<b>101,148</b>	<b>101,164</b>
<b>Current liabilities</b>			
Trade and other payables and accruals	20	16,950	19,385
Provision of long service payment		126	194
		<b>17,076</b>	<b>19,579</b>
<b>Net current assets</b>		<b>84,072</b>	<b>81,585</b>
<b>Net assets</b>		<b>86,269</b>	<b>83,882</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	21	4,800	4,800
Reserves	22	81,469	79,082
<b>Total equity</b>		<b>86,269</b>	<b>83,882</b>

The financial statements on pages 62 to 117 were approved and authorised for issue by the Board of Directors on 20 March 2019 and are signed on its behalf by:

**Woo Chan Tak Chi Bonnie**  
Executive Director

**Chow Sai Yiu Evan**  
Non-executive Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

64

For the year ended 31 December 2018

	Share capital HK\$'000 (Note 21)	Share premium <sup>#</sup> HK\$'000 (Note 22)	Capital reserve <sup>#</sup> HK\$'000 (Note 22)	Translation reserve <sup>#</sup> HK\$'000 (Note 22)	Retained earnings <sup>#</sup> HK\$'000	Total HK\$'000
<b>Balance as at 1 January 2017</b>	—	—	11,993	(1,066)	31,205	42,132
Loss for the year	—	—	—	—	(2,347)	(2,347)
Other comprehensive income: Exchange differences arising on translation of foreign operation	—	—	—	445	—	445
Total comprehensive income/(expense) for the year	—	—	—	445	(2,347)	(1,902)
Issue of share upon incorporation (Note 21(a))	—*	—	—	—	—	—*
Issue of shares arising from the corporate reorganisation (Note 21(c))	—*	—	—*	—	—	—*
Capitalisation issue of shares (Note 21(d))	3,600	(3,600)	—	—	—	—
Issue of shares upon share offering, net of listing expenses (Note 21(e))	1,200	57,451	—	—	—	58,651
Interim dividends to the then owners of the subsidiary of the Group prior to the listing (Note 12(b))	—	—	—	—	(14,999)	(14,999)
<b>Balance as at 31 December 2017 and 1 January 2018 as previously reported</b>	<b>4,800</b>	<b>53,851</b>	<b>11,993</b>	<b>(621)</b>	<b>13,859</b>	<b>83,882</b>
Impact on initial application of HKFRS 9 (Note 4(i)(b))	—	—	—	—	(184)	(184)
<b>Balance as at 31 December 2017 and 1 January 2018 (restated)</b>	<b>4,800</b>	<b>53,851</b>	<b>11,993</b>	<b>(621)</b>	<b>13,675</b>	<b>83,698</b>
Profit for the year	—	—	—	—	2,784	2,784
Other comprehensive expense: Exchange differences arising on translation of foreign operation	—	—	—	(213)	—	(213)
Total comprehensive (expense)/income for the year	—	—	—	(213)	2,784	2,571
<b>Balance as at 31 December 2018</b>	<b>4,800</b>	<b>53,851</b>	<b>11,993</b>	<b>(834)</b>	<b>16,459</b>	<b>86,269</b>

\* Less than HK\$1,000

<sup>#</sup> These reserves accounts comprise the consolidated reserves of HK\$81,469,000 (2017: HK\$79,082,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

65

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before income tax		3,266	(192)
Adjustments for:			
Allowance for ECLs on trade receivables	9	20	—
Impairment losses on inventories	9	312	—
Amortisation of intangible assets	9	251	651
Depreciation of property, plant and equipment	9	1,287	963
Loss on written-off of property, plant and equipment	9	37	—
Interest income	8	(846)	(23)
Net exchange loss/(gain)	9	69	(105)
Reversal of provision for long service payment		(68)	(374)
<b>Operating profit before working capital changes</b>		<b>4,328</b>	<b>920</b>
Decrease/(increase) in inventories		23	(335)
Decrease/(increase) in trade and other receivables, deposits and prepayments		1,021	(14,743)
Decrease/(increase) in amounts due from related companies		1,728	(300)
(Decrease)/increase in trade and other payables and accruals		(2,435)	4,956
Payments of long service payment		—	(9)
<b>Cash generated from/(used in) operations</b>		<b>4,665</b>	<b>(9,511)</b>
Income tax paid		(1,356)	(3,424)
<b>Net cash generated from/(used in) operating activities</b>		<b>3,309</b>	<b>(12,935)</b>
<b>Cash flows from investing activities</b>			
Interest received		846	23
Additions of property, plant and equipment		(1,438)	(1,849)
Additions of intangible assets		(37)	(73)
Additions to time deposits with original maturity of more than three months		(56,695)	—
<b>Net cash used in investing activities</b>		<b>(57,324)</b>	<b>(1,899)</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>Cash flows from financing activities</b>			
Dividends paid to the then owners of the subsidiary of the Group prior to the listing	12(b)	—	(14,999)
Proceeds from issuance of shares upon share offering, net of listing expenses		—	58,651
<b>Net cash generated from financing activities</b>		—	43,652
<b>Net (decrease)/increase in cash and cash equivalents</b>		(54,015)	28,818
<b>Cash and cash equivalents at beginning of the year</b>		65,939	36,678
<b>Effect of foreign exchange rate changes</b>		(213)	443
<b>Cash and cash equivalents at end of the year</b>		11,711	65,939
<b>Analysis of cash and cash equivalents</b>			
Cash and bank balances		11,711	65,939
Time deposits with original maturity of more than three months		56,695	—
Time deposits and cash and bank balances stated in the consolidated statement of financial position		68,406	65,939
Less: Time deposits with original maturity more than three months		(56,695)	—
<b>Cash and cash equivalents as stated in the consolidated statement of cash flows</b>		11,711	65,939

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

67

## 1. General Information

Icicle Group Holdings Limited (the "Company", collectively with its subsidiaries, the "Group") was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 20 January 2017. The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 December 2017. The Company's principal place of business is located at Unit 4, 12/F., 18 King Wah Road, North Point, Hong Kong.

The Company is an investment holding company. The principal activity of the Group is provision of marketing production services.

### Information about subsidiaries

As at the date when these consolidated financial statements are authorised for issue, the Company has direct and indirect interests in the following subsidiaries, all of which are companies with limited liability. The particulars of which are set out as follows:

Name of the subsidiary	Place and date of incorporation/ establishment	Particulars of issued and fully paid-up share capital/registered capital	Attributable equity interest to the Group as at 31 December		Principal activities and place of operation
			2018	2017	
<i>Directly held:</i>					
Icicle Group Limited <sup>^</sup> ("Icicle Group")	The British Virgin Islands ("BVI") 29 May 2013	US\$113	100%	100%	Investment holding
<i>Indirectly held:</i>					
Icicle Production Company Limited	Hong Kong 23 April 1991	HK\$1,000,010	100%	100%	Provision of marketing production services in Hong Kong
Icicle Print Management Limited	Hong Kong 8 November 2007	HK\$10	100%	100%	Investment holding
Beijing Icicle Brand Management Company Limited <sup>*@#</sup> (北京冰雪品牌管理有限公司)	The People's Republic of China ("PRC") 31 July 2008	HK\$1,000,000	100%	100%	Provision of brand management and print consulting services in the PRC

\* The statutory financial statements of this subsidiary is not audited by Moore Stephens CPA Limited, Hong Kong or another member firm of the Moore Stephens global network.

<sup>^</sup> No audited financial statements have been prepared for this company since their respective dates of incorporation as it is not subject to statutory audit requirements under its place of incorporation.

<sup>#</sup> The English name of this subsidiary established in the PRC represents management's best effort at translating the Chinese name of such subsidiary as no English name has been registered.

