THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in South China Financial Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PERFECT RICHES LIMITED, SUPER BELLAX LTD., GREAT READY ASSETS LIMITED AND JADE FOUNTAIN LIMITED; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

Grande Capital Limited
均富融資有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Crescendo Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

The letter from the Board is set out on pages 8 to 38 of this circular and the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 39 to 40 of this circular. The letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 41 to 72 of this circular.

The notice convening the EGM to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong, at 10:00 a.m. on Wednesday, 28 March 2018 is set out on pages EGM-1 to EGM-2 of this circular. The form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to read the notice, complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the EGM or any adjournment thereof (no later than 10:00 a.m. on Monday, 26 March 2018 (Hong Kong time)). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

9 March 2018

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

"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday, Sunday, public holiday in Hong Kong and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
"BVI"	the British Virgin Islands
"Company"	South China Financial Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which listed on the Main Board of the Stock Exchange (Stock Code: 00619)
"Completion"	completion of the New Agreement, which shall take place on the Completion Date
"Completion Accounts"	the unaudited consolidated financial statements of each of the Media Target Companies for the period from 1 January 2017 to the Completion Date prepared in accordance with the terms and conditions of the New Agreement
"Completion Date"	the next Business Day immediately following the date on which all the conditions precedent to the New Acquisition have been fulfilled or waived (if applicable), or such other date as the parties to the New Agreement agree in writing
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration for the acquisition of the entire issued share capital of the Media Target Companies, which is subject to adjustment in accordance with the terms of the New Agreement, as detailed in sub-section 3 headed "Consideration and adjustment to Consideration" under section III headed "The New Agreement" in the "Letter from the Board" contained in this circular

"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Copthorne"	Copthorne Holdings Corp., a company incorporated in Panama with limited liability and an indirect wholly-owned subsidiary of SCHC
"Crescendo" or "Independent Financial Adviser"	Crescendo Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders advising on the terms of the New Agreement and the transactions contemplated thereunder
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the New Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Media Group immediately after Completion assuming no change in the existing group structure other than the New Acquisition
"Former Media Vendors"	the vendors of the Media Group under the Original Agreement, being, Vendor 1, Vendor 2, Vendor 3 and Vendor 4
"Former Vendors"	collectively, Vendor 1, Vendor 2, Vendor 3, Vendor 4 and Tek Lee
"FPR"	financial public relations
"Giant Consideration"	the total consideration for the acquisition of the entire issued share capital of Super Giant, which was subject to adjustment in accordance with the terms of the Original Agreement
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the New Agreement and the transactions contemplated thereunder

"Independent Shareholders"	the Shareholders, other than the Shareholders who have a material interest in the transactions contemplated under the New Agreement (i.e. Shareholders other than Mr. Ng and his close associates)
"July Announcement"	the announcement of the Company dated 14 July 2017 in relation to (i) termination of the Original Agreement; and (ii) the New Agreement and the transactions contemplated thereunder
"Latest Practicable Date"	7 March 2018, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"March Announcement"	the announcement of the Company dated 31 March 2017 in relation to the Original Agreement and the transactions contemplated thereunder
"Media Combined Net Shortfall"	the difference between the Media Consolidated Net Liabilities determined according to the completion accounts as stipulated in the Original Agreement or the Completion Accounts (whichever being applicable) and the Undertaking Amount of HK$69,000,000, where the Media Consolidated Net Liabilities so determined exceed HK$69,000,000
"Media Combined Net Surplus"	the difference between the Media Consolidated Net Liabilities determined according to the completion accounts as stipulated in the Original Agreement or the Completion Accounts (whichever being applicable) and the Undertaking Amount of HK$69,000,000, where the Media Consolidated Net Liabilities so determined is less than HK$69,000,000
"Media Consideration"	the total consideration for the acquisition of the Media Target Companies, which was subject to adjustment in accordance with the terms of the Original Agreement
"Media Consolidated Net Liabilities"	the aggregate of the consolidated net assets/liabilities of the Media Target Companies and their respective subsidiaries, which represents the combined consolidated net liabilities of the Media Group
"Media Group"	collectively, Target Company 1, Target Company 2, Target Company 3, Target Company 4 and the respective subsidiaries thereof

"Media Target Companies"	collectively, Target Company 1, Target Company 2, Target Company 3 and Target Company 4
"Media Vendors"	collectively, Vendor 1, Vendor 2, Vendor 3 and Vendor 4
"Mr. Ng"	Mr. Ng Hung Sang, an executive Director, the Chairman of the Board, a Substantial Shareholder of the Company and the ultimate beneficial owner of each of the Media Vendors
"New Acquisition"	the conditional acquisition of the entire issued share capital of the Media Target Companies by the Purchaser from the Media Vendors at the Consideration pursuant to the New Agreement
"New Agreement"	the agreement dated 14 July 2017 entered into between the Purchaser and the Media Vendors in relation to the New Acquisition (as supplemented from time to time)
"New Tenancy Agreement(s)"	tenancy agreement(s) to be entered into between Copthorne (as landlord) and the member(s) of the Media Group as designated by the Purchaser (as tenant) in relation to the lease of the Premises
"Original Agreement"	the agreement dated 31 March 2017 entered into between the Purchaser and the Former Vendors in relation to the Previous Proposed Acquisition
"PRC"	the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular)
"Premises"	the premises known as (i) Units A and B, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong; and (ii) Unit B, 12th Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong, both being owned by Copthorne as at the Latest Practicable Date
"Previous Acquisition"	the acquisition of the entire issued share capital of Golden Ways Limited and Media Bonus Limited by the Group as disclosed in the announcement and circular of the Company dated 3 November 2016 and 29 December 2016, respectively, and approved by the independent shareholders of the Company at the extraordinary general meeting held on 17 January 2017
"Previous Proposed Acquisition"	the conditional acquisition of the entire issued share capital of each of the Media Target Companies and Super Giant by the Purchaser in accordance with the terms of the Original Agreement

"Purchaser"	Perfect Mind Ventures Limited, a company with limited liability incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company
"Private Group"	the group of companies comprising Broaden Base Investments Limited (a holding company of Vendor 1), Vendor 2, Vendor 4 and their respective holding companies, subsidiaries and fellow subsidiaries (but excluding the members of the Media Group) and the expressions "**member(s) of the Private Group**" and "**Private Group Company(ies)**" shall be construed accordingly
"Related Party Loans"	all loans owing by any member of the Media Group to any member of the Private Group and/or any associate(s) of Mr. Ng
"Reorganisation"	the (i) disposal of the entire issued share capital of a direct wholly-owned subsidiary of Target Company 4, namely Jessica Foundation Limited (a company limited by shares incorporated in Hong Kong) at cost to any member of the Private Group or other party(ies) as Vendor 4 may designate, being step (i) of the Reorganisation; and (ii) cessation of Target Company 4's membership of Jessica Charitable Foundation Limited (a company limited by guarantee not having a share capital and incorporated in Hong Kong of which Target Company 4 is the sole member as at the Latest Practicable Date)
"SCHC"	South China Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and the ordinary shares therein listed on the Main Board of the Stock Exchange (Stock Code: 00413)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares"	ordinary shares in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Super Giant"	Super Giant Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Tek Lee as at the Latest Practicable Date

"Target Company 1"	Perfect Riches Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Vendor 1 as at the Latest Practicable Date
"Target Company 2"	Super Bellax Ltd., a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Vendor 2 as at the Latest Practicable Date
"Target Company 3"	Great Ready Assets Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Vendor 3 as at the Latest Practicable Date
"Target Company 4"	Jade Fountain Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Vendor 4 as at the Latest Practicable Date
"Target Group 1"	Target Company 1 and its subsidiaries
"Target Group 2"	Target Company 2 and its subsidiaries
"Target Group 3"	Target Company 3 and its subsidiaries
"Target Group 4"	Target Company 4 and its subsidiaries
"Tek Lee"	Tek Lee Finance and Investment Corporation Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Ng indirectly as at the Latest Practicable Date
"Termination Agreement"	the termination agreement dated 14 July 2017 entered into between the Purchaser and the Former Vendors in relation to the termination of the Previous Proposed Acquisition
"Undertaking Amount"	the amount of HK$69,000,000 as undertaken jointly and severally by the Media Vendors pursuant to the Original Agreement and the New Agreement that the Media Consolidated Net Liabilities immediately before completion of the Original Agreement or Completion (whichever being applicable) shall not exceed
"Valuation Report"	the valuation report issued by Ascent Partners Valuation Service Limited dated 9 March 2018 in respect of the valuation of the Media Group as at 31 December 2016
"Vendor 1"	Nicemate Investments Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Ng indirectly as at the Latest Practicable Date

"Vendor 2"	Jessica Publications (BVI) Limited, a company incorporated in BVI with limited liability and wholly-owned by Mr. Ng indirectly as at the Latest Practicable Date
"Vendor 3"	Win Gain Investments Limited, a company incorporated in BVI with limited liability and wholly-owned by Mr. Ng directly as at the Latest Practicable Date
"Vendor 4"	Ace Market Investments Limited, a company incorporated in BVI with limited liability and wholly-owned by Mr. Ng directly as at the Latest Practicable Date
"%"	per cent.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED
南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00619)

Executive Directors:
Mr. Ng Hung Sang *(Chairman)*
Ms. Cheung Choi Ngor
Ms. Ng Yuk Mui Jessica
Dr. Wang Wei Hsin

Independent non-executive Directors:
Hon. Raymond Arthur William Sears, Q.C.
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Tung Woon Cheung Eric

Registered office:
28th Floor
Bank of China Tower
1 Garden Road
Central Hong Kong

9 March 2018

To the Shareholders

Dear Sirs and Mesdames,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PERFECT RICHES LIMITED, SUPER BELLAX LTD., GREAT READY ASSETS LIMITED AND JADE FOUNTAIN LIMITED

I. INTRODUCTION

Reference is made to the March Announcement and the July Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the New Agreement and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Agreement and the transactions contemplated thereunder; (iv) the comfort letters from Ernst & Young and Grande Capital Limited in respect of the information in relation to the Valuation Report; (v) the Valuation Report; and (vi) the notice convening the EGM.

II. PREVIOUS PROPOSED ACQUISITION

1. Negotiations between the parties to the Original Agreement

The sale and purchase of the entire issued share capital in the Media Target Companies (the "**Media Acquisition**") and the sale and purchase of the entire issued share capital in Super Giant (the "**Super Giant Acquisition**") were two separate transactions which were negotiated on different bases.

Tek Lee, a company beneficially owned by Mr. Ng, offered to sell the entire issued share capital in Super Giant at a relatively late stage of the negotiations in relation to the Original Agreement. Having considered that the Super Giant Acquisition, if conducted as a separate transaction under a separate agreement from the Media Acquisition later on, would require the Company to issue a separate circular and to hold a separate shareholders' meeting to consider and, where the Independent Shareholders think fit, approve the same given the requirement to aggregate the Super Giant Acquisition with the Media Acquisition and the Previous Acquisition under Rules 14.22 and 14A.81 of the Listing Rules and, hence, involve extra time and costs for the Company and the Shareholders to comply with the abovementioned requirements in respect of the Super Giant Acquisition even though it is immaterial standing alone. In view of the above, the Purchaser reached an agreement with the Former Vendors to include the Super Giant Acquisition in the Original Agreement.

2. The Original Agreement

On 31 March 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Former Vendors entered into the Original Agreement whereby the Purchaser conditionally agreed to acquire and the Media Vendors and Tek Lee conditionally agreed to sell the entire issued share capital of the Media Target Companies and Super Giant at the Media Consideration (subject to adjustment) and HK$1 (subject to adjustment), respectively, as stipulated in the Original Agreement. The key terms of the Original Agreement have been disclosed in the announcement of the Company dated 31 March 2017. As presented in the accountant's report on the consolidated financial statements of the Media Target Companies, the Media Target Companies recorded combined consolidated net liabilities as at 31 December 2016. As disclosed in the March Announcement, according to the unaudited consolidated financial statements, Super Giant recorded consolidated net assets as at 31 December 2016.

Under the Original Agreement, the adjustment to the Media Consideration, which shall be determined by the difference between the Media Consolidated Net Liabilities immediately before completion of the Original Agreement as at the date of completion of the Original Agreement and the Undertaking Amount of HK$69.0 million, (if any) is two-sided and, subject to the threshold of HK$100,000, the Purchaser shall pay for the Media Combined Net Surplus or the Media Vendors shall pay for the Media Combined Net Shortfall on a dollar-for-dollar basis (as the case may be).