<sup>©</sup> The subsidiary is a wholly-owned foreign enterprise.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 2. Group Reorganisation and Basis of Preparation and Presentation

#### 2.1 Group reorganisation and basis of preparation and presentation for the year ended 31 December 2017

The companies comprising the Group underwent a reorganisation (the "Corporate Reorganisation") to rationalise the Group's structure in preparation for the listing of the shares of the Company on GEM of the Stock Exchange (the "Listing"). The Corporate Reorganisation involved the followings:

##### **Incorporation of Explorer Vantage Limited ("Explorer Vantage")**

On 13 June 2016, Explorer Vantage was incorporated in the BVI. Ms. Woo Chan Tak Chi Bonnie ("Ms. Bonnie Chan Woo") subscribed for one ordinary share of United States dollar ("US\$") 1.00 representing the entire issued share capital of Explorer Vantage and became its sole shareholder on 21 July 2016.

##### **Acquisition of Icycle Group by Explorer Vantage**

Pursuant to a sale and purchase agreement dated 28 July 2016 entered into between Gooseberries Limited (formerly known as Icycle Holdings Limited), the then shareholder of Icycle Group, as the vendor, and Explorer Vantage, as the purchaser, Explorer Vantage acquired 8,500 ordinary shares of US\$0.01 each representing 75% of the entire issued share capital of Icycle Group at a consideration of HK\$31,390,000, with reference to the net asset value of Icycle Group as at 31 March 2016.

On 28 July 2016, Ms. Bonnie Chan Woo transferred 1,133 ordinary shares of US\$0.01 each representing 10% of the entire issued share capital of Icycle Group to Explorer Vantage at a consideration of HK\$4,185,000, with reference to the net asset value of Icycle Group as at 31 March 2016.

Immediately upon completion of the acquisitions as mentioned above, Icycle Group was owned as to 85% by Explorer Vantage and 15% by Hertford Global Limited ("Hertford Global").

##### **Subscription by Hertford Global**

Icycle Group and Hertford Global entered into a subscription agreement on 22 December 2016 for the subscription of 1,177 new ordinary shares of US\$0.01 each in the share capital of Icycle Group representing 9.4% of the enlarged share capital of Icycle Group for a consideration of HK\$3,840,000, with reference to its investment cost in June 2013, which was paid in cash. Immediately upon completion of the subscription of shares, Icycle Group was owned as to approximately 77% by Explorer Vantage and approximately 23% by Hertford Global.

##### **Incorporation of the Company as a listing vehicle**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 20 January 2017 to act as the listing vehicle. As at the date of incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, and one share was allotted and issued to Explorer Vantage, credited as nil paid.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

69

## 2. Group Reorganisation and Basis of Preparation and Presentation (Continued)

### 2.1 Group reorganisation and basis of preparation and presentation for the year ended 31 December 2017 (Continued)

#### Transfer of Icycle Group to the Company

On 16 November 2017, Explorer Vantage and Hertford Global transferred 9,633 ordinary shares and 2,877 ordinary shares of Icycle Group respectively, representing the entire issued share capital of Icycle Group, to the Company. In consideration of the transfer, the Company allotted and issued 76 ordinary shares and 23 ordinary shares of the Company to Explorer Vantage and Hertford Global, respectively. All the shares in issue (including the first subscriber share held by Explorer Vantage) were credited as fully paid at par.

Following the above steps, the Company then became owned as to approximately 77% and 23% by Explorer Vantage and Hertford Global, respectively, and Icycle Group became the Company's direct wholly-owned subsidiary.

Pursuant to the Corporate Reorganisation, the Company became the holding company of the companies now comprising the Group on 16 November 2017. The Group is regarded as a continuing entity resulting from the Corporate Reorganisation since the insertion of the Company as the new holding company at the top of Icycle Group has no commercial substance and does not form a business combination and all companies in the Group are considered to be under common control of Ms. Bonnie Chan Woo. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting as if the Corporate Reorganisation had occurred as of the beginning of the earliest period presented and the current group structure had always been in existence.

The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2017 included the financial performance, changes in equity and cash flows of companies within the Group as if the current group structure had been in existence throughout the reporting periods, or since their dates of establishment, incorporation or acquisition, where applicable. The consolidated statement of financial position of the Group as at 31 December 2017 had been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective date of establishment, incorporation or acquisition, where applicable.

The assets and liabilities of the companies comprising the Group are consolidated using the existing book values. No amount was recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the Corporate Reorganisation.

All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 2. Group Reorganisation and Basis of Preparation and Presentation (Continued)

#### 2.2 Basis of preparation and presentation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements also comply with the applicable disclosure requirements of the Companies Ordinance and the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

The consolidated financial statements have been prepared on historical cost basis. The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions have been used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in Note 6 “Significant accounting judgements and estimates”.

### 3. Application of New and Revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs which were relevant to the Group and had become effective during the year. In preparing the consolidated financial statements, the Group has applied all these new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the accounting period beginning on 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contract with Customers and the related amendments
HK (IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

Except as disclosed in the summary of the impact of changes in accounting policies in Note 4, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

71

## 3. Application of New and Revised HKFRSs (Continued)

At the date when these consolidated financial statements are authorised for issue, the following new and amended HKFRSs have been issued but are not yet effective, and have not been applied early by the Group.

		Effective for annual reporting periods beginning on or after
HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures	1 January 2019*
HKAS 28 and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
HKFRS 16	Leases	1 January 2019
HK (IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
Amendments to HKFRS 15	Revenue from Contracts with Customers — Clarification to HKFRS 15	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

\* The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2018. The effective date has now been deferred. Early application of the amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it is concluded that the above new and revised HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for the following:

### HKFRS 16 “Leases”

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current standard.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 “Property, Plant and Equipment”, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 3. Application of New and Revised HKFRSs (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties and office equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead an increase in both assets and liabilities and to impact on the timing of the expense recognition in the profit or loss over the period of the lease. The total operating lease commitments of the Group in respect of leased properties and office equipment as at each of the reporting dates are set out in Note 24. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. The operating lease commitments as shown in off-balance sheet item will be replaced by "right-of-use assets" and "lease liabilities" in the consolidated statement of financial position of the Group.

The Group expects that the adoption of HKFRS 16 is unlikely to result in significant impact on the Group's consolidated financial statements but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

### 4. Summary of the Impact of Changes in Accounting Policies

This note explains the impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* on the consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are not applied or are different to those applied in prior periods. The Group has concluded not to restate the comparative figures based on the specific transitional provisions in HKFRS 9 and HKFRS 15.

The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	<b>31 December 2017 (Audited)</b>	<b>HKFRS 9</b>	<b>1 January 2018 (Restated)</b>
	HK\$'000	HK\$'000 (Note (i)(b))	HK\$'000
Trade and other receivables, deposits and prepayments	32,389	(184)	32,205
Total current assets	101,164	(184)	100,980
Reserves	79,082	(184)	78,898
Total equity	83,882	(184)	83,698

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

73

## 4. Summary of the Impact of Changes in Accounting Policies (Continued)

### (i) Application of HKFRS 9 *Financial Instruments*

HKFRS 9 and the amendments to HKFRS 9 have replaced HKAS 39 *Financial instruments: recognition and measurement*. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment under ECL model) to items that existed as of the date of initial application on a retrospective basis based on the facts and circumstances that existed as at 1 January 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of HKFRS 9 has been recognised as adjustments to the opening equity.