On the contrary, as disclosed in the March Announcement, the adjustment to the Giant Consideration is one-sided and the Purchaser shall not be required to pay to Tek Lee for the excess of the consolidated net assets of Super Giant immediately before completion of the Original

Agreement as at the date of completion of the Original Agreement over the Giant Consideration of HK$1 or the consolidated net assets of Super Giant and its subsidiaries (the "**Super Giant Group**") as at 31 December 2016 (if any). Tek Lee, however, shall make good the Giant Combined Net Shortfall (as defined in the March Announcement), which represents the difference between the consolidated net assets of the Super Giant Group (as defined in the March Announcement) immediately before completion of the Original Agreement as at the date of completion of the Original Agreement and the Giant Consideration of HK$1 on a dollar-for-dollar basis pursuant to the Original Agreement where the said consolidated net assets falls below HK$1, provided that the Super Giant Group records consolidated net liabilities of more than HK$99,999 in the Giant Completion Accounts (as defined in the March Announcement).

The Media Group owns certain media assets which are in leading positions and well known in the relevant market. The parties to the Media Acquisition negotiated on an arm's length basis since the outset of the discussions leading to the signing of the Original Agreement. During the negotiations, the Purchaser was not willing to pay more than the fair value of the Media Group and the Media Vendors were not willing to sell the Media Group at a price below market (which refers to the fair value). As such, the parties to the Media Acquisition agreed that a valuation of the Media Group was required and, in the absence of a valuation conducted by an independent professional valuer at the time the parties entered into the Original Agreement, the said valuation was made a condition precedent at the request of the Purchaser.

As mentioned above, Tek Lee offered to sell the entire issued share capital in Super Giant at a relatively late stage of the negotiations in relation to the Original Agreement. The Media Acquisition and the Super Giant Acquisition were not negotiated as a package and such acquisitions were not a package deal. The basis of determination of the Media Consideration and the adjustment thereto are different from that of the Giant Consideration and the adjustment thereto.

As opposed to the Media Group which holds established and well recognised brands in the market, the Super Giant Group, the principal subsidiary of which is engaged in the provision of information technology service in the PRC, is currently in a relatively small scale operation. Tek Lee noted that the Group was in the progress of building a digital platform and exploring various online business opportunities, and was of the view that, as compared with keeping it as a small private investment, the Super Giant Group would have greater growth potential if it has collaboration and synergies with the Group as the Group rolls out its digital platform, and operates under the close supervision of an experienced management team which understands both the Hong Kong and the PRC markets. The said information technology business focuses on domestic customers and relies significantly on local management. As Mr. Ng is the owner of the Super Giant Group and the Substantial Shareholder of the Company, it was considered that it will be a win-win situation if the abovementioned information technology business could assist the Group in diversifying and expanding its businesses into the consumer-oriented e-commerce business in the long-run. Should such diversification move be fruitful, Mr. Ng will be able to enjoy the results as the Substantial Shareholder of the Company. In view of the above, Tek Lee offered to sell its entire interests in Super Giant to the Purchaser at a nominal sum of HK$1.

Taking into account, among others, the above, the (a) net profit for the year ended 31 December 2016 and the consolidated net assets as at 31 December 2016 as reported in the management accounts of the Super Giant Group then available to the Group; and (b) possible collaboration with the aforesaid information technology business in the process of diversification into the consumer-oriented e-commerce business of the Group, the Purchaser agreed to acquire the entire interests in Super Giant at a nominal sum of HK$1. Unlike the conditional acquisition of the Media Group, which comprises prominent players and well recognised brands in the relevant markets, Tek Lee, the immediate holding company of Super Giant, was not keen on recovering the market value or the consolidated net assets of the Super Giant Group through the Super Giant Acquisition in view of the scale of operation of the Super Giant Group and the potential win-win situation as referred to in the above.

Owing to the above reasons, the bases of determination of the Media Consideration and the Giant Consideration and the adjustments thereto were very different. The Media Consideration was determined with reference to, among others, the fair value of the Media Group as appraised by the valuer then to be appointed by the Purchaser and the requirement that the said fair value shall not be less than HK$84.0 million in aggregate which had been set as a condition precedent to completion of the Original Agreement. On the contrary, the Giant Consideration, a nominal sum of HK$1, did not hinge on the valuation of the Super Giant Group.

In the negotiations of the Original Agreement, the Media Vendors judgmentally applied the discount rate adopted in the valuation of the subject companies of the Previous Acquisition on the profit before tax numbers (as adjusted by the year-on-year change in working capital) of the business plan of the Media Group to come up with a net present value before taking into account, among others, the Undertaking Amount. The Media Vendors have not taken into account the other factors which should be accounted for in a valuation, for instance, depreciation and amortisation, the applicable discount rate and the terminal growth rate (given that the business of the Media Group is not identical with that of the subject companies of the Previous Acquisition). As such, the Purchaser considered the amount so came up to be the Media Vendors' rough estimate of the fair value of the Media Group which was done on a broad brush basis, and was by no means a proper valuation of the Media Group.

The abovementioned judgmental estimate of the fair value of the Media Group was nothing more than a rough estimate of the fair value of the Media Group produced by the Media Vendors on a broad brush basis without any input from professional valuer. Such judgmental fair value estimate was not subject to the review or examination of any professional party prior to the appointment of the professional valuer by the Company after the date of the March Announcement. Such fair value estimate merely serves as one of the reference points for the parties to the Original Agreement to consider and bargain for the terms they wished to put in the Original Agreement, and does not constitute a valuation of the assets or businesses to be acquired by the Purchaser. Pursuant to the Original Agreement, an independent professional valuer has been subsequently appointed to perform the valuation of the Media Group and completion of the Media Acquisition is subject to, among others, the valuation result, which had been made a condition precedent.

The core part of the review on the fairness and reasonableness of the said estimated fair value commenced after the signing of the Original Agreement as the Purchaser then had the rights to perform its due diligence work pursuant thereto. Prior to the signing of the Original Agreement, the Purchaser obtained the management accounts of the Media Group and discussed with the Media Vendors the said estimated fair value, business plan and future direction of the Media Group as well as its business in recent years. The information made available to the Purchaser was not reviewed or verified by any professional party. As such, prior to the signing of the Original Agreement, the review performed by the Directors in assessing the fairness and reasonableness of the said estimated fair value was not a full scope one. In view of the possible exposure to the risk of entering into the Original Agreement before a full scope review is done, the Purchaser strived for assigning a relatively low fair value for the Media Consideration setting purposes irrespective to the Media Vendors' judgmental estimate of the fair value of the Media Group. As a result of the negotiations, the amount of HK$84 million (which is at a significant discount to the Media Vendors' fair value estimate) was so assigned and adopted to determine the Media Consideration and made a condition precedent at the request of the Purchaser. Should the fair value of the Media Group as appraised by the valuer appointed by the Company fall below HK$84 million, the Purchaser may rescind the Original Agreement.

As disclosed in the March Announcement and the July Announcement and explained in the above, the adjustment to the Media Consideration does not account for the excess of the fair value of the Media Group as appraised by the valuer then to be appointed by the Purchaser over the amount of HK$84.0 million set for the relevant condition precedent (if any), and is, therefore, one-sided from the perspective of the fair value of the Media Group although it is bilateral as far as the Media Combined Net Surplus/Shortfall is concerned. As mentioned in the above, the Media Vendors were not willing to sell the Media Group at a price below market (which refers to the fair value). In the absence of a valuation of the Media Group at the time the relevant parties entered into the Original Agreement, the parties thereto agreed that having the valuation requirement as an undertaking or condition precedent would be fair and reasonable. The Purchaser opted for a more stringent alternative by making the fair value as appraised by the valuer then to be appointed by it as a condition precedent, failing which it may terminate the New Acquisition whether the Media Vendors are willing to make good the shortfall from the fair value of HK$84.0 million, which the Media Vendors would otherwise have undertaken, with a view to secure a better position as the grant of a waiver for such condition precedent is at the Purchaser's sole discretion. By making the valuation of the Media Group a condition precedent as aforesaid, the Purchaser can not only demand payment from the Media Vendors for any shortfall in fair value of the Media Group from the said HK$84.0 million but also terminate the Previous Proposed Acquisition at its sole discretion as it thinks fit. This rendered the Purchaser more protection and flexibility as well as a better bargaining position.

The terms and conditions of the Previous Proposed Acquisition and the New Acquisition were not negotiated on an individual term basis. The outcome of the negotiations was that the Media Vendors, who were not willing to sell the Media Target Companies at a price below market (which refers to the fair value), accepted (a) the consideration adjustment mechanism which does not take into account any excess of the fair value of the Media Group as appraised by valuer then to be appointed by the Purchaser over HK$84 million; and (b) the aforesaid valuation requirement as a condition precedent rather than merely an undertaking; and the Purchaser accepted the payment term of the Media Consideration (before adjustment), which was payable and was paid, in two instalments on or before 31 March 2017 (the date of the Original Agreement) and 31 May 2017, respectively.

Taking into consideration that (i) the Purchaser will be able to enjoy the benefits from the abovementioned consideration adjustment mechanism and condition precedent in respect of the valuation of the Media Group; (ii) the Media Consideration paid under the Original Agreement is refundable in full if the Purchaser rescinds or terminates the same pursuant to the terms thereof; (iii) paying the second instalment of the Media Consideration on 31 May 2017 effectively accelerates such payment only if the parties to the Original Agreement fail to complete the transactions contemplated under the Original Agreement on the said payment date; and (iv) the Media Vendors would not have been subject to the circular requirement, which might take some time, if the Purchaser was not a subsidiary of the Company, the Directors were of the view that, as a whole, the terms of the Original Agreement in relation to the Media Acquisition are fair and reasonable although there was a chance that the Purchaser may seem to have effectively accelerated the payment of the second instalment of the Media Consideration as the parties to the Original Agreement fail to complete the transactions contemplated thereunder on 31 May 2017.

3. Termination of the Original Agreement

After the signing of the Original Agreement, the parties thereto had been working on the due diligence and the preparation of a circular, including the work of the relevant professional parties to be included therein. In the course of these efforts, the Company found that the estimated foreseeable transactional and incidental professional parties' costs and time involved in relation to the acquisition of Super Giant and its subsidiaries, which are engaged in the provision of information technology services in the PRC, were much more than expected. In view of the above, the Board considered the costs and time to be incurred in such acquisition would exceed and outweigh the perceived benefits from the same. Given the aforesaid reasons, after arm's length negotiations among the parties, the Purchaser and the Former Vendors mutually agreed to terminate the Super Giant Acquisition and continue with the Media Acquisition as if the Previous Proposed Acquisition did not include the Super Giant Acquisition. The aforesaid might be effected by (a) the parties to the Original Agreement signing a termination agreement and the Purchaser and the Media Vendors entering into a new agreement for the Media Acquisition; or (b) the parties to the Original Agreement signing a supplemental agreement. It was the intention of the parties to the Original Agreement to terminate the sale and purchase of the entire issued share capital of Super Giant and keep proceeding with the sale and purchase of the entire issued share capital of the Media Target Companies (subject to the Independent Shareholders' approval) as if the Previous Proposed Acquisition did not include the Super Giant Acquisition irrespective to the form of instrument used to effect the same.

Pursuant to the Original Agreement, in the event of lapse of the Original Agreement or rescission of the Original Agreement by the Purchaser, the Vendors and Tek Lee shall refund the consideration received in full to the Purchaser within 10 Business Days from the date of lapse or rescission of the Original Agreement. The relevant terms have been disclosed in the March Announcement in the sub-section headed "Conditions precedent" under the section headed "The Agreement" as follows:

"Further, if at any time before Completion, any of the warranties of the Vendors are found to be incorrect, untrue, inaccurate or misleading or have not been fully carried out in any material respect, or in the event that any of the Vendors becoming unable or failing to do anything required under the Agreement to be done by it on or before the Completion Date, the Purchaser may rescind the Agreement and the Vendors shall fully indemnify the Purchaser in respect of all fees, costs and expenses incurred by the Purchaser in connection with the negotiation, preparation, execution and rescission of the Agreement.

In the event of lapse of the Agreement or rescission of the Agreement by the Purchaser, the Vendors shall refund the Consideration received in full to the Purchaser within 10 Business Days from the date of lapse or rescission of the Agreement."

However, had the Purchaser, the Media Vendors and Tek Lee elected to terminate the Super Giant Acquisition thereunder by entering into a supplemental agreement to the Original Agreement, it would not have constituted a termination or rescission of the Original Agreement and, hence, would not have triggered the obligation to refund the Media Consideration thereunder.