#### (a) Classification and measurement of financial assets

In general, HKFRS 9 categorises financial assets into the following three classification categories:

- amortised cost;
- fair value through other comprehensive income (“**FVTOCI**”); and
- fair value through profit or loss (“**FVTPL**”).

These classification categories are different from those set out in HKAS 39 which included available-for-sale financial assets, held-for-trading investments and loans and receivables. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Details about the Group’s accounting policies for its financial assets and financial liabilities are disclosed in Note 5 to the consolidated financial statements.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 5.4.

The following table shows a reconciliation from how the Group’s financial assets existed as of 1 January 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9:

	Old classification under HKAS 39	New classification under HKFRS 9	Carrying amount under HKAS 39 HK\$’000	Remeasurement HK\$’000	Carrying amount under HKFRS 9 HK\$’000
Trade and other receivables	Loans and receivables	Amortised cost	32,389	(184)	32,205



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 4. Summary of the Impact of Changes in Accounting Policies (Continued)

#### (i) Application of HKFRS 9 *Financial Instruments* (Continued)

##### (b) Impairment under ECL model

HKFRS 9 has introduced the “ECL model” to replace the “incurred loss” model under HKAS 39. The “ECL model” requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the “ECL model” to those financial assets that are subsequently measured at amortised cost (including trade and other receivables and cash and bank balances);

The following table is a reconciliation that shows how the closing loss allowance as at 31 December 2017 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 January 2018 determined in accordance with HKFRS 9:

	HK\$'000
Loss allowance recognised as at 31 December 2017 under HKAS 39	—
Additional loss allowance as a result of the application of the “ECL model” under HKFRS 9	
— Trade receivables	184
Loss allowance recognised as at 1 January 2018 under HKFRS 9	184

#### (ii) Application of HKFRS 15 *Revenue from Contracts with Customers*

The Group has adopted HKFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption, if any, was recognised in retained earnings as of 1 January 2018 and that comparatives will were not restated.

HKFRS 15 establishes a five-step model comprehensive framework for the recognition of revenue from contracts with customer: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. HKFRS 15 replaced HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group’s business model is straight forward and its contracts with customers for the provision of marketing production services include only single performance obligation. The Group has concluded that revenue from sale should be recognised at the point of time when a customer obtains control of goods or services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

75

## 4. Summary of the Impact of Changes in Accounting Policies (Continued)

### (ii) Application of HKFRS 15 Revenue from Contracts with Customers (Continued)

The Group assessed the impact of adopting HKFRS 15 on its consolidated financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue as the revenue recognition point is the same. Comparative information continues to be reported under HKAS 18.

Following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application (as at 1 January 2018):

	<b>Carrying amount as at 31 December 2017 under HKAS 18 (as previously stated)</b>	<b>Reclassification</b>	<b>Carrying amount as at 1 January 2018 under HKFRS 15</b>
	HK\$'000	HK\$'000	HK\$'000
Trade and other payables and accruals	19,385	(1,612)	17,773
Contract liabilities*	—	1,612	1,612

\* Contract liabilities recognised in relation to marketing production services were previously treated as receipts in advance from customers presented under trade and other payables and accruals.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 5. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

#### 5.1 Basis of consolidation and subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries comprising the Group for the reporting periods. As explained in Note 2.1 above, the Corporate Reorganisation is accounted for using merger basis of accounting for the year ended 31 December 2017.

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

#### 5.2 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual asset, as follows:-

Leasehold improvements	33% per annum, or over the term of the leases if shorter
Plant and machinery	33% per annum
Furniture, fixtures and office equipment	16% to 33% per annum

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of comprehensive income in the year when the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

77

## 5. Summary of Significant Accounting Policies (Continued)

### 5.3 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

#### Research and development expenditure

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

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

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

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to consolidated statement of comprehensive income in the period in which it is incurred.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

## 5. Summary of Significant Accounting Policies (Continued)

### 5.4 Financial instruments — initial recognition and subsequent measurement

Policy applicable from 1 January 2018

#### *Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. (All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

#### *Financial assets*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVTPL”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions) are set out in Note 4(i).

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

79

## 5. Summary of Significant Accounting Policies (Continued)

### 5.4 Financial instruments — initial recognition and subsequent measurement (Continued)

Policy applicable from 1 January 2018 (Continued)

#### *Financial assets (Continued)*

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that is required to be measured at amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### *Expected credit losses*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and amounts due from related companies).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 5. Summary of Significant Accounting Policies (Continued)

#### 5.4 Financial instruments — initial recognition and subsequent measurement (Continued)

Policy applicable from 1 January 2018 (Continued)

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forward-looking information.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Allowances for ECLs on trade receivables are based on management's estimate of the lifetime ECLs to be incurred, which are estimated by taking into account the credit losses experience, ageing of the trade receivables, customers' settlement records, customers' financial status, expected timing and amount of realisation of outstanding balances, and ongoing business relationships with customers. Management also considered forward-looking information that may impact the customers' abilities to repay the outstanding balances in order to estimate the allowances for ECLs on trade receivables.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

##### Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

81

## 5. Summary of Significant Accounting Policies (Continued)

### 5.4 Financial instruments — initial recognition and subsequent measurement (Continued)

Policy applicable from 1 January 2018 (Continued)

#### *Measurement of ECLs (continued)*

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations;
- past due information.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

#### Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to repay, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 5. Summary of Significant Accounting Policies (Continued)

#### 5.4 Financial instruments — initial recognition and subsequent measurement (Continued)

*Policy applicable from 1 January 2018 (Continued)*

##### *Measurement of ECLs (continued)*

Significant increase in credit risk (continued)

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties 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 into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Derecognition of financial assets

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

*Policy applicable prior to 1 January 2018*

The Group's financial assets including trade and other receivables, deposits, amounts due from related companies and cash and cash equivalents are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period, subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Group will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. The loss arising from impairment is recognised in the consolidated statement of comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

83

## 5. Summary of Significant Accounting Policies (Continued)

### 5.4 Financial instruments — initial recognition and subsequent measurement (Continued)

#### Policy applicable prior to 1 January 2018 (Continued)

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

#### *Financial liabilities*

#### Policy applicable for both periods

The Group's financial liabilities include trade and other payables and accruals. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value, net of transactions costs incurred and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

On derecognition of a financial liability measured at amortised cost, the difference between the liability's carrying amount and the sum of the consideration paid and payable is recognised in profit or loss.

### 5.5 Impairment of non-financial assets

Where an indication of impairment exists (other than inventories), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the consolidated statement of comprehensive income in the year in which it arises.

### 5.6 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 5. Summary of Significant Accounting Policies (Continued)

#### 5.6 Leased assets (Continued)

##### Operating lease charges

Where the Group has use of assets held under operating leases, payments made under the leases are charged to the 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 assets. Lease incentives received are recognised in the consolidated statement of comprehensive income as an integral part of the aggregate net lease payments made. Contingent rentals, if any, are charged to the profits or loss in the accounting period in which they are incurred.

#### 5.7 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, time deposits and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

#### 5.8 Inventories

Inventories, which consist of finished goods, are stated at the lower of cost and net realisable value. Cost is determined using first-in, first-out basis and includes 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 realisable 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.

#### 5.9 Revenue recognition

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions) are set out in Note 4(ii).

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

85

## 5. Summary of Significant Accounting Policies (Continued)

### 5.9 Revenue recognition (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

The control of the good or service is passed to customers when it is delivered to them. Thus, the Group satisfies a performance obligation and recognises revenue when the distinct good or service is delivered to the customers.

The timing of revenue recognition of the performance obligation is recognised at point in time as they do not meet any of the three situations identified under HKFRS 15 for revenue recognition over time.