The parties to the Original Agreement considered that Tek Lee shall cease to have a role in the transactions contemplated under the Original Agreement upon termination of the sale and purchase of entire issued share capital of Super Giant and, therefore, shall no longer be a party to the relevant agreement. For clarity sake, instead of effecting the termination of the sale and purchase of the entire issued share capital of Super Giant by a supplemental agreement, the parties to the Original Agreement elected to have (i) the Purchaser and the Former Vendors signing the Termination Agreement; and (ii) the Purchaser and the Media Vendors signing the New Agreement immediately thereafter to give effect to the Media Acquisition in substantially the same terms as the Original Agreement as far as the Media Acquisition is concerned as if the Previous Proposed Acquisition did not include the Super Giant Acquisition. Pursuant to the Termination Agreement, (i) the provisions of the Original Agreement in relation to confidentiality, notices and process agent and governing law and jurisdiction shall survive after the termination of the Original Agreement; (ii) each party thereto shall irrevocably and unconditionally release and discharge the other parties absolutely from all claims, liabilities and demands under or in connection with the Original Agreement (save for antecedent breach prior to the date of the Termination Agreement (if any)); (iii) the term that the Former Media Vendors shall refund the Media Consideration received in full to the Purchaser within 10 Business Days from the date of termination of the Original Agreement shall remain effective until the Purchaser and the Media Vendors have entered into the New Agreement; and (iv) upon signing of the New Agreement, the deposit and part payment of HK$10,000,000 and second payment of HK$5,000,000 of the Media Consideration, totaling HK$15,000,000, previously paid under the Original Agreement, which would otherwise be refundable pursuant to the Original Agreement upon termination thereof, shall immediately be applied to settle and regarded as payment for the Consideration (before adjustment thereto pursuant to the New Agreement, if any) in full pursuant to the New Agreement.

As mentioned in the above, the Media Acquisition and the Super Giant Acquisition were two separate transactions with different bases of determination of the considerations thereof and the adjustments thereto. They were included in the same agreement merely for saving cost and time as explained in the above and for convenience sake. Besides entering into a supplemental agreement to terminate the Super Giant Acquisition, the parties to the Original Agreement might as well have separate agreements for the transactions in question, one for the Media Acquisition and the other for the Super Giant Acquisition. Had the parties to the Original Agreement opted for this option, the termination of the Super Giant Acquisition would not have triggered the obligation to refund the consideration received for the Media Acquisition on the part of the Media Vendors as well. No matter what form of legal instrument was adopted, the parties to the Original Agreement have never treated the Media Acquisition and the Super Giant Acquisition as a package deal. The parties to the Original Agreement opted for the signing of the Termination Agreement and the New Agreement immediately thereafter (instead of simply signing a supplemental agreement) merely for the purpose of excluding Tek Lee, which was no longer involved in the transactions, from the relevant documents for clarity sake.

Had the parties to the Original Agreement opted for the supplemental agreement alternative or the option of having separate agreements for the Media Acquisition and the Super Giant Acquisition in the first place, the termination of the Super Giant Acquisition would not have triggered the obligation to refund the Media Consideration received on the part of the Media Vendors. In view of the above, the parties to the New Agreement agreed to "transfer" the Media Consideration paid under the Original Agreement to the New Agreement.

Given that:

(i) it was the intention of the parties to terminate the Super Giant Acquisition and to continue with the Media Acquisition in the same terms as if the Previous Proposed Acquisition did not include the Super Giant Acquisition;

(ii) whatever instrument being used, the parties to the Original Agreement considered the arrangement to be a continuation of the Media Acquisition in the original terms as far as the Media Acquisition is concerned without interruption from the termination of the Super Giant Acquisition; and

(iii) the parties to the Original Agreement acted in good faith to effect (i) and (ii) in the above,

the Purchaser and the Media Vendors made no attempt to re-open the discussion about the terms and conditions of the Media Acquisition for the New Acquisition purposes. As disclosed in the July Announcement, the terms of the New Agreement are substantially the same as those contained in the Original Agreement as far as the Media Acquisition is concerned except that, (a) to effect (i) and (ii) in the above, all the payments of the Media Consideration (before adjustment) made under the Original Agreement were treated as payment of the Consideration to the Media Vendors under the New Agreement; and (b) the Media Vendors were allowed to complete the Reorganisation by two phases due to practicality reasons.

Had the termination of the Super Giant Acquisition by means of the signing of the Termination Agreement and the New Agreement triggered the obligation to refund the Media Consideration received under the Original Agreement on the part of the Media Vendors, the Media Vendors would have insisted on the supplemental agreement alternative which would be more in line with (i) and (ii) in the above under such circumstance.

Further, given that the fair value of not less than HK$84 million as stipulated in the conditions precedent is at a significant discount to the Media Vendors' judgmental estimate of the fair value of the Media Group, it may not be the best option for the Purchaser to re-open the discussions of the terms and conditions of the Media Acquisition with the Media Vendors as it may not be able to contain the negotiations to the payment term alone.

The Directors noted that the tradeoff between the acquisition of Super Giant at HK$1 and the additional costs and time to be incurred in the collection and preparation of information for disclosure purposes as mentioned in the above and considered that the New Agreement carries less uncertainty in terms of costs and time, and is, therefore, a better option in the circumstance. The Board is of the view that the termination of the Original Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and will not have any material adverse effect on the business operation and financial position of the Group.

The New Agreement was entered into on 14 July 2017 taking into account the then circumstances and conditions, including those mentioned in the above. However, the time spent on the preparation of the accountants' reports on the consolidated financial statements of the Media Target Companies as well as the valuation report was longer than expected as, to the extent practicable, the Purchaser tried to capture more updated data for better understanding and assessment of, among others, (a) the development of the digital business in 2017 in view of, among others, the lack of long term contracts, which cover a significant part of the revenue for 2017 and/or the subsequent years; and (b) the latest cost structures after the various restructurings and cost rationalization efforts as well as the changes made to better adapt to the digital businesses, which were not reflected, or not reflected in full, in the consolidated financial statements of the Media Target Companies for the year ended 31 December 2016 or before.

As mentioned in the above, there was a full prepayment of the Consideration under the New Agreement. The additional time taken for the preparation of the accountant's reports for an extended period and the valuation report based on more updated data in response to the Purchaser's request as mentioned in the preceding paragraph effectively extended the period of the said prepayment. Nevertheless, it may not be in the best interest of the Company to re-open the terms and conditions of the New Acquisition, which are now binding on the parties to the New Agreement, for a refund of the prepaid Consideration in full or in part as (a) there was improvement in the operating results of the Media Group for the 10 months ended 31 October 2017 as compared with the corresponding period in 2016; (b) the Consideration is at a discount to the fair value of the Media Group as appraised by the valuer; and (c) the Purchaser may have to re-negotiate the Consideration with the Media Vendors based on the fair value of the Media Group as appraised by the valuer, which was not available at the time the Original Agreement or the New Agreement was signed, if it does so. As such, although, standing alone, the full prepayment of Consideration may not be a normal commercial term, taking into account the abovementioned intention of the parties to the Original Agreement and the New Agreement as well as the factors mentioned in this sub-section 3, the Directors considered that the said prepayment of Consideration was commercially justifiable.

It was also mentioned in the above that the costs for professional services and the time, which the Company might incur in the Super Giant Acquisition, were more than expected. Given the preparation of the accountants' reports for the extended period as referred to in the preceding paragraph, extra costs would have been incurred in this respect on top of the already high professional costs before taking into account the said extended period and the related or incidental expenses had the Company proceeded with the Original Agreement although, with hindsight, the then reporting accountant candidates might be able to deliver the accountants' report on the consolidated financial statements of Super Giant covering the said extended period by the time the accountants' reports on the consolidated financial statements of the Media Target Companies covering the stub period ended 31 October 2017 and the valuation report on the fair value of the Media Group were available as, on top of the time required for the reporting accountants to perform their work on the consolidated financial statements of the Media Target Companies for the extended stub period, additional time was required for the valuer to update and assess the data in the valuation model based on or in light of the results for the stub period ended 31 October 2017. Such professional costs will go up further if the stub period extends further. Also, it was expected that, generally, more time is required for reporting accountants to perform their work on the consolidated financial statements of Super Giant as compared with that of the Media Target Companies as Super Giant has business operations in the PRC through a subsidiary. As such, had the Company continued with the Super Giant Acquisition, it would have impact on the progress of the transactions if, for whatever reasons, further extension of the stub period is required. Also, the Directors were of the view that the transaction costs, which the Company would have incurred in the Super Giant Acquisition had it proceeded with the Original Agreement, were high relative to the scale of Super Giant, and would be even higher if any unforeseen further input from any professional party is required. Therefore, had the Purchaser not entered into the Termination Agreement, which is now binding on the parties thereto, the abovementioned reasons for the termination of the Super Giant Acquisition would remain the concerns of the Company in view of the uncertainty about whether there will be further extension of the stub period.

III. THE NEW AGREEMENT

On 14 July 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Media Vendors entered into the New Agreement whereby the Purchaser conditionally agreed to acquire and the Media Vendors conditionally agreed to sell the entire issued share capital of the Media Target Companies at the Consideration subject to adjustment.

The terms of the New Agreement are substantially the same as those contained in the Original Agreement, save and except that (i) the New Agreement does not include the acquisition of Super Giant and, hence, all the provisions relating thereto; (ii) all payments of the Media Consideration (before adjustment) made under the Original Agreement shall be treated as payment of the Consideration (before adjustment), which is in the same amount as the Media Consideration (before adjustment) under the Original Agreement, to the Media Vendors under the New Agreement; and (iii) the Reorganisation shall be done in two phases (as it may take time for Target Company 4 to withdraw from and terminate the membership of the Charitable Company (as defined below)).

Details of the New Agreement and the transactions contemplated thereunder are set out below:

1. Date and parties

Date 14 July 2017 (after trading hours)

Parties
(a) the Purchaser (as purchaser);

(b) Vendor 1 (as vendor);

(c) Vendor 2 (as vendor);

(d) Vendor 3 (as vendor); and

(e) Vendor 4 (as vendor)

As at the Latest Practicable Date, Mr. Ng, an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company, held the entire interests in Vendor 1 and Vendor 2 indirectly and the entire interests in Vendor 3 and Vendor 4 directly.

2. Subject matter

Pursuant to the New Agreement, the Purchaser agreed to acquire and the Media Vendors agreed to sell the entire issued share capital of the Media Target Companies subject to the terms and conditions thereof.

The Media Target Companies, the direct wholly-owned subsidiaries of the respective Media Vendors as at the Latest Practicable Date, were incorporated in BVI with limited liability.

3. Consideration and adjustment to the Consideration

Pursuant to the Original Agreement, the Purchaser has paid the Media Consideration to South China Media Limited, the collection agent authorised and appointed by the Former Media Vendors to collect all payments in respect of the Media Consideration under the Original Agreement for and on behalf thereof as follows:

1. the sum of HK$10,000,000 paid on 31 March 2017 as deposit and the first payment of the Media Consideration; and

2. the sum of HK$5,000,000 paid on 31 May 2017 as the second payment of the Media Consideration.

The Former Media Vendors have acknowledged and confirmed the receipt of the Media Consideration (before adjustment) under the Original Agreement in full, totalling HK$15,000,000. Pursuant to the New Agreement, the Media Consideration so received by the Former Media Vendors under the Original Agreement shall be applied to settle and deemed as, and shall constitute, the full payment for the Consideration (which shall be the same amount of the Media Consideration before adjustment) before adjustment (if any) of HK$15,000,000. For further information about the above payment term of the Consideration under the New Agreement, please refer to the section headed "II. Previous Proposed Acquisition" above.

Pursuant to the New Agreement, the adjustment to the Consideration, which shall be determined by the difference between the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date and the Undertaking Amount of HK$69.0 million (if any) is two-sided whereby, subject to the threshold of HK$100,000, the Purchaser shall pay for the Media Combined Net Surplus or the Media Vendors shall pay for the Media Combined Net Shortfall on a dollar-for-dollar basis (as the case may be).

The Media Vendors undertook jointly and severally that the Media Consolidated Net Liabilities shall not exceed the Undertaking Amount immediately before Completion as at the Completion Date.