Further details of the Group's revenue and other income recognition policies are as follows:

- (i) Revenue from provision of marketing production services

Revenue is recognised when the control of the end products is transferred to the customers. The Group's performance does not create an asset with an alternative use to the Group and the Group does not have an enforceable right to payment for performance completed to date.

In the comparative period, revenue is recognised when the services are performed to the satisfaction of the customers, which is evidenced when the end products created by these services are delivered to the satisfaction of the customers.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 5. Summary of Significant Accounting Policies (Continued)

#### 5.9 Revenue recognition (Continued)

- (ii) Income from sales of paper products and calligraphy stationery

Revenue is recognised when the control of the paper products and calligraphy stationery goods are considered to have been transferred to the customer.

In the comparative period, revenue is recognised on the transfer of risk and rewards of ownership, which is at the time of delivery and the title is passed to customer.

- (iii) Income from provision of art and calligraphy workshop and administrative service income

Revenue is recognised when the services are performed.

- (iv) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

#### 5.10 Income taxes

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:-

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in a subsidiary, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

87

## 5. Summary of Significant Accounting Policies (Continued)

### 5.10 Income taxes (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investment in a subsidiary, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### 5.11 Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item. The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollars.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 5. Summary of Significant Accounting Policies (Continued)

#### 5.11 Foreign currency translation (Continued)

As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their income and expense items are translated into HK\$ at the weighted average exchange rates for the year.

The resulting exchange differences are recorded in other comprehensive income and the cumulative balance is included in translation reserve in the consolidated statement of changes in equity.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK\$ at the weighted average exchange rates for the year.

#### 5.12 Employee benefits

(i) **Short-term employee benefits**

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(ii) **Defined contribution retirement plan obligations**

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiary within the Group which operates in the PRC (excluding Hong Kong, Taiwan and Macau) are required to participate in the central pension scheme operated by the local municipal government. The PRC subsidiary is required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

There were no forfeited contributions utilised by the Group to reduce existing level of contributions for each of the years.

(iii) **Employee long service payment**

The provision for long service payment is provided based on the employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

89

## 5. Summary of Significant Accounting Policies (Continued)

### 5.12 Employee benefits (Continued)

#### (iv) Share-based payments

The fair value of share options granted to employees is recognised as employee benefits with a corresponding increase in equity. The fair value is measured at grant date taking into account the terms and market conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the 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 that is 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 equity. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to equity). The equity amount is recognised until either the option is exercised (when it is transferred to share capital and share premium accounts) or the option expires (when it is released directly to retained earnings).

### 5.13 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, which will probably result in an outflow of economic benefits that can be reasonably estimated.

When 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, the existence of which 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.

### 5.14 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 key management personnel of the Group or the Company's parent;



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 5. Summary of Significant Accounting Policies (Continued)

#### 5.14 Related parties (Continued)

- (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;
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) both entities are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (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 parent of the Company.

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.

#### 5.15 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive director of the Company for her decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive director are determined following the Group's major operations.

The measurement policies of the Group use for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

91

## 6. Significant Accounting Judgements and Estimates

The preparation of the consolidated financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

### (i) Revenue recognition

The principal activities of the Group are provision of marketing production services for the production of branding materials and contents, gearing towards connecting the consumer markets to the brands. The services encompass a wide spectrum of coverage, including concept development, art and design, design engineering, sourcing, production, quality control, overall project management and consultancy services.

The end products created by the services provided are unique, specified to each customer and involved high personal preference. The directors of the Company consider that revenue is recognised when the control of the end products is transferred to the customers and such revenue is recognised at a point of time. The Group's performance does not create an asset with an alternative use to the Group and the Group does not have an enforceable right to payment for performance completed to date.

### (ii) Loss allowance for trade receivables

The Group estimates the loss allowances for trade receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables during their expected lives.

### (iii) Estimated impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that non-financial assets with definite lives may be impaired. If any such indication exists, the Group estimates the recoverable amount of the assets in accordance with the accounting policy stated in Note 5.5. In assessing whether there is any indication that non-financial assets may be impaired, the Group considers indications from both internal and external sources of information such as evidence of obsolescence or decline in economic performance of the assets, changes in market conditions and economic environment. These assessments are subjective and require management's judgements and estimations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 6. Significant Accounting Judgements and Estimates (Continued)

#### (iv) Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual values. The Group reviews the estimated useful lives of the assets regularly. The estimated useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

#### (v) Provision for income taxes

The Group is subject to income taxes in jurisdictions in which the group entities operate. Significant judgement is required in determining the tax liabilities to be recognised. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. The Group believes that its provision for tax is adequate for the reporting periods based on its assessment of many factors including past experience and interpretations of tax law. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

### 7. Revenue and Segment Information

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive director of the Company, who is the chief operating decision maker, in order to allocate resources and assess performance of the segment. During the year, the executive director of the Company regularly reviewed the consolidated financial position, revenue from provision of marketing production services and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group as a whole.

Therefore, the executive director of the Company considers the Group as one single operating segment during the year which is provision of marketing production services. This operating segment comprises three service categories including (a) physical media production and management; (b) digital media production and brand integration; and (c) business strategy and development. The following table sets forth the breakdown of the Group's revenue by service category during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

93

### 7. Revenue and Segment Information (Continued)

	2018 HK\$'000	2017 HK\$'000
Physical media production and management		
— Printing, packaging and sourcing	78,390	78,424
— Visual merchandising, retail displays and venue decoration	2,397	3,805
	80,787	82,229
Digital media production and brand integration	7,184	6,423
Business strategy and development	3,507	5,289
	91,478	93,941

#### Geographical information

The Company is an investment holding company and the principal place of the Group's operation is mainly in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its country of domicile.

As at 31 December 2018 and 2017, non-current assets are mainly located in Hong Kong.

Revenue by geographical location of customers, which is based on the principal place of the customers' operation, is set out below:

	2018 HK\$'000	2017 HK\$'000
Hong Kong	82,541	85,981
The PRC	6,458	2,075
Others	2,479	5,885
	91,478	93,941

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 7. Revenue and Segment Information (Continued)

#### Information about major customers

The Group had transactions with the following customers, which contributed more than 10% of the Group's revenue for the year:

	2018 HK\$'000	2017 HK\$'000
Customer A	21,109	22,850
Customer B	22,630	24,118
Customer C	13,380	N/A*

\* The corresponding revenue did not contribute more than 10% of the Group's revenue for the year ended 31 December 2017.

### 8. Other Income and Gains

An analysis of the Group's other income and gains for the years is as follows:

	2018 HK\$'000	2017 HK\$'000
Administrative service income	60	96
Income from sales of paper products and calligraphy stationery	159	306
Income from provision of art and calligraphy workshop	305	244
Interest income	846	23
Net exchange gain	—	105
Sundry income	18	10
	<b>1,388</b>	<b>784</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

95

### 9. Profit/(Loss) before Tax

Profit/(loss) before income tax is arrived at after charging/(crediting):

	2018 HK\$'000	2017 HK\$'000
Amortisation of intangible assets	251	651
Auditor's remuneration		
— Audit services	440	420
— Non-audit services (Note)	—	868
Cost of inventories sold	23	17
Depreciation of property, plant and equipment	1,287	963
Allowance for ECLs on trade receivables	20	—
Impairment losses on inventories	312	—
Loss on written-off of property, plant and equipment	37	—
Minimum lease payments under operating lease charges for:		
— properties	5,133	3,791
— office equipment	1,487	1,357
Contingent rents for office equipment	165	280
Net exchange loss/(gain)	69	(105)
Employee benefits expenses (including directors' remuneration (Note 10(a)))		
— Salaries, allowances and benefits in kind	18,105	16,961
— Discretionary bonus	62	1,053
— Retirement benefit scheme contributions	809	731
	<b>18,976</b>	<b>18,745</b>