Being a condition precedent to Completion (for further details, please refer to sub-section 4 headed "Conditions precedent" in this section), the Media Vendors will procure the settlement of the Related Party Loans prior to Completion pursuant to the New Agreement. According to the discussions with the Media Vendors prior to the signing of the Original Agreement, it was the Purchaser's understanding that the Media Vendors intended to reduce the Media Consolidated Net Liabilities to the Undertaking Amount (subject to variance caused by the results of the operations of the Media Group in its ordinary course of business prior to Completion, if any) by settlement of the amounts due to/from the members of the Private Group. Both the Original Agreement and the New Agreement carry the same condition precedent in respect of the settlement of Related Party Loans and the same undertaking in respect of Media Consolidated Net Liabilities at the Undertaking Amount immediately before Completion as at the Completion Date. Based on the abovementioned understanding, the said settlement of the amounts due to/from the members of the Private Group would arrive at Media Consolidated Net Liabilities at the Undertaking Amount as follows:

	As at 31 December 2016	**As at 31 October 2017**
	HK$'million	*HK$'million*
Media Consolidated Net Liabilities determined based on the accountant's reports on the consolidated financial statements of the Media Target Companies as at respective year/period end dates	(473.9)	(478.7)
Expected effect of settlement of the Related Party Loans as at respective year/period end dates assuming the same be settled on 31 December 2016 *(Note (1))* or 31 October 2017 *(Note (2))*	404.9	418.6
Media Consolidated Net Liabilities after settlement of the Related Party Loans	(69.0)	(60.1)

Notes:

(1) According to the accountants' reports on the consolidated financial statements of the Media Target Companies, as at 31 December 2016, the aggregate of the amounts due from a fellow subsidiary and a related company and the aggregate of the amounts due to a fellow subsidiary, parent company and related companies amounted to approximately HK$123.8 million and HK$517.0 million, respectively. Based on the understanding obtained in the negotiations with the Media Vendors for the Original Agreement purposes, assuming the Related Party Loans be settled on 31 December 2016 for the New Acquisition purposes, among the amounts due from a fellow subsidiary and a related company of approximately HK$123.8 million in aggregate, an amount of approximately HK$11.7 million would be settled in cash and the remaining sum of approximately HK$112.1 million would be applied to partially settle the amounts due to a fellow subsidiary, parent company and related companies of approximately HK$517.0 million in aggregate. This results in a remaining balance of the amounts due to a fellow subsidiary, parent company and related companies of approximately HK$404.9 million in aggregate, which, as procured by the Media Vendors, would be waived by the relevant parties.

(2) According to the accountants' reports on the consolidated financial statements of the Media Target Companies as at 31 October 2017, the aggregate of the amounts due from a fellow subsidiary and related company and the aggregate of the amounts due to a fellow subsidiary, parent company and related companies amounted to approximately HK$108.2 million and HK$526.8 million, respectively. The decrease in the aggregate of the amounts due from a fellow subsidiary and related companies and the increase in the aggregate of the amounts due to a fellow subsidiary, parent company and related companies were a result of additional funds provided by a Private Group company to the Media Group during the period from 1 January 2017 to 31 October 2017. Assuming the amounts due from a fellow subsidiary and related company be applied to partially settle the amounts due to a fellow subsidiary, parent company and related companies, an aggregate of the remaining balances of the amounts due to a fellow subsidiary, parent company and related companies of approximately HK$418.6 million after the aforesaid settlement would be waived in full by the relevant parties as procured by the Media Vendors. If the waiver of the said remaining balances of the amounts due to a fellow subsidiary, parent company and related companies, totaling approximately HK$418.6 million, was granted on 31 October 2017, the Media Consolidated Net Liabilities as at 31 October 2017 would have been reduced to approximately HK$60.1 million, resulting in a Media Combined Net Surplus of approximately HK$8.9 million, and the Purchaser would pay to the Media Vendors the amount of such Media Combined Net Surplus in cash pursuant to the New Agreement.

Taking into account that (i) Completion is conditional upon, among others, the settlement of all loans owing by the Media Group to the associates of Mr. Ng (excluding the members of the Media Group) by cash, assignment, capitalisation, waiver or otherwise (for further details, please refer to sub-section 4 headed "Conditions precedent" in this section); (ii) the Vendors may procure the relevant associate(s) of Mr. Ng to capitalise or waive the advances or loans to the Media Group in whole or in part at its discretion; and (iii) the Media Group has to settle various payables in its ordinary course of business during the period from the date of the New Agreement to Completion, the Media Vendors estimated that, after the abovementioned settlement of the amounts owed by the Media Group to the associates of Mr. Ng (excluding the members of the Media Group) prior to Completion, the Media Consolidated Net Liabilities would be around HK$69.0 million at Completion.

Upon Completion, the Media Group will become indirect wholly-owned subsidiaries of the Company and the assets, liabilities and results thereof will then be consolidated to the Group as enlarged by the Media Group. Accordingly, it was expected that, upon Completion, the Enlarged Group will take up the Media Consolidated Net Liabilities of HK$69,000,000 in its consolidated financial statements. Being the same as the Media Consideration, the Consideration was determined with reference to, among others, one of the conditions precedent to Completion that the value of the Media Group to be assessed by the independent valuer appointed by the Company being not less than HK$84,000,000 before taking into account the Media Consolidated Net

Liabilities as at the valuation date (i.e. 31 December 2016). Given the (a) cash Consideration of HK$15,000,000; and (b) aforesaid condition in respect of the valuation of the Media Group as agreed among the parties to the New Agreement, the Media Vendors agreed to undertake that the Media Consolidated Net Liabilities shall not exceed HK$69,000,000 immediately before Completion as at the Completion Date.

Adjustment to the Consideration

If:

(a) the Media Consolidated Net Liabilities as at the Completion Date, which shall be determined according to the Completion Accounts, is less than HK$69,000,000, the full amount of the Media Combined Net Surplus shall be payable by the Purchaser to the collection agent (on a dollar-for-dollar basis) provided that such amount exceeds HK$100,000; or

(b) the Media Consolidated Net Liabilities as at the Completion Date, which shall be determined according to the Completion Accounts, exceed HK$69,000,000, the full amount of the Media Combined Net Shortfall shall be payable by the Media Vendors, jointly and severally, to the Purchaser (on a dollar-for-dollar basis) provided that such amount exceeds HK$100,000.

The Media Combined Net Surplus or the Media Combined Net Shortfall, as the case may be, shall be paid by the relevant party(ies) within 15 Business Days from the date on which the Completion Accounts are delivered to the Purchaser.

The parties to the New Agreement have not set a cap for the adjustment to the Consideration (if any) so that, subject to the threshold of HK$100,000, the sum of Consideration after adjustment (where applicable) and the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date will be HK$84.0 million, being the minimum amount of fair value to be appraised by the valuer appointed by the Company as undertaken by the Media Vendors. Notwithstanding the absence of a cap as mentioned in the above, based on the relevant percentage ratio computed pursuant to Rule 14.07 of the Listing Rules, in order to turn the New Acquisition from a major acquisition to a very substantial acquisition, the Media Combined Net Surplus will need to be not less than HK$794.2 million, meaning that the Media Consolidated Net Liabilities will have to turn into a combined consolidated net assets of the Media Target Companies of not less than HK$725.2 million immediately before Completion as at the Completion Date. The Media Consolidated Net Liabilities as at 31 March 2017 determined based on the accountant's reports on the consolidated financial statements of the Media Target Companies, excluding:

(i) the net amount due to related companies, fellow subsidiaries and parent company as presented in the said accountant's reports on the assumption that such net amounts due to related companies, fellow subsidiaries and parent company will be waived in full prior to Completion; and

(ii) the net liabilities of Jessica Foundation Limited (a wholly owned subsidiary of Target Company 4 to be disposed of at cost prior to Completion pursuant to the Reorganisation) as disclosed in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular

amounted to approximately HK$77.8 million. Thus, the Company considered that it would be highly unlikely for the adjustment to Consideration (if any) to turn the New Acquisition into a very substantial acquisition.

The Media Vendors shall prepare the Completion Accounts and deliver the same to the Purchaser within two months after the Completion Date. The Completion Accounts shall be:

(i) prepared (a) in accordance with the applicable accounting standards and accounting practices generally accepted in Hong Kong; and (b) by adopting the basis of preparation and applying the accounting policies consistent with those adopted in the preparation of the audited financial statements of the Hong Kong incorporated members of the Media Group for the year ended 31 December 2015 and the unaudited consolidated financial statements of each of the Media Target Companies for the year ended 31 December 2016; and

(ii) certified as such by a director of the relevant Media Vendors.

For the preparation of the Completion Accounts, the Media Vendors shall have the rights of access to the books and records of the Media Group after the Completion Date to the extent required and solely for the preparation of such Completion Accounts.

As stipulated in the New Agreement, the Media Vendors, jointly and severally, warranted and undertook to the Purchaser that the Completion Accounts shall give a true and fair view of the (i) profit or loss of the Media Group for the period from 1 January 2017 to Completion on the Completion Date; and (ii) assets and liabilities of the Media Group at Completion as at the Completion Date. Given the said basis of preparation of the Completion Accounts as stipulated in the New Agreement, the Completion Accounts were expected to present a true and fair view of the financial position of the Media Group at Completion as at the Completion Date. Further, upon Completion, the assets, liabilities and results of the Media Group will be consolidated to the consolidated financial statements of the Company. As such, the Company will ascertain the consolidated assets and liabilities of the Media Target Companies at Completion not only for the purpose of adjustment to the Consideration but also for disclosure in the notes to the audited consolidated financial statements of the Company for the year in which the Completion takes place under the applicable accounting standard and the consolidated assets and liabilities of the Media Target Companies at Completion will, thereby, subject to audit as part of the consolidated financial statements. Should the Media Vendors fail to comply with the aforesaid requirements for the preparation of the Completion Accounts or, for whatever reason, the Completion Accounts fail to give a true and fair view of the (i) profit or loss of the Media Group for the period from 1 January 2017 to Completion on the Completion Date; and (ii) assets and liabilities of the Media Group at Completion as at the Completion Date, the Purchaser can enforce its contractual rights under the New Agreement in respect of the relevant breach as follows:

Under the New Agreement:

(i) the Media Vendors shall fully indemnify the Purchaser on demand on a full indemnity basis and hold it harmless from and against all liabilities, damages, costs, claims, reduction in net assets or consolidated net assets (as the case may be) or increase in net liabilities or consolidated net liabilities (as the case may be) and all expenses which the Purchaser may sustain, suffer or incur as a result of any of the foregoing and the Media Vendors shall pay jointly and severally to the Purchaser on first demand the full amount of such loss within ten Business Days from the date of demand from the Purchaser; and

(ii) the Purchaser shall be entitled to take action in respect such breach or non-fulfillment of warranty before the expiry of two years or, in case of a claim in relation to taxation, six years after the Completion Date by written notice to the Media Vendors prior to the applicable warranty expiry date giving reasonable details of the relevant claim. Such applicable warranty expiry date shall be extended for a period of six months if the said notice in respect of a breach of the warranty is delivered to the Media Vendors prior to the relevant warranty expiry date. Proceedings in respect of the claim against the Media Vendors shall commence prior to the expiry of such extended warranty expiry date or else the claim shall be deemed to have been waived or withdrawn at the expiry of the said extended warranty expiry date.

The Purchaser may take whatever actions, as it considers necessary and appropriate, including legal action, to enforce the Purchaser's contractual rights enshrined in the New Agreement.

The Media Combined Net Surplus or the Media Combined Net Shortfall (as the case may be) shall be settled in cash or by cashier order or bank remittance to the bank account designated by the collection agent or the Purchaser (whichever being the receiving party(ies)).

Although, under the New Agreement, the Purchaser will no longer acquire Super Giant which, according to its unaudited consolidated financial statements, had consolidated net assets of approximately HK$3.9 million as at 31 December 2016, the amount of Media Consolidated Net Liabilities and the financial results of the Media Target Companies and their respective subsidiaries are neither affected by nor relevant to (meaning the Purchaser's decision to acquire or not does not trigger any change in the aforesaid numbers) the Purchaser's decision as to whether to acquire the entire issued share capital of Super Giant or not.

The Consideration was determined after arm's length negotiations among the Purchaser and the Media Vendors with reference to, among others, (i) the growth potential and prospects of the Media Group; (ii) the reasons for and benefits of the New Acquisition as described below; and (iii) the conditions that (a) the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date shall equal to HK$69.0 million (failing which adjustment to Consideration is required subject to the threshold of variance not exceeding HK$100,000); and (b) the valuation of the Media Group as at 31 December 2016 before taking into account the Media Consolidated Net Liabilities as appraised by an independent valuer appointed by the Company shall not be less than HK$84.0 million which implies that the said valuation as adjusted for the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date shall not be less than the

Consideration of HK$15.0 million after the adjustment thereto pursuant to the New Agreement (if any), save for the abovementioned variance not exceeding HK$100,000. The Consideration was funded by internal resources of the Group.