Note: Non-audit services represented the services provided by the Company's auditor for acting as the reporting accountants of the Company for the Listing. The amount represented part of the services' fee amounting to HK\$1,200,000 for acting as the reporting accountants, which were expensed in the profit or loss for the year ended 31 December 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 10. Emoluments of Directors, Chief Executive, Five Highest Paid Individuals and Senior Management

#### (a) Directors and chief executive emoluments

Pursuant to the GEM Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, details of emoluments paid by the entities comprising the Group to the directors of the Company are as follows:

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000 (Note (i))	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 December 2018</b>				
Executive director				
Ms. Bonnie Chan Woo (Note (ii))	—	1,200	18	1,218
Non-executive director				
Mr. Chow Sai Yiu Evan (Note (ii))	—	—	—	—
Independent Non-executive director				
Mr. Hung Alan Hing Lun (Note (ii))	120	—	—	120
Mr. Ip Arnold Tin Chee (Note (ii))	120	—	—	120
Mr. Man Ka Ho Donald (Note (ii))	120	—	—	120
	<b>360</b>	<b>1,200</b>	<b>18</b>	<b>1,578</b>
<b>Year ended 31 December 2017</b>				
Executive director				
Ms. Bonnie Chan Woo (Note (ii))	—	480	18	498
Non-executive director				
Mr. Chow Sai Yiu Evan (Note (ii))	—	—	—	—
Independent Non-executive director				
Mr. Hung Alan Hing Lun (Note (ii))	89	—	—	89
Mr. Ip Arnold Tin Chee (Note (ii))	8	—	—	8
Mr. Man Ka Ho Donald (Note (ii))	8	—	—	8
	<b>105</b>	<b>480</b>	<b>18</b>	<b>603</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

97

## 10. Emoluments of Directors, Chief Executive, Five Highest Paid Individuals and Senior Management (Continued)

### (a) Directors and chief executive emoluments (Continued)

Notes:

- (i) Salaries, allowances and benefits in kind are generally emoluments paid in respect of the directors' other services in connection with the management of the affairs of the subsidiaries of the Company.
- (ii) Ms. Bonnie Chan Woo and Mr. Chow Sai Yiu Evan were appointed as an executive director and a non-executive director of the Company on 20 January 2017, respectively. Mr. Hung Alan Hing Lun was appointed as an independent non-executive director of the Company on 3 April 2017. Mr. Ip Arnold Tin Chee and Mr. Man Ka Ho Donald were appointed as independent non-executive directors of the Company on 16 November 2017.

The Company did not have any executive directors, non-executive directors and independent non-executive directors at any time before 20 January 2017 since the Company was only incorporated on 20 January 2017.

The emoluments shown above represent emoluments received or receivable from the Group by these directors in their capacity as directors of companies comprising the Group during the year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

During the year ended 31 December 2018, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2017: Nil).

### (b) Five highest paid individuals' emoluments

The emoluments of the five highest paid individuals for the year, one of them is a director of the Company (2017: Nil), are analysed below:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	3,867	2,806
Discretionary bonus	4	401
Retirement benefit scheme contributions	89	84
	3,960	3,291

The emoluments of the non-director highest paid individuals are within the following bands:

	2018	2017
Nil to HK\$1,000,000	4	5

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2017: Nil).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 10. Emoluments of Directors, Chief Executive, Five Highest Paid Individuals and Senior Management (Continued)

#### (c) Senior management emoluments

The number of senior management (excluding the directors of the Company) whose remuneration fell within the following band is as follows:

	2018	2017
Nil to HK\$1,000,000	6	6

### 11. Income Tax Expense

	2018 HK\$'000	2017 HK\$'000
Income tax expense comprise:		
Hong Kong Profits Tax		
— current tax for the year	379	1,935
— under/(over)-provision in prior years	11	(3)
	390	1,932
Other jurisdictions		
— current tax for the year	92	130
— under-provision in prior years	—	93
	92	223
Income tax expense	482	2,155

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

99

## 11. Income Tax Expense (Continued)

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 operated.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax under these jurisdictions during the year (2017: Nil).

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year, taking into account the tax concession granted by the Hong Kong Special Administrative Region Government for the years.

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the subsidiary in the PRC is subject to the tax rate of 25% (2017: 25%) on the estimated assessable profits during the year.

Pursuant to the EIT Law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profits earned after 1 January 2008. As at 31 December 2018, temporary withholding tax differences relating to the undistributed profits of the PRC subsidiary amounted to approximately HK\$1,072,000 (2017: HK\$472,000). Deferred tax liabilities amounted to approximately HK\$54,000 (2017: HK\$24,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company is in a position to controls the dividend policy of the PRC subsidiary and it has been determined that it is probable that undistributed profits of the PRC subsidiary will not be distributed in the foreseeable future.

The income tax expense for the year can be reconciled to the profit/(loss) before income tax per the consolidated statement of comprehensive income as follows:

	2018 HK\$'000	2017 HK\$'000
Profit/(loss) before income tax	3,266	(192)
Tax calculated at the rates applicable to profit/(loss) before income tax in the tax jurisdiction concerned	557	2,115
Tax effect of non-taxable income	(1)	(21)
Tax effect of non-deductible expenses	66	119
Under-provision in prior years	11	90
Others	(151)	(148)
Income tax expense	482	2,155

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 12. Dividends

#### (a) Dividends payable to the owners of the Company attributable to the year

At a meeting held on 20 March 2019, the Directors proposed a final dividend of HK0.15 cent per ordinary share of the Company, totaling HK\$720,000, for the year ended 31 December 2018, subject to the approval of the shareholders of the Company at the annual general meeting to be held on 19 June 2019. This proposed final dividend has not been provided in the consolidated financial statements during the year, but will be distributed out of share premium during the year ending 31 December 2019.

#### (b) Dividends paid to the then owners of the subsidiary of the Group prior to the Listing

	2018 HK\$'000	2017 HK\$'000
Interim dividends	—	14,999

Other than the above interim dividends paid or declared by the Company's subsidiary, Icicle Group, no dividend was paid or declared by the Company since its incorporation.

During the year ended 31 December 2017, interim dividends of HK\$14,999,000, representing dividends paid by the Company's subsidiary, Icicle Group, to its then owners for the year ended 31 December 2017, were approved by the written resolution of directors dated 30 March 2017.

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

### 13. Earnings/(Loss) Per Share

The calculations of basic earnings/(loss) per share are based on the profit of approximately HK\$2,784,000 (2017: loss of approximately HK\$2,347,000) for the year attributable to the owners of the Company and the weighted average of 480,000,000 (2017: 367,890,411) shares in issue during the year.

The weighted average number of shares used to calculate the basic loss per share for the year ended 31 December 2017 included the weighted average effect of 120,000,000 shares issued upon the share offering of the Company's shares on 8 December 2017, in addition to the 360,000,000 shares issued immediately prior to the Listing of the Company's shares on GEM as if the shares had been in issue throughout the year ended 31 December 2016.

Diluted earnings/(loss) per share were same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during the years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

101

## 14. Property, Plant and Equipment

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1 January 2017	2,696	323	2,974	5,993
Additions	998	308	543	1,849
Disposals	—	—	(16)	(16)
Exchange realignment	—	—	2	2
At 31 December 2017 and 1 January 2018	3,694	631	3,503	7,828
Additions	912	47	479	1,438
Write-off	(2,694)	(11)	(2,391)	(5,096)
Exchange realignment	—	—	1	1
<b>At 31 December 2018</b>	<b>1,912</b>	<b>667</b>	<b>1,592</b>	<b>4,171</b>
<b>Accumulated depreciation</b>				
At 1 January 2017	2,075	272	2,594	4,941
Charge for the year	576	70	317	963
Elimination on disposal	—	—	(16)	(16)
Exchange realignment	—	—	—	—
At 31 December 2017 and 1 January 2018	2,651	342	2,895	5,888
Charge for the year	760	132	395	1,287
Elimination on write-off	(2,693)	(11)	(2,355)	(5,059)
Exchange realignment	—	—	1	1
<b>At 31 December 2018</b>	<b>718</b>	<b>463</b>	<b>936</b>	<b>2,117</b>
<b>Net carrying amount</b>				
At 31 December 2018	1,194	204	656	2,054
At 31 December 2017	1,043	289	608	1,940

As at 31 December 2018, certain items of property, plant and equipment were fully depreciated but are still in use, the gross carrying amounts before deducting accumulated depreciation of those assets amounted to approximately HK\$729,000 (2017: HK\$4,209,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 15. Intangible Assets

	Computer software HK\$'000
<b>Cost</b>	
At 1 January 2017	3,660
Additions	73
At 31 December 2017 and 1 January 2018	3,733
Additions	37
Write-off	(826)
<b>At 31 December 2018</b>	<b>2,944</b>
<b>Accumulated amortisation</b>	
At 1 January 2017	2,725
Charge for the year	651
At 31 December 2017 and 1 January 2018	3,376
Charge for the year	251
Elimination on write-off	(826)
<b>At 31 December 2018</b>	<b>2,801</b>
<b>Net carrying amount</b>	
<b>At 31 December 2018</b>	<b>143</b>
At 31 December 2017	357

Intangible assets represent (i) computer software acquired; and (ii) direct costs incurred in the development of new computer software by the Group.

Intangible assets are amortised on straight line basis over their estimated useful lives of 3 to 5 years.

At 31 December 2018, the management considers there are no indication of impairment on the intangible assets (2017: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

103

## 16. Inventories

	2018 HK\$'000	2017 HK\$'000
Paper products and calligraphy stationery	—	335

## 17. Trade and Other Receivables, Deposits and Prepayments

	2018 HK\$'000	2017 HK\$'000
Trade receivables (Note)	27,976	28,829
Rental and other deposits	1,865	2,525
Prepayments	892	860
Other receivables	362	175
	31,095	32,389

Note:

Movements in allowance for ECLs on trade receivables were as follow:

	2018 HK\$'000
As at 1 January	184
Allowance for ECLs made during the year	20
As at 31 December	204

Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise ECLs on trade receivables. Details are set out in Note 4(i)(b).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 17. Trade and Other Receivables, Deposits and Prepayments (Continued)

The credit period for trade receivables granted to its customers is generally ranging from 30 to 60 days (2017: 30 to 60 days) from the date of billing for the year. The ageing analysis of the trade receivables, net of allowance for ECLs, based on due date is as follows:-

	2018 HK\$'000	2017 HK\$'000
Neither past due nor impaired	6,247	9,645
Less than 1 month past due	9,098	7,112
Over 1 month but less than 3 months past due	9,957	7,623
Over 3 months but less than 1 year past due	2,741	4,317
Over 1 year past due	137	132
Less: allowance for ECLs	(204)	—
	<b>27,976</b>	<b>28,829</b>

The ageing analysis of the trade receivables, net of allowance for ECLs, based on invoice date is as follows:

	2018 HK\$'000	2017 HK\$'000
Within 1 month	8,179	11,330
Over 1 month but less than 3 months	13,875	12,380
Over 3 months but less than 1 year	5,925	4,987
Over 1 year	201	132
Less: allowance for ECLs	(204)	—
	<b>27,976</b>	<b>28,829</b>

### 18. Amounts Due from Related Companies

The related companies represent entities of Explorer Vantage, the ultimate holding company, spouse of Ms. Bonnie Chan Woo, an executive director of the Company, and/or Mr. Chow Sai Yiu Evan, a non-executive director of the Company, are the beneficial owners and controlling members.

The amounts due from related companies are trade in nature, unsecured, interest-free and have credit period of 30 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

105

## 19. Time Deposits and Cash and Bank Balances

Time deposits represent fixed deposits with original maturity more than three months. Cash and cash equivalents represents bank balances and cash in hand.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2018, the Group has time deposits and cash and bank balance denominated in RMB amounting to approximately HK\$6,294,000 (2017: HK\$7,527,000) and were kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

During the year ended 31 December 2018, the Group entered into a bank facility letter with a bank for a maximum facility of HK\$10,000,000 (the "Bank Facility"). Any utilisation of the Bank Facility requires pledge of bank deposit of 40%. As at 31 December 2018, the Group did not utilise any Bank Facility. As at 31 December 2017, the Group's cash and cash equivalents of approximately HK\$1,323,000 were deposited in an account for general banking facility of the Group but such general banking facility was not utilised by the Group as at 31 December 2017 and was cancelled by the Group during the year ended 31 December 2018.

As at 31 December 2018, time deposits denominated in HK\$ of approximately HK\$53,278,000 (2017: Nil) and in RMB of approximately HK\$3,417,000 (2017: Nil) with original maturity more than three months, carry average interest rate at 1.83% per annum.

## 20. Trade and Other Payables and Accruals

	2018 HK\$'000	2017 HK\$'000
Trade payables (Note (i))	11,466	11,080
Accruals (Note (ii))	2,086	5,447
Contract liabilities (Note (iii))	1,616	—
Other payables	1,782	1,246
Receipts in advance	—	1,612
	16,950	19,385



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 20. Trade and Other Payables and Accruals (Continued)

Notes:

- (i) The credit period granted by suppliers of the Group is generally ranging from 30 to 90 days (2017: 30 to 90 days). The ageing analysis of the trade payables based on invoice date is as follows:

	2018 HK\$'000	2017 HK\$'000
Within 1 month	5,055	5,673
Over 1 month but less than 3 months	6,220	4,927
Over 3 months but less than 1 year	191	479
Over 1 year	—	1
	<b>11,466</b>	<b>11,080</b>

- (ii) As at 31 December 2017, accruals for listing expenses amounting to approximately HK\$2,002,000 were included in accruals. As at 31 December 2018, accrued employee benefits expenses amounting to approximately HK\$150,000 (2017: HK\$1,042,000) and rental payable amounting to approximately HK\$1,219,000 (2017: HK\$921,000) were included in accruals.
- (iii) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. As a result of initial application of HKFRS 15, contract liabilities, including receipts in advance from customers, as at 31 December 2018 are separately presented under trade and other payables and accruals. Details are set out in Note 4(ii).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

107

## 21. Share Capital

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 20 January 2017 (date of incorporation of the Company) (Note (a))	38,000,000	380
Increase in authorised share capital on 16 November 2017 (Note (b))	962,000,000	9,620
<b>At 31 December 2017, 1 January 2018 and 31 December 2018</b>	<b>1,000,000,000</b>	<b>10,000</b>
Issued and fully paid:		
At 20 January 2017 (date of incorporation of the Company)	—	—
Issue of share upon incorporation (Note (a))	1	—*
Issue of shares arising from the Corporate Reorganisation (Note (c))	99	—*
Capitalisation issue of shares (Note (d))	359,999,900	3,600
Issue of shares upon share offering (Note (e))	120,000,000	1,200
<b>At 31 December 2017, 1 January 2018 and 31 December 2018</b>	<b>480,000,000</b>	<b>4,800</b>