With the Media Vendors' undertaking that the Media Consolidated Net Liabilities shall not exceed HK$69.0 million immediately before Completion (failing which the adjustment referred to in the above in this sub-section shall apply) and the condition precedent that the value of the Media Group as appraised by the valuer then to be appointed by the Purchaser shall not be less than HK$84.0 million in aggregate, the sum of the Consideration (after adjustment where applicable) and the Media Consolidated Net Liabilities to be taken up by the Group upon Completion will not be more than the value of the Media Group as appraised by the said valuer. The Media Vendors have the discretion as to how to procure the delivery of the Media Group with Media Consolidated Net Liabilities of around HK$69.0 million. The abovementioned undertaking regarding the Media Consolidated Net Liabilities together with the adjustment to Consideration (if applicable) will render the Consideration (after adjustment) fair and reasonable. As mentioned in this sub-section, the condition precedent in respect of the valuation of the Media Group was set to ensure that the total of the Consideration (after adjustment) and the Media Consolidated Net Liabilities to be taken up by the Group at Completion does not exceed the fair value of the business acquired in the transactions contemplated under the New Agreement and the amount of HK$84.0 million as stipulated in the relevant condition precedent represents the result of the negotiations among the Purchaser and the Media Vendors. The amount so determined for the said condition precedent can achieve the aforesaid purpose.

Given (a) the relationship between the Consideration, the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date and the condition precedent in respect of the valuation of the Media Group as discussed in the preceding paragraph and sub-section 4 headed "Conditions precedent" in this section; and (b) the basis of determination of the undertaking that the Media Consolidated Net Liabilities shall not exceed HK$69.0 million immediately before Completion as at the Completion Date and the condition precedent in respect of the valuation of the Media Group as detailed in the above in this sub-section and in sub-section 4 headed "Conditions precedent" under this section, respectively, the Directors considered the Consideration to be fair and reasonable.

4. Conditions precedent

Completion is conditional upon the following conditions having been fulfilled or waived (as the case may be):

(a) the Independent Shareholders approving, by way of ordinary resolution and on a poll at the EGM, the New Agreement and the transactions contemplated thereunder and all other consents and acts required under the Listing Rules (if any) being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;

(b) step (i) of the Reorganisation as stipulated under the New Agreement having been completed in accordance with applicable laws and regulations;

(c) all approvals, consents, authorisations and licences in relation to the change of beneficial ownership of each of the Media Target Companies as contemplated by the New Agreement (if required) having been obtained from the requisite government or regulatory authorities or third party(ies);

(d) the Purchaser being satisfied with the results of the due diligence review of the Media Group;

(e) the valuation of the Media Group conducted by an independent valuer appointed by the Company being not less than HK$84,000,000 in aggregate; and

(f) settlement of all the loans owing by any member of the Media Group to any member of the Private Group or any associate of Mr. Ng (but excluding the members of the Media Group) by any means, such as by cash, assignment, capitalisation, wavier or otherwise.

For the avoidance of doubt, the valuation of the Media Group as referred to in (e) above shall be the value of the Media Group as at 31 December 2016 before taking into account the Media Consolidated Net Liabilities as at that date.

As the Media Group runs its businesses as usual during the period from 1 January 2017, the date immediately after the valuation date, to the Completion Date, the Media Consolidated Net Liabilities vary from a day to another. Therefore, an accurate number of the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date was not available to the parties to the New Agreement when they signed the same. To mitigate the uncertainty in this respect, (a) the Media Vendors, at the request of the Purchaser, undertook that the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date shall not exceed HK$69.0 million (i.e. the Undertaking Amount); and (b) the parties to the New Agreement agreed that variance between the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date and the Undertaking Amount (if any) shall be paid in full by the relevant party(ies) on a dollar-for-dollar basis if the said variance exceeds HK$100,000. As such, the Media Consolidated Net Liabilities as at the valuation date is of low relevance in a sense that the Media Consolidated Net Liabilities to be taken up by the Group upon Completion will effectively be the Undertaking Amount, i.e. the sum of the actual Media Consolidated Net Liabilities immediately before Completion as at the Completion Date and the adjustment to the Consideration (if any) to be determined according to the terms of the New Agreement, rather than the amount of Media Consolidated Net Liabilities as at the valuation date. Therefore, the valuer has assessed the fair value of the Media Group based on, among others, the cash flow forecast, which excludes the cash flows in respect of the Media Consolidated Net Liabilities as at the valuation date, as well. This constituted the fair value of the Media Group as at 31 December 2016 before taking into account the Media Consolidated Net Liabilities as at that date.

As mentioned in sub-section 2 headed "The Original Agreement" under section II headed "Previous Proposed Acquisition" herein, at the negotiation stage of the Media Acquisition, it was the judgmental rough estimate of the Media Vendors that the fair value of the Media Group would be more than HK$84.0 million and the condition that the fair value of the Media Group as appraised by the valuer then to be appointed by the Purchaser shall not be less than HK$84.0 million in aggregate had been set as a condition precedent to Completion. Given the estimated Media Consolidated Net Liabilities at Completion of around HK$69.0 million as estimated by the Media Vendors and the mutually agreed Media Consideration of HK$15.0 million, the Media Vendors considered aligning the requirement in respect of fair value of the Media Group as appraised by the valuer to be appointed by the Purchaser with the sum of the Media Consideration and the Undertaking Amount, totalling HK$84.0 million, to be a fair treatment although the Media Vendors' own rough judgmental estimate of the fair value of the Media Group was more than HK$84.0 million. The Purchaser and the Media Vendors agreed on the condition precedent in respect of the fair value of the Media Group on the abovementioned basis in the Original Agreement. The same condition precedent was adopted in the New Agreement.

Save for the condition as stated in (a) above, the Purchaser may at its absolute discretion waive any of the above conditions. In the event that any of the above conditions precedent are not fulfilled or waived (as the case may be) at or before 5:30 p.m. on 29 March 2018 (or such later date as may be agreed by the parties in writing), the New Agreement shall cease and terminate and no party to the New Agreement will have any further right or obligation under the New Agreement except in respect of the specific provisions as set out in the New Agreement which will continue in full force and effect and no party to the New Agreement shall have any claim against or liability to any other party thereto save for antecedent breaches of the New Agreement.

As at the Latest Practicable Date, the Directors had no intention to waive any of the conditions precedent. However, depending on the actual circumstance, the Directors may consider waiving and the Purchaser may, at its absolute discretion, waive any of the conditions precedent (save and except the condition of the passing of resolution(s) by the Independent Shareholders at the EGM in accordance with the Listing Rules to approve the New Agreement and the transactions contemplated thereunder) should there be any unforeseen change in circumstances prior to Completion which renders such waiver be in the interests of the Company and the Shareholders as a whole.

Further, if at any time before Completion, any of the warranties of the Media Vendors are found to be incorrect, untrue, inaccurate or misleading or have not been fully carried out in any material respect, or in the event that any of the Media Vendors becoming unable or failing to do anything required under the New Agreement to be done by it on or before the Completion Date, the Purchaser may rescind the New Agreement and the Media Vendors shall fully indemnify the Purchaser in respect of all fees, costs and expenses incurred by the Purchaser in connection with the negotiation, preparation, execution and rescission of the New Agreement.

In the event of lapse of the New Agreement or rescission of the New Agreement by the Purchaser, the Media Vendors shall refund the Consideration received in full to the Purchaser within 10 Business Days from the date of termination of the New Agreement.

5. Completion

Completion shall take place on the Completion Date.

6. Undertakings

Cessation of membership subsequent to Completion

As at the Latest Practicable Date, Target Company 4 was the sole member of a company incorporated in Hong Kong and limited by guarantee (not having a share capital) to which the tax exemption under Section 88 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) had been granted (the "**Charitable Company**").

As it was the Group's intention to acquire the businesses of and the intellectual properties and content archives owned by Target Company 4 and its subsidiaries, but not the Charitable Company which was established for charity rather than business purposes, the parties to the New Agreement agreed that Target Company 4 has to carve out the Charitable Company. However, the said Charitable Company is a company limited by guarantee rather than by shares. Unlike the companies limited by shares, Target Company 4 is not able to dispose of the Charitable Company by transfer of shares therein. It can only cease its participation in the Charitable Company by withdrawal from and termination of the membership therein (the "**Cessation**").

The Directors noted in the due diligence that it would take more time for Target Company 4 to withdraw from and terminate the membership of the Charitable Company. As such, after negotiations between the parties to the New Agreement, Vendor 4 agreed to undertake that, for the period from the date hereof to the Completion Date, it will procure (a) a person other than the members of the Media Group to apply for the membership of the Charitable Company; (b) the Charitable Company to approve such application and that person to become a members thereof (the "**Appointment**"); (c) Target Company 4 to take all necessary action(s) required for the Cessation and the Charitable Company to accept the same; and (d) that such withdrawal from and termination of the membership of the Charitable Company shall take effect on or before 31 December 2017 or any other date as the Purchaser and Vendor 4 may mutually agree in writing. On 29 December 2017, the Purchaser and Vendor 4 signed a confirmation letter whereby the date on or before which the said withdrawal from and termination of the membership of the Charitable Company shall take effect was extended to 30 April 2018. If, upon Completion, the Cessation has not been completed, Vendor 4 undertakes that, at all times including after Completion, it shall provide assistance regarding the Cessation to the Purchaser upon request thereof.

Further, Vendor 4 undertakes that unless there is prior written consent from the Purchaser, it will not through Target Company 4 or otherwise instruct the Charitable Company to, and will procure that the Charitable Company will not, carry on, be engaged, concerned or interested in any activity other than the normal administrative routines (i.e. the administrative matters to maintain the Charitable Company as a going concern in good standing in the ordinary course of operation of a charitable company) not involving cost or expense in excess of HK$100,000 on an individual, aggregate or cumulative basis at any time during the period from the date of the New Agreement to Completion. The Purchaser undertakes that, unless there is prior written instruction from Vendor 4, it will not through Target Company 4 or otherwise instruct the Charitable Company to, and will procure that the Charitable Company will not, carry on, be engaged, concerned or interested in any activity other than the normal administrative routines not involving cost or expense in excess of HK$100,000 on an individual, aggregate or cumulative basis at any time during the period from Completion Date to the date of the Cessation. Should the Purchaser, Target Company 4 and/or the Charitable Company act on the aforesaid written instruction from Vendor 4 and incur any loss, expense, liability or damage, direct, indirect, consequential incidental or otherwise, Vendor 4 shall indemnify them against all such loss, expense, liability or damage in full.

Non-competition and non-solicitation

Each of the Media Vendors undertakes that it will not, and will procure that its associated company(ies) (as defined in the Companies Ordinance, Chapter 622 of the Laws of Hong Kong) and agent(s) (save and except the members of the Group) will not, at any time, either for itself/themselves or as agent of any person directly or indirectly:

a. carry on, be engaged, concerned or interested in or in any way assist in any business in Hong Kong similar to or which competes with any principal business currently carried on by the members of the Media Group as at the date of the New Agreement, namely the publication of printed magazines which are sold and circulated in Hong Kong (the "**Media Restricted Activity**") , for a period of two years from the Completion Date;

b. be in competition with the Media Group in the Media Restricted Activity, canvass or solicit or accept orders from or do business with any person with whom any member of the Media Group has done business regarding the Media Restricted Activity during the twelve months preceding the date of the New Agreement, or otherwise induce or endeavour to induce any such person to cease being a customer of any member of the Media Group regarding the Media Restricted Activity for a period of two years from the Completion Date; and

c. at any time after the date of the New Agreement do or say anything which may be harmful to the reputation of any member of the Media Group.

Transfer of intellectual properties

In addition, the Media Vendors shall, as soon as practicable after signing the New Agreement, procure the relevant owner(s) or applicant(s) of the 33 trademarks, which were registered in the PRC as at the date of the New Agreement, (the "**Transferred Trademarks**") to assign and transfer the Transferred Trademarks, at nominal consideration, to the member(s) of the Media Group as directed by the Purchaser, do all such things necessary and execute all documents required for such transfer and assignment of the ownership of and the rights attached to the Transferred Trademarks. Upon the execution of relevant transfer document(s) and/or assignment(s) evidencing the transfer and assignment of the Transferred Trademarks, the Media Vendors shall procure the relevant owner(s) or applicant(s) of the Transferred Trademarks to take all necessary actions to assist such member(s) of the Media Group as directed by the Purchaser to register the transfer and/or assignment of the Transferred Trademarks with relevant authority in accordance with applicable laws and regulations. If any of the document(s) and/or assignment(s) evidencing the transfer and assignment of the Transferred Trademarks is not executed on or before the Completion Date and/or such assignment and/or transfer of Transferred Trademarks has not become effective on or before the Completion Date, the Media Vendors shall procure the owner(s) or applicant(s) of the relevant Transferred Trademark(s) to provide such Transferred Trademark(s) to and allow the same to be used exclusively by the members of the Media Group at no cost until the relevant assignment and/or transfer of the Transferred Trademark(s) become(s) effective. Further, if the Media Vendors refuse to transfer the Transferred Trademarks to the Company, the Directors will consider all the possible ways to enforce the undertakings including, but not limited to, negotiations, lodging claims to the Media Vendors or pursuing legal actions against the Media Vendors.