\* Less than HK\$1,000

Notes:

- (a) On 20 January 2017, the Company was incorporated in the Cayman Islands with authorised share capital of HK\$380,000 divided into 38,000,000 shares of par value of HK\$0.01 each. On the date of incorporation, 1 share of the Company was allotted and issued at HK\$0.01 to the initial subscriber, who then immediately transferred such share to Explorer Vantage.
- (b) Pursuant to a resolution made at the meeting of the Board of Directors held on 16 November 2017, the authorised share capital was increased from HK\$380,000 to HK\$10,000,000 by creation of an additional 962,000,000 ordinary shares of par value of HK\$0.01 each.
- (c) On 16 November 2017, the Company acquired the entire issued share capital of Icycle Group from Explorer Vantage and Hertford Global (Note 2.1). In exchange, the Company allotted and issued 76 and 23 ordinary shares to Explorer Vantage and Hertford Global respectively.
- (d) Pursuant to a resolution made at the meeting of the Board of Directors held on 16 November 2017, 359,999,900 ordinary shares were allotted and issued at par value of HK\$0.01 each to Explorer Vantage and Hertford Global as fully paid at par, on a pro rata basis, by way of capitalisation of the sum of HK\$3,600,000 debited to the share premium account.
- (e) Pursuant to the share offering on 8 December 2017, 120,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.55 per share for a total consideration (before listing expenses) of HK\$66,000,000. Accordingly, the Company's share capital increased by HK\$1,200,000 and the balance of the proceeds of approximately HK\$57,451,000, after deducting the listing expenses of approximately HK\$7,349,000, was credited to the share premium account.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 22. Reserves

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity.

#### Share premium

The share premium account of the Group includes the premium arising from the issue of new shares pursuant to the share offering net of listing expenses.

#### Capital reserve

The capital reserve represents the difference between the nominal value of the share capital of subsidiaries acquired by Icycle Group in prior years and the consideration paid to the then shareholders of those subsidiaries.

#### Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation whose functional currencies are different from that of the Company's functional currency.

### 23. Equity-settled Share-based Payments

Icycle Group adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") on 4 March 2014 for the purpose of providing incentive or rewards to the eligible participants of Icycle Group and its subsidiaries (collectively, the "IG Group") who contribute to the success of the Group's operations.

The Pre-IPO Share Option Scheme is ending on the date falling 10 years from the date of adoption.

The subscription price, shall, subject to any adjustments made pursuant to the terms of the Pre-IPO Share Option Scheme, be a price determined by the directors of Icycle Group and shall not be less than the nominal value of a share of Icycle Group. The maximum number of shares granted and to be granted under the Pre-IPO Share Option Scheme shall not in aggregate exceed 15% of the issued share capital of Icycle Group on 14 March 2014.

The total number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme are 224 shares and 309 shares which were granted on 30 April 2014 and 4 February 2015 respectively with the subscription price of US\$0.01 per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

109

## 23. Equity-settled Share-based Payments (Continued)

Each option granted under the Pre-IPO Share Option Scheme has a vesting period and vesting condition as detailed below:

Options granted to the grantees	Number of options	Vesting condition	Vesting period
— On 30 April 2014	224	IG Group achieved minimum of 75% of HK\$132,000,000 in revenue and HK\$12,000,000 in earnings before interest expenses, taxation, depreciation and amortisation ("EBITDA") for the year ended 31 December 2014, options would be vested in proportion to the percentage of actual EBITDA performed to the EBITDA target.	One third of the total number of options on 1 January 2015, 2016 and 2017
— On 4 February 2015	309	IG Group achieved minimum of 90% of HK\$126,000,000 in revenue and HK\$14,000,000 in EBITDA for the year ended 31 December 2015, options would be vested in proportion to the percentage of actual EBITDA performed to the EBITDA target.	One third of the total number of options on 1 April 2016, 1 January 2017 and 2018

According to the terms and conditions of the share options granted above, the share options should vest when IG Group is able to achieve certain performance target for the years ended 31 December 2014 and 2015 and service condition. On and subsequent to the date of grant, in the opinion of the directors of Icicle Group, after considering the performance of IG Group, no equity-settled share-based payment expense is recognised as the likelihood of IG Group able to achieve the performance target is not probable. On 16 March 2017, the grantees signed cancellation letters, agreed to cancel all share options held by them. Pursuant to the written resolution of directors and then shareholders of Icicle Group on 16 March 2017, the directors and then shareholders of Icicle Group agreed to terminate the Pre-IPO Share Option Scheme.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 23. Equity-settled Share-based Payments (Continued)

The number and exercise prices of the share options are as follows:

Type of grantee	Date of grant	Exercisable period	Exercise price	Number of options			
				Balance at 1 January 2017	Granted during the year	Cancelled during the year	Balance at 31 December 2017
<b>Executive director</b>							
Ms. Bonnie Chan Woo	30 April 2014	30 April 2014 to 29 April 2024	US\$0.01	112	—	(112)	—
	4 February 2015	4 February 2015 to 3 February 2025	US\$0.01	103	—	(103)	—
				215	—	(215)	—
Employees	4 February 2015	4 February 2015 to 3 February 2025	US\$0.01	103	—	(103)	—
				318	—	(318)	—

During the year ended 31 December 2018, no share option was granted, exercised or cancelled under the Pre-IPO Share Option Scheme.

### 24. Operating Lease Commitments

At the end of the reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018		2017	
	Properties HK\$'000	Office equipment HK\$'000	Properties HK\$'000	Office equipment HK\$'000
Within 1 year	5,264	1,555	3,616	1,028
Over 1 year but less than 5 years	6,339	4,404	8,074	1,476
Over 5 years	—	159	—	—
	11,603	6,118	11,690	2,504

The Group rents a number of properties and office equipment under operating leases. The agreements run for an initial period of three months to six years. Certain agreements include the term of extension option. For the operating lease of the office equipment, contingent rent was charged by the lessors if the usage of the office equipment exceeded the predetermined levels as agreed under the rental agreements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

111

## 25. Related Party Transactions

Other than disclosed elsewhere in the consolidated financial statements, the Group has the following transactions with its related parties in the normal course of its business and mutually agreed between both parties:

	2018 HK\$'000	2017 HK\$'000
Revenue from provision of marketing production services to celebratethemakers Limited ("CTM") (Note (a))	—	103
Revenue from provision of marketing production services to NewspaperDirect Limited (Note (b))	338	482
Revenue from provision of marketing production services to MCL Financial Group Limited (Note (c))	31	17
Revenue from provision of marketing production services to Woo Hon Fai Holdings Limited (Note (d))	7	—
Revenue from provision of marketing production services to close family members of Ms. Bonnie Chan Woo	44	135
Revenue from provision of marketing production services to Ms. Bonnie Chan Woo	—	1
Revenue from provision of marketing production services to Studio SV Limited (Note (e))	5	2,191
Acquisition of property, plant and equipment from CTM (Note (a))	—	51
Acquisition of intangible assets from CTM (Note (a))	—	23
Purchase of paper products and calligraphy stationery from CTM (Note (a))	—	352
Administrative service income received from CTM (Note (a))	—	88
Administrative service income received from NewspaperDirect Limited (Note (b))	60	8

Notes:

- (a) Spouse of Ms. Bonnie Chan Woo, an executive director of the Company, is the controlling member and one of the beneficial owners of this related company, and Mr. Chow Sai Yiu Evan, a non-executive director of the Company, is also one of the beneficial owners of this related company.
- (b) Spouse of Ms. Bonnie Chan Woo, an executive director of the Company, is the controlling member and one of the beneficial owner of this related company.
- (c) Mr. Chow Sai Yiu Evan, a non-executive director of the Company, is the controlling shareholder and the beneficial owner of this related company.
- (d) Spouse of Ms. Bonnie Chan Woo, an executive director of the Company, is one of the directors of this related company.
- (e) Explorer Vantage, the ultimate holding company of the Company, is one of the beneficial owner of this related company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 25. Related Party Transactions (Continued)

#### Compensation of key management personnel

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the directors of the Company. Key management personnel's remuneration is as follows:

	2018 HK\$'000	2017 HK\$'000
Directors' fee	360	105
Salaries, allowances and benefits in kind	4,616	3,538
Discretionary bonus	13	353
Retirement benefit scheme contributions	126	111
	5,115	4,107

### 26. Financial Risk Management and Fair Values of Financial Instruments

The Group is exposed to a variety of risks including foreign currency risk, credit risk and liquidity risk through its use of financial instruments in its ordinary course of operations.