Entering into the New Tenancy Agreement(s)

As at the Latest Practicable Date, certain members of the Media Group are using the Premises as their offices, which was leased by a company wholly-owned by Mr. Ng indirectly (as tenant) from Copthorne (as landlord).

Pursuant to the New Agreement, the Media Vendors shall, as soon as practicable after the signing of the New Agreement, and in any event before Completion, procure Copthorne (as landlord) to enter into the New Tenancy Agreement(s) with the member(s) of the Media Group (as tenant) as designated by the Purchaser on terms substantially the same as or no less favourable than the existing tenancies in respect of the Premises. If the New Tenancy Agreement(s) is/are not entered into prior to or at Completion, the said tenant, being the abovementioned company wholly-owned by Mr. Ng directly, shall, at no cost, provide the Premises to and allow the same to be used by the member(s) of the Media Group until the New Tenancy Agreement(s) are executed.

Copthorne is an indirect wholly-owned subsidiary of SCHC. While Mr. Ng is the chairman, an executive director and the controlling shareholder of SCHC and, hence, a connected person of SCHC, he is also an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company. Thus, Copthorne is an associate of Mr. Ng and, hence, a connected person of the Company. In addition, the members of the Media Group will become wholly-owned subsidiaries of the Company upon Completion. Thus, the execution of the New Tenancy Agreement(s) upon or after Completion will constitute continuing connected transaction(s) for the Company under Chapter 14A of the Listing Rules. In case where the annual caps exceed the de minimis threshold, an announcement complying with the relevant requirements under the Listing Rules will be published by the Company as and when appropriate and necessary.

As at the Latest Practicable Date, the New Tenancy Agreement has not been signed.

IV. INFORMATION ON THE GROUP

The Purchaser is a company incorporated in BVI with limited liability and is a direct wholly-owned subsidiary of the Company. The Company is an investment holding company. The principal activities of the Company's subsidiaries consist of securities, commodities, bullion and forex broking and trading, margin financing, money lending, provision of corporate advisory, underwriting and wealth management services, asset management, property investment and investment holding. In addition, the subsidiaries acquired in the Previous Acquisition, which was completed in January 2017, are engaged in financial media businesses including publication of magazines (namely, Capital Weekly (資本壹週), Capital Money (資本創富), Capital Entrepreneur (資本企業家), Capital CEO (資本才俊) and Capital (資本雜誌)), event management, marketing services and other related businesses.

V. INFORMATION ON THE MEDIA VENDORS AND THE MEDIA GROUP

As at the Latest Practicable Date,

(1) Target Company 1, a company incorporated in BVI with limited liability, was wholly-owned by Vendor 1;

(2) Target Company 2, a company incorporated in BVI with limited liability, was wholly-owned by Vendor 2;

(3) Target Company 3, a company incorporated in BVI with limited liability, was wholly-owned by Vendor 3; and

(4) Target Company 4, a company incorporated in BVI with limited liability, was wholly-owned by Vendor 4.

To the best knowledge, information and belief of the Directors, each of the Media Vendors is an investment holding company. As at the Latest Practicable Date, Mr. Ng, an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company, held the entire interests in Vendor 1 and Vendor 2 indirectly and the entire interests in Vendor 3 and Vendor 4 directly.

The Media Group is principally engaged in the media businesses, including, among others, publishing printed and digital media assets (namely, Jessica, JESSICA Dream Wedding, JESSICA Baby, JTV, Marie Claire (Hong Kong edition), JMEN, Whizkids Express Weekly and Car Plus), event management, marketing services and other related services.

Original acquisition cost of the Media Group

Target Group 1

Pursuant to the sale and purchase agreement dated 28 December 2007 in respect of the entire issued share capital of South China Media Limited ("**South China Media**") and the loans thereof due to Tek Lee as at 31 December 2007 (totaling approximately HK$14.0 million) entered into between Tek Lee (a then indirect wholly-owned subsidiary of South China Holdings Limited (now known as Oriental Victory China Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00265)), as the vendor, and Broaden Base Investments Limited ("**Broaden Base**", the indirect holding company of Vendor 1 wholly-owned by Mr. Ng directly as at the date hereof), as the purchaser, Broaden Base acquired the entire interests in South China Media and the aforesaid loans at cash consideration of HK$30.0 million (the "**2008 Acquisition**"). Details of such transaction were set out in the circular issued by South China Holdings Limited dated 16 January 2008. Vendor 1 was a direct subsidiary of South China Media both before and after completion of the 2008 Acquisition. Except for two of the then indirect subsidiaries of Target Company 1, which were transferred to Target Company 4 subsequent to completion of the 2008 Acquisition (one of which formed part of the subject assets of the New Acquisition), all the then subsidiaries of Vendor 1 remained the subsidiaries of Vendor 1 as at the Latest Practicable Date.

At the relevant time, the subsidiaries of South China Media consisted of (a) Target Company 1 and the existing subsidiaries thereof; (b) the two then subsidiaries of Target Company 1 transferred to Target Company 4 as referred to in the preceding paragraph; and (c) other subsidiaries of South China Media not being members of the Media Group. As (i) the consideration for the 2008 Acquisition included not only the cost of acquisition of Target Company 1 and its existing subsidiaries but also the cost of acquisition of the abovementioned loans and the then subsidiaries of South China Media other than Target Company 1 and its existing subsidiaries; and (ii) the consideration for the 2008 Acquisition was determined for the acquisition of the interests in South China Media and its subsidiaries as a whole based on the negotiations between the relevant parties which were not done on an individual entity basis, the Company and Vendor 1 were unable to ascertain the original acquisition cost of Target Company 1 and its existing subsidiaries, which formed part of the subject assets of the New Agreement, to Mr. Ng and his associates at the relevant time.

Target Group 2

In December 2008, Vendor 2 acquired the entire interests in Target Company 2 at the consideration of HK$8.00 from a subsidiary of South China (China) Limited (now known as South China Holdings Company Limited, i.e. SCHC as defined) of which Mr. Ng and his associates were the controlling shareholders. The then subsidiaries of Target Company 2 remained the subsidiaries thereof as at the Latest Practicable Date.

Target Group 3

In January 2011, Vendor 3 entered into the sale and purchase agreement in respect of the entire issued share capital of Target Company 3 with Honbridge Holdings Limited, an independent third party with the shares therein listed on the Growth Enterprise Market of the Stock Exchange (stock code: 08137). Pursuant to such agreement, Vendor 3 acquired the entire interests in Target Company 3, together with the subsidiaries thereof (which remained the subsidiaries of Target Company 3 as at the Latest Practicable Date), from Honbridge Holdings Limited at the consideration of HK$1.0 million.

Target Group 4

Target Company 4 was a shelf company acquired by Vendor 4 from an independent third party at approximately HK$5,000. Excluding the two companies to be disposed of pursuant to the Reorganisation, as at the Latest Practicable Date, Target Company 4 had three subsidiaries which were acquired by certain companies wholly-owned by Mr. Ng directly as follows:

As disclosed in the circular dated 14 September 2007 issued by Jessica Publications Limited (now known as Honbridge Holdings Limited), pursuant to the sale and purchase agreement dated 16 August 2007 in respect of entire issued share capital of Vendor 2 (a then indirect wholly-owned subsidiary of Honbridge Holdings Limited), Vendor 3 acquired the entire interests in Vendor 2 at cash consideration of HK$1.0 million (the "**2007 Acquisition**"). At the relevant time, Vendor 2 and its subsidiaries were principally engaged in the publication of two magazines, namely "旭茉JESSICA" and "JESSICA China". The then subsidiaries of Vendor 2 included, among others, two existing subsidiaries of Target Company 4 which is engaged in publication of the magazine titled "旭茉JESSICA". The aforesaid two subsidiaries of Vendor 2 were transferred to Target Company 4 subsequent to completion of the 2007 Acquisition.

The remaining subsidiary of Target Company 4 was one of the then indirect wholly-owned subsidiaries of South China Media, which was acquired by Broaden Base in the 2008 Acquisition. Broaden Base, through the then immediate holding company of such subsidiary, transferred the entire interests in the said subsidiary to Target Company 4 subsequent to completion of the aforesaid transaction.

As (i) the consideration for the 2007 Acquisition covered the cost for the acquisition of the interests in companies other than Target Group 4; (ii) the consideration for the 2008 Acquisition covered the cost for the acquisition of the aforesaid loans of approximately HK$14.0 million and the interests in companies other than the subsidiary of Target Company 4 as referred to in the preceding paragraph; and (iii) such considerations were determined for the relevant target groups as a whole based on the negotiations between the relevant parties rather than on an individual basis for each of the members of such target groups, the Company and the relevant Media Vendors were unable to ascertain the original acquisition costs of Target Group 4.

Financial information of the Media Group

Set out below is the financial information extracted from Appendix II to this circular, being the consolidated financial statements of each of the Media Target Companies and its subsidiaries for the relevant periods:

(i) Target Group 1

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2016 HK$'000
Loss before income tax	19,726	15,326
Loss after income tax	19,727	15,337

	As at 31 December 2016 HK$'000
Net liabilities	506,350

(ii) Target Group 2

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2016 HK$'000
Loss before and after income tax	7	–

	As at 31 December 2016 HK$'000
Net liabilities	26

(iii) Target Group 3

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2016 HK$'000
Loss before income tax	3,096	4,176
Loss after income tax	3,096	4,154

	As at 31 December 2016
	HK$'000
Net liabilities	12,657

(iv) Target Group 4 (excluding the companies to be disposed of in the Reorganisation)

	Year ended	
	31 December 2015	31 December 2016
	HK$'000	*HK$'000*
Profit/(Loss) before income tax	1,107	(4,312)
Profit/(Loss) after income tax	636	(4,274)

	As at 31 December 2016
	HK$'000
Net assets	45,180

VI. FINANCIAL EFFECTS OF THE NEW ACQUISITION

Upon Completion, the members of the Media Group will become indirect wholly-owned subsidiaries of the Company and their assets, liabilities and financial results will be consolidated into the consolidated financial statements of the Group.

Earnings

Based on the financial information extracted from the Accountant's Reports on the Media Group set out in Appendix II to this circular, the revenue and the net loss after tax of the Media Group was approximately HK$55.0 million and HK$15.2 million, respectively, for the year ended 31 December 2016 and HK$34.5 million and HK$4.9 million, respectively, for the ten months ended 31 October 2017.

The total estimated acquisition related costs for the acquisition of the Media Group of approximately HK$3.1 million is to be charged to the consolidated profit or loss of the Group

The attention of the equity holders of the Company is drawn to the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular.

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular, upon Completion, the unaudited pro forma consolidated total assets of the Enlarged Group would be increased by approximately HK$75.5 million and the unaudited pro forma consolidated total liabilities of the Enlarged Group would be increased by approximately HK$78.6 million.

VII. REASONS FOR AND BENEFITS OF THE NEW ACQUISITION

As disclosed in the announcement and circular of the Company dated 3 November 2016 and 29 December 2016, respectively, in relation to the Previous Acquisition, it has been the Company's business strategy to make investments that would create synergy with its existing operations and diversify its revenue streams as well as implement a consumer-oriented-business platform in the future. The Media Group is principally engaged in the media businesses, including, among others, publishing printed and digital media assets (namely, Jessica, JESSICA Dream Wedding, JESSICA Baby, JTV, Marie Claire (Hong Kong edition), JMEN, Whizkids, Express Weekly and Car Plus), event management, marketing services and other related services, appealing to a client and audience base complementing to the target clients of the Group as well as owning and maintaining the content archives of, among others, Express News, Lisa and HIM. The Board believes that the popularity and widespread reach of the media assets produced by the Media Group would not only broaden the media platform of the Group since completion of the Previous Acquisition but also create various business opportunities for the Group, including relationship-building across various business lines, and enable it to provide value-added services to its existing clients. Through the media platform and by utilising the significant audience and circulation reach, broad customer base database, as well as big data of the Media Group, the Group will also be able to broaden its scope of products and services offerings that is indispensable to materialising its plan to develop a consumer-oriented business platform.