The Group does not have any written risk management policies and guidelines. The directors of the Company monitor the financial risk management and take such measures as considered necessary from time to time to minimise such financial risks.

#### (a) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk related primarily to the operations giving rise to bank balances that are denominated in US\$, British Pound ("GBP") and RMB. The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's net financial assets denominated in a currency other than functional currency of the respective group entities at the end of each year are as follows:

	2018 HK\$'000	2017 HK\$'000
Overall net exposure		
US\$	8,830	3,524
GBP	180	60
RMB	11	5

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

113

## 26. Financial Risk Management and Fair Values of Financial Instruments (Continued)

### (a) Foreign currency risk (Continued)

Since HK\$ is pegged to US\$, the relevant foreign currency risk is minimal. Accordingly, their fluctuation is excluded from the sensitivity analysis.

As the Group does not have significant exposure to foreign currency risk, the Group's income and operating cash flows are substantially independent of changes in foreign currency exchange rates.

### (b) Credit risk and impairment assessment

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Bank balances of the Group are held with financial institutions of good standing. The carrying amount of trade and other receivables and amounts due from related companies represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk.

The Group does not provide any other guarantees which would expose the Group to credit risk. In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not obtain collateral from customers.

The Group's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 28% (2017: 36%) and 77% (2017: 66%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

There was no material impact on trade receivables for the initial application of the new impairment requirements under HKFRS 9.

#### Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group has evaluation procedures to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: Incurred loss model) on trade receivable balances. In this regard, the directors of the Company consider that the Group's credit risk has significantly reduced.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 26. Financial Risk Management and Fair Values of Financial Instruments (Continued)

#### (c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and accruals and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The maturity profile of the Group's non-derivative financial liabilities at each reporting period, based on the contracted undiscounted payments, is as follows:

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000
As at 31 December 2018			
Trade and other payables and accruals	14,928	14,928	14,928
As at 31 December 2017			
Trade and other payables and accruals	17,362	17,362	17,362

#### (d) Fair values of financial instruments

All financial assets and liabilities are carried at amount not materially different from their fair values as at 31 December 2018 and 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

115

## 27. Financial Instruments by Category

	2018 HK\$'000	2017 HK\$'000
<b>Financial assets</b>		
Financial assets measured at amortised cost		
— Trade and other receivables and deposits	30,203	31,529
— Amounts due from related companies	417	2,145
— Time deposits and cash and bank balances	68,406	65,939
	99,026	99,613
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost		
Trade and other payables and accruals	14,928	17,362

## 28. Capital Risk Management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and benefits for other stakeholders to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debts. No changes in the objectives, policies or processes for managing capital were made during the year.

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising share capital and reserves disclosed in the consolidated statement of changes in equity.

## 29. Immediate Holding Company and Ultimate Holding Company

Before the Corporate Reorganisation described in Note 2.1, in the opinion of the directors of the Company, the ultimate holding company is Gooseberries Limited, a company incorporated in Hong Kong. Immediately after the Corporate Reorganisation, in the opinion of the directors of the Company, the ultimate holding company is changed to Explorer Vantage, a company incorporated in the BVI. Ms. Bonnie Chan Woo, being the major shareholder of Gooseberries Limited and Explorer Vantage, is the ultimate controlling shareholder during the years ended 31 December 2018 and 2017 and before and after the Corporate Reorganisation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

### 30. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the year is as follows:

	2018 HK\$'000	2017 HK\$'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	21,643	21,643
<b>Current assets</b>		
Prepayments and other receivables	367	494
Amounts due from a subsidiary	—	14,092
Time deposits and cash and bank balances	53,487	47,870
	53,854	62,456
<b>Current liabilities</b>		
Accruals	144	—
Amounts due to subsidiaries	8,269	16,318
	8,413	16,318
<b>Net current assets</b>	45,441	46,138
<b>Net assets</b>	67,084	67,781
<b>CAPITAL AND RESERVES</b>		
Share capital	4,800	4,800
Reserves	62,284	62,981
<b>Total equity</b>	67,084	67,781

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 20 March 2019 and are signed on its behalf by:

**Woo Chan Tak Chi Bonnie**  
*Executive Director*

**Chow Sai Yiu Evan**  
*Non-executive Director*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2018

117

## 30. Statement of Financial Position of the Company (Continued)

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:

	Share capital HK\$'000	Share premium <sup>#</sup> HK\$'000	Contribution surplus <sup>**#</sup> HK\$'000	Accumulated losses <sup>#</sup> HK\$'000	Total HK\$'000
At 20 January 2017 (date of incorporation of the Company)	—	—	—	—	—
Loss and total comprehensive expense for the year	—	—	—	(12,513)	(12,513)
Issue of share upon incorporation (Note 21(a))	—*	—	—	—	—*
Issue of shares arising from the Corporate Reorganisation (Note 21(c))	—*	—	21,643	—	21,643
Capitalisation issue of shares (Note 21(d))	3,600	(3,600)	—	—	—
Issue of shares upon on share offering, net of listing expenses	1,200	57,451	—	—	58,651
At 31 December 2017 and 1 January 2018	4,800	53,851	21,643	(12,513)	67,781
Loss and total comprehensive expense for the year	—	—	—	(697)	(697)
<b>At 31 December 2018</b>	<b>4,800</b>	<b>53,851<sup>^</sup></b>	<b>21,643</b>	<b>(13,210)</b>	<b>67,084</b>

\* Less than HK\$1,000

\*\* Contributed surplus of the Company represents the difference between the net asset value of the subsidiaries acquired pursuant to the Corporate Reorganisation and the nominal value of the shares issued by the Company in exchange therefor.

<sup>#</sup> These reserves accounts comprise the reserves of the Company of HK\$62,284,000 (2017: HK\$62,981,000) in the statement of financial position of the Company.

<sup>^</sup> This comprises the proposed final dividend for the year (Note 12(a)).

# FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last four financial years, as extracted from the Company's audited consolidated financial statements and the Prospectus, is set out below:

## Results

	Year ended 31 December			
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue from continuing operation	91,478	93,941	90,955	85,676
Profit/(loss) before income tax from continuing operation	3,266	(192)	11,293	8,288
Income tax expense	(482)	(2,155)	(2,149)	(1,609)
Profit/(loss) for the year from continuing operation	2,784	(2,347)	9,144	6,679
Loss for the year from discontinued operation	—	—	—	(1,001)
Profit/(loss) for the year attributable to the shareholders	2,784	(2,347)	9,144	5,678

## Assets and Liabilities

	As at 31 December			
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Total assets	103,345	103,461	58,051	52,493
Total liabilities	(17,076)	(19,579)	(15,919)	(13,232)
Net assets	86,269	83,882	42,132	39,261