Taking into account of the above factors, the Directors believe the terms of the New Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

In view of the substance of the matters and the terms of the Original Agreement (which apply to the New Agreement) in favour of the Purchaser as discussed in sub-sections 2 and 3 headed "The Original Agreement" and "Termination of the Original Agreement", respectively, under section II headed "Previous Propose Acquisition" above, the Directors were of the view that the New Agreement was entered into on normal commercial terms and the terms of the New Agreement are fair and reasonable as a whole.

The Company has engaged Ascent Partners Valuation Service Limited, an independent professional valuer to perform the valuation of the Media Group. According to the valuer, (i) the valuation was carried out on a fair value basis; (ii) Hong Kong Financial Reporting Standard (HKFRS) 13 Fair Value Measurement was adopted as the basis of valuation; (iii) such valuation bases are prominent and generally accepted in the valuation industry; and (iv) the valuation was conducted with reference to International Valuation Standards issued by International Valuation Standards Council. The valuation procedures included a review of the financial and economic conditions of the subject businesses of the

Media Group, an assessment of key assumptions, estimates, and representations underlying the projected cash flows forecast prepared by the Media Group, and are in line with the usual market practices. The Directors have reviewed the underlying major inputs, assumptions and methodology employed in the preparation of valuation and made necessary enquiries with the valuer to ensure the set of major inputs, assumptions and methodology in use are fair and reasonable for the valuation. In addition, the valuer had provided valuation service to a prominent player in the same industry as the Media Group before and, therefore, was considered to be a firm with relevant experience in performing valuation for the Media Group. Based on the Directors' review of the valuation report as well as the discussion with the valuer and taking into consideration of the track records and relevant experiences of the valuer, the Directors are of the view that the methodology, inputs and assumptions adopted in the valuation report are fair and reasonable.

Mr. Ng is considered to have material interests in the termination of the Original Agreement and the New Acquisition by virtue of his directorship in the Company and certain members of the Media Group and his interests in the Company and the Media Group. As such, he has abstained from voting on the Board resolutions approving the termination of the Original Agreement and the New Acquisition. Ms. Ng Yuk Mui Jessica is an executive Director and a director of each of Vendor 1, Vendor 2, Vendor 4 and the Media Target Companies. Thus, Ms. Ng Yuk Mui Jessica is also considered to have material interests in the termination of the Original Agreement and the New Acquisition by virtue of common directorship and, therefore, she has abstained from voting on the Board resolutions approving the termination of the Original Agreement and the New Acquisition. Further, Ms. Cheung Choi Ngor is an executive Director and a director of Super Giant and is, therefore, considered to have material interest in the termination of the Original Agreement by virtue of such common directorship. As such, she has abstained from voting on the Board resolutions approving the termination of the Original Agreement. Save as disclosed above, no other Director has abstained from voting on the said Board resolutions.

VIII. LISTING RULES IMPLICATIONS

As the New Agreement was entered into within 12 months after completion of the Previous Acquisition and both the agreement in respect of the Previous Acquisition and the New Agreement were entered into between a member of the Group and the same connected person and/or his associates, the New Acquisition and the Previous Acquisition are required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. As one of the applicable percentage ratios for the New Acquisition and the Previous Acquisition in aggregate under the Listing Rules is more than 25% but less than 100%, the New Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the New Acquisition is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Media Vendors were wholly-owned by Mr. Ng, an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company. As such, each of the Media Vendors is an associate of Mr. Ng and, therefore, a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the New Acquisition also constitutes a connected transaction for the Company. As the New Acquisition is not exempted from all or some of the requirements under Chapter 14A of the Listing Rules, it is subject to the announcement, reporting and Independent Shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules. Mr. Ng is considered to have material interests in the New Agreement and the transactions contemplated thereunder by virtue of his interests in the Media Vendors and the Media Group. As such, Mr. Ng and his associates are required to abstain from voting on the resolutions approving the New Agreement and the transactions contemplated thereunder in the EGM. The Company will seek the Independent Shareholders' approval for the New Acquisition at the EGM.

As at the Latest Practicable Date, (i) Mr. Ng, an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company, held 556,663,200 Shares, representing approximately 3.70% of the issued share capital of the Company; and (ii) Fung Shing Group Limited ("**Fung Shing**"), Parkfield Holdings Limited ("**Parkfield**"), Ronastar Investments Limited ("**Ronastar**") and Uni-spark Investments Limited ("**Uni-spark**") were interested in 3,866,417,184 Shares in aggregate, representing approximately 25.66% of the issued share capital of the Company. Fung Shing, Parkfield, Ronastar and Uni-spark are wholly-owned by Mr. Ng and, hence, the associates thereof. As such, Mr. Ng and his associates were collectively interested in 4,423,080,384 Shares (representing approximately 29.36% of the issued share capital of the Company) as at the Latest Practicable Date, will be required to abstain from voting on the resolution approving the New Agreement and the transactions contemplated thereunder at the EGM.

IX. EGM

A notice convening the EGM to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on 28 March 2018 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Ordinary resolution will be proposed at the EGM to consider and, if thought fit, approve the New Agreement and the transactions contemplated thereunder by way of poll. The poll results will be announced after the EGM.

X. RECOMMENDATION

The Directors (including Independent Board Committee after considering the advice of the Independent Financial Adviser) considered that, despite entering into the New Agreement is not in the ordinary and usual course of business of the Company, the terms of the New Agreement and the transactions contemplated thereunder are (i) fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned; (ii) on normal commercial terms; and (iii) in the interests of the Group and the Shareholders as a whole and, therefore, recommended the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the New Agreement and the transactions contemplated thereunder.

Your attention is drawn to:

(a) this letter from the Board;

(b) a letter of recommendation from the Independent Board Committee set out on pages 39 to 40 of this circular; and

(c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders set out on pages 41 to 72 of this circular.

XI. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

XII. WARNING NOTICE

As Completion of the New Acquisition is subject to fulfilment (or, if applicable, waiver) of the conditions precedent under the New Agreement, the New Acquisition may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Yours faithfully,
By order of the Board
South China Financial Holdings Limited
南華金融控股有限公司
Ng Yuk Mui Jessica
Executive Director

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the New Agreement and the transactions contemplated thereunder:

SOUTH CHINA FINANCIAL HOLDINGS LIMITED
南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00619)

To the Independent Shareholders

Dear Sirs and Mesdames,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PERFECT RICHES LIMITED, SUPER BELLAX LTD., GREAT READY ASSETS LIMITED AND JADE FOUNTAIN LIMITED

We refer to the circular dated 9 March 2018 (the "**Circular**") to the Shareholders of which this letter forms part. Unless otherwise specified, the terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the New Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the Circular. Crescendo has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons that Crescendo has taken into consideration in giving such advice are set out in the "Letter from the Independent Financial Adviser" in the Circular. Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the appendices thereto.

Having taken into account the terms of the New Agreement and the transactions contemplated thereunder, we are of the opinion that, despite entering into the New Agreement is not in the ordinary and usual course of business of the Company, the terms of the New Agreement and the transactions contemplated thereunder are (i) fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned; (ii) on normal commercial terms; and (iii) in the interests of the Group and the Shareholders as a whole. We, therefore, recommend that you vote in favour of the resolution to be proposed at the EGM to approve the New Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
The Independent Board Committee

Hon. Raymond Arthur William Sears, Q.C. *Independent non-executive Director*	**Mrs. Tse Wong Siu Yin Elizabeth** *Independent non-executive Director*	**Mr. Tung Woon Cheung Eric** *Independent non-executive Director*

The following is the full text of the letter of advice from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the New Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

1506 Tai Tung Building
8 Fleming Road
Wanchai, Hong Kong

9 March 2018

South China Financial Holdings Limited
28/F., Bank of China Tower
1 Garden Road
Central, Hong Kong

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PERFECT RICHES LIMITED, SUPER BELLAX LTD., GREAT READY ASSETS LIMITED AND JADE FOUNTAIN LIMITED

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the terms of the transactions contemplated under the New Agreement, details of which are set out in the Letter from the Board contained in the circular of the Company dated 9 March 2018 to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 14 July 2017 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Media Vendors entered into the New Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Media Vendors have conditionally agreed to sell, the entire issued share capital of the Media Target Companies at the Consideration of HK$15.0 million, subject to adjustment.

As the New Agreement was entered into within 12 months after completion of the Previous Acquisition and both agreements in respect of the Previous Acquisition and the New Agreement were entered into between a member of the Group and the same connected person and/or his associates, the New Acquisition and the Previous Acquisition are required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. As one of the applicable percentage ratios for the New Acquisition and the Previous Acquisition in aggregate under the Listing Rules is more than 25% but less than 100%, the New Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the New Acquisition is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Media Vendors were wholly-owned by Mr. Ng, who is an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company. As such, each of the Media Vendors is an associate of Mr. Ng and therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the New Acquisition also constitutes a connected transaction for the Company. As the New Acquisition is not exempted from all or some of the requirements under Chapter 14A of the Listing Rules, it is subject to the announcement, reporting and Independent Shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules. The Company will seek the Independent Shareholders' approval for the New Acquisition, by way of poll, at the EGM. Mr. Ng is considered to have material interests in the New Agreement and the transactions contemplated thereunder by virtue of his interests in the Media Vendors and the Media Group. As such, Mr. Ng and his associates are required to abstain from voting on the resolution approving the New Agreement and the transactions contemplated thereunder at the EGM.

As at the Latest Practicable Date, (i) Mr. Ng held 556,663,200 Shares, representing approximately 3.70% of the issued share capital of the Company; and (ii) Fung Shing Group Limited ("**Fung Shing**"), Parkfield Holdings Limited ("**Parkfield**"), Ronastar Investments Limited ("**Ronastar**") and Uni-spark Investments Limited ("**Uni-spark**") were interested in 3,866,417,184 Shares in aggregate, representing approximately 25.66% of the issued share capital of the Company. As Fung Shing, Parkfield, Ronastar and Uni-spark are wholly-owned by Mr. Ng, they are associates of Mr. Ng. Therefore, Mr. Ng and his associates were collectively interested in 4,423,080,384 Shares, representing approximately 29.36% of the issued share capital of the Company, as at the Latest Practicable Date and they will be required to abstain from voting on the resolution approving the New Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Hon. Raymond Arthur William Sears, Q.C., Mrs. Tse Wong Siu Yin Elizabeth and Mr. Tung Woon Cheung Eric, has been established to advise the Independent Shareholders on the terms of the New Agreement. We, Crescendo Capital Limited, have been appointed, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in this regard, in particular as to whether the terms of the New Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

We are not associated with the Group and its associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Save for acting as an independent financial adviser in this appointment and the involvement of our directors, under their employment in another firm, in the engagements as an independent financial adviser for providing advice to the Company and SCHC, a company of which Mr. Ng is the chairman, the controlling shareholder and a director, on the occasions as detailed in the circular of the Company dated 29 December 2016 and the circular of SCHC dated 31 August 2016, we have not acted as a financial adviser or an independent financial adviser to the Company and its associates in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its associates. We were not aware of any relationship or interest between us and the Company or any other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, the information contained in the Circular 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 in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the New Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the New Acquisition, we have considered the following principal factors and reasons:

1. Information on the Group

The Company is an investment holding company. The principal activities of the Group consist of securities, commodities, bullion and forex broking and trading, margin financing, money lending, provision of corporate advisory, underwriting and wealth management services, asset management, property investment and investment holding and financial media businesses. For management purposes, the Group has eight reportable operating segments, namely (i) the broking segment which engages in securities, commodities and futures contracts broking; (ii) the trading and investment segment which engages in securities, forex, bullion and futures contracts trading and investment holding; (iii) the margin financing and money lending segment which engages in the provision of margin and personal loan financing and finance lease operations; (iv) the corporate advisory and underwriting segment which engages in the provision of corporate advisory and underwriting services; (v) the asset and wealth management segment which engages in insurance broking and asset management; (vi) the property investment segment which engages in investment in properties; (vii) the media publication and financial public relation services segment which engages in publication of magazines (namely, Capital Weekly (資本壹週), Capital Money (資本創富), Capital Entrepreneur (資本企業家), Capital CEO (資本才俊) and Capital (資本雜誌)), event management, marketing services, FPR business and other related businesses; and (viii) other business segment which includes the provision of clearing and custodian services.

The consolidated financial information of the Group for the six months ended 30 June 2017 and 2016 and the two years ended 31 December 2016, which was extracted from the interim report and the annual report of the Company respectively, is summarized as follows:

	For the six months ended 30 June		**For the year ended 31 December**	
	2017	**2016**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue				
– Broking	16,861	13,675	30,324	69,394
– Trading and investment	30,377	25,067	36,437	33,716
– Margin financing and money lending	13,384	10,817	22,138	25,284
– Corporate advisory and underwriting	13,854	9,631	21,284	6,381
– Asset and wealth management	1,431	256	968	1,470
– Property investment	4,793	4,780	9,401	10,431
– Media publication and FPR services	7,402	–	–	–
– Other business	604	519	814	1,784
	88,706	64,745	121,366	148,460
Profit/(loss) from operating activities	2,418	(9,850)	(47,076)	2,601
(Loss) before tax	(2,575)	(13,913)	(55,867)	(9,265)
(Loss) for the period/year attributable to owners of the Company	(2,963)	(14,225)	(56,703)	(14,842)

	As at 30 June 2017 HK$'000 (unaudited)
Non-current assets	521,180
Current assets	1,848,530
Total assets	2,369,710
Non-current liabilities	(165,024)
Current liabilities	(1,102,962)
Total liabilities	(1,267,986)
Net assets	1,101,724
Equity attributable to owners of the Company	1,101,724

The revenue of the Group for the year ended 31 December 2016 was approximately HK$121.4 million, of which approximately 25.0% (2015: 46.7%) was derived from broking segment, approximately 30.0% (2015: 22.7%) was derived from trading and investment segment, approximately 18.2% (2015: 17.0%) was derived from margin financing and money lending segment, approximately 17.5% (2015: 4.3%) was derived from corporate advisory and underwriting segment, approximately 7.7% (2015: 7.0%) was derived from property investment segment and approximately 1.6% (2015: 2.3%) was derived from the segments of asset and wealth management and other business.

With the re-establishment of the Group's foothold in the market in 2016, the Group's advisory income from the corporate advisory and underwriting segment increased by approximately HK$14.9 million for the year ended 31 December 2016. Nevertheless, the Group recorded a decrease of approximately HK$27.1 million (or approximately 18.2%) in its revenue for the year ended 31 December 2016 as compared to the previous year since the commission and brokerage income from the broking segment decreased by approximately HK$39.1 million for the relevant time as a result of the slumbering stock market turnover in 2016. Meanwhile, the Group recognized an increase in fair value loss on financial assets at fair value through profit or loss of approximately HK$63.5 million for the year ended 31 December 2016 as compared to the prior year. With the lowered revenue and the increased fair value loss recognized as mentioned above, the Group recorded loss from operating activities of approximately HK$47.1 million for the year ended 31 December 2016, as opposed to a profit from operating activities of approximately HK$2.6 million for the previous year, although a fair value gain on investment properties of approximately HK$42.5 million was recognized for the year ended 31 December 2016.

The loss before tax of the Group increased from approximately HK$9.3 million for the year ended 31 December 2015 to approximately HK$55.9 million for the year ended 31 December 2016 although no impairment of investment in an associate and share of loss of an associate were recognized for the year ended 31 December 2016 while an impairment of an aggregate amount of approximately HK$4.3 million was recorded for the prior year. The loss attributable to equity holders of the Company also increased by approximately HK$41.9 million from approximately HK$14.8 million for the year ended 31 December 2015 to approximately HK$56.7 million for the year ended 31 December 2016.

The revenue of the Group for the six months ended 30 June 2017 was approximately HK$88.7 million, of which approximately 19.0% (2016: 21.1%) was derived from broking segment, approximately 34.2% (2016: 38.7%) was derived from trading and investment segment, approximately 15.1% (2016: 16.7%) was derived from margin financing and money lending segment, approximately 15.6% (2016: 14.9%) was derived from corporate advisory and underwriting segment, approximately 5.4% (2016: 7.4%) was derived from property investment segment, approximately 8.3% (2016: nil) was derived from media publication and FPR services segment and approximately 2.4% (2016: 1.2%) was derived from the segments of asset and wealth management and other business.

The Group recorded an increase of approximately HK$24.0 million (or approximately 37.1%) in its revenue for the six months ended 30 June 2017 as compared to the previous corresponding period owing to the increase in revenue from provision of financial services as a result of the rally in local market in the first half of 2017 and revenue generated from media publication and FPR services upon completion of the Previous Acquisition in January 2017. In addition, the Group recognized a fair value gain on derivative financial instruments of approximately HK$29.0 million for the six months ended 30 June 2017 as compared to a fair value loss of approximately HK$1.0 million for the prior corresponding period. With the improved revenue and the fair value gain recognized as mentioned above, the Group recorded profit from operating activities of approximately HK$2.4 million for the six months ended 30 June 2017, as opposed to a loss from operating activities of approximately HK$9.9 million for the previous corresponding period, although there was an increase in other operating expenses of approximately HK$42.6 million. Taking into account the finance costs of approximately HK$5.0 million for the six months ended 30 June 2017, the loss before tax of the Group decreased from approximately HK$13.9 million for the six months ended 30 June 2016 to approximately HK$2.6 million for the six months ended 30 June 2017 while the loss attributable to equity holders of the Company also decreased by approximately HK$11.2 million from approximately HK$14.2 million for the six months ended 30 June 2016 to approximately HK$3.0 million for the six months ended 30 June 2017.

As at 30 June 2017, the non-current assets of the Group amounted to approximately HK$521.2 million, of which approximately HK$440.0 million were investment properties, approximately HK$14.1 million were goodwill, approximately HK$35.9 million were available-for-sale investments, approximately HK$11.4 million were long terms loans receivable and approximately HK$9.2 million were other assets. The current assets of the Group amounted to approximately HK$1,848.5 million as at 30 June 2017, which mainly consisted of financial assets at fair value through profit or loss of approximately HK$490.0 million, loans receivable of approximately HK$283.3 million, trade and other receivables, prepayments and deposits of approximately HK$276.3 million, cash held on behalf of clients of approximately HK$577.5 million and cash and bank balances of approximately HK$218.4 million.

The non-current liabilities of the Group amounted to approximately HK$165.0 million as at 30 June 2017, which mainly included interest-bearing bank borrowings of approximately HK$131.2 million and deferred tax liabilities of approximately HK$30.3 million. The current liabilities of the Group as at 30 June 2017 amounted to approximately HK$1,103.0 million, which mainly comprised client deposits of approximately HK$621.0 million, trade and other payables and accruals of approximately HK$66.8 million, derivative financial instruments of approximately HK$20.5 million and interest-bearing bank borrowings of approximately HK$390.5 million. As at 30 June 2017, the net current assets of the Group amounted to approximately HK$745.6 million while the net assets of the Group amounted to approximately HK$1,101.7 million. The gearing ratio, as expressed as total liabilities over total assets, of the Group was approximately 53.5% as at 30 June 2017.

2. Information on the Media Group

Each of Target Company 1, Target Company 2, Target Company 3 and Target Company 4 is a company incorporated in the BVI with limited liability and is wholly-owned by Vendor 1, Vendor 2, Vendor 3 and Vendor 4 respectively. As at the Latest Practicable Date, Mr. Ng, an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company, indirectly wholly-owned Vendor 1 and Vendor 2 and directly wholly-owned Vendor 3 and Vendor 4.

The Media Group is principally engaged in media businesses, including, among others, publishing printed and digital media assets and provision of event management, marketing and communication strategy, digital and creative, custom publishing, digital marketing, customer-relationship management and other related services and solutions, appealing to a client and audience base complementing to the target clients of the Group as well as owning the brand names and maintaining the relevant content archives. The currently active media asset titles include *JESSICA (旭茉JESSICA), JESSICA Dream Wedding (旭茉JESSICA Dream Wedding), JESSICA Baby (旭茉JESSICA Baby), JTV, Marie Claire (Hong Kong edition) (瑪利嘉兒(香港版)), JMEN, Whizkids Express Weekly (兒童快報)* and *CarPlus (車王雜誌).*

Target Group 1

Target Group 1 is principally engaged in media businesses, including, among others, publishing printed media assets, namely *JMEN, CarPlus*, and *Whizkids Express Weekly,* and digital media assets of *JMEN* and *CarPlus*, and provision of event management, marketing and communication strategy, custom publishing, digital marketing, customer-relationship management and other related services and solutions. Target Group 1 owns all the intellectual property and content archives of the above-mentioned titles as well as certain titles, the publication of which have been ceased. *JMEN*, which was first launched in 2009, is a men's lifestyle title targeting professionals and senior management and a brand extension of *JESSICA* published quarterly in conjunction with its website and digital assets. *CarPlus* is an automobile magazine published monthly in conjunction with its website and social media channels targeting a more male-dominated audience of car owners who are professionals, business owners and senior management. *Whizkids Express Weekly*, which was first launched in 1995, is a children's media brand targeting parents and their children published bi-weekly in conjunction with its website and other digital assets.

The audited consolidated financial information of Target Group 1 for the ten months ended 31 October 2017 and the two years ended 31 December 2016 and 31 December 2015 as well as the unaudited comparative figures for the ten months ended 31 October 2016 as set out in Appendix II to the Circular is summarized as follows:

	For the ten months ended 31 October		For the year ended 31 December	
	2017	**2016**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(unaudited)		
Revenue				
– Sales of magazines	1,977	3,382	5,382	12,662
– Advertising income	3,191	6,010	6,347	14,133
– Promotion and marketing income	2,384	1,702	2,533	2,826
– Royalty income	–	–	101	1,039
	7,552	11,094	14,363	30,660
Gross profit	2,021	1,331	2,386	1,508
Loss before income tax	(2,561)	(14,145)	(15,326)	(19,726)
Loss for the period/year attributable to the owner of Target Company 1	(2,561)	(14,145)	(15,337)	(19,727)

	As at 31 October 2017
	HK$'000
Non-current assets	631
Current assets	13,825
Total assets	14,456
Current liabilities	(523,367)
Total liabilities	(523,367)
Net liabilities	(508,911)

For the year ended 31 December 2016, revenue of Target Group 1 amounted to approximately HK$14.4 million, of which approximately HK$5.4 million were generated from sale of magazines, approximately HK$6.3 million were advertising income, approximately HK$2.5 million were promotion and marketing income and approximately HK$0.1 million were royalty income. The revenue of Target Group 1 decreased by approximately 53.1% as compared to the prior year, which was mainly attributable to the decrease in sales of magazines and advertising income resulted from the cessation of the publication of *HIM* and *Three Weekly* in late 2015 and April 2016 respectively. Defying the decreased revenue, the gross profit of Target Group 1 increased by approximately 60.0% from approximately HK$1.5 million for the year ended 31 December 2015 to approximately HK$2.4 million for the year ended 31 December 2016 after the cessation of publication of *HIM*, which reported a gross loss of approximately HK$0.7 million in 2015. With the implementation of various cost-saving measures in the first half of 2016 such as reducing the size of the office premises, the administrative expenses decreased by approximately 31.4% from approximately HK$13.7 million for the year ended 31 December 2015 to approximately HK$9.4 million for the year ended 31 December 2016. The net loss of Target Group 1 for the year ended 31 December 2016 attributable to the owner of Target Company 1 amounted to approximately HK$15.3 million, representing a decrease of approximately 22.3% as compared to the net loss of approximately HK$19.7 million for the prior year.

For the ten months ended 31 October 2017, revenue of Target Group 1 amounted to approximately HK$7.6 million, of which approximately HK$2.0 million were generated from sale of magazines, approximately HK$3.2 million were advertising income and approximately HK$2.4 million were promotion and marketing income. The revenue of Target Group 1 decreased by approximately 31.5% as compared to the prior corresponding period as a result of the cessation of the publication of *Three Weekly* in April 2016 and the reduction of advertising spending by customers in automobile sector. However, benefited from the reduction of printing cost, the gross profit of Target Group 1 increased by approximately 53.8% from approximately HK$1.3 million for the ten months ended 31 October 2016 to approximately HK$2.0 million for the ten months ended 31 October 2017. Meanwhile, the administrative expenses for the ten months ended 31 October 2017 were lower than that for the previous corresponding period since the administrative expenses were allocated according to the headcount of each title, and the cessation of *Three Weekly* in April 2016 significantly reduced the administrative expenses allocated to Target Group 1. Together with the implementation of various cost-saving measures in the first half of 2017, such as reducing the size of the office premises and staff cost, the administrative expenses of Target Group 1 decreased by approximately 68.8% from approximately HK$7.7 million for the ten months ended 31 October 2016 to approximately HK$2.4 million for the ten months ended 31 October 2017. The net loss of Target Group 1 for the ten months ended 31 October 2017 attributable to the owner of Target Company 1 amounted to approximately HK$2.6 million, representing a decrease of approximately 81.6% as compared to the net loss of approximately HK$14.1 million for the prior corresponding period.

The non-current assets of Target Group 1 as at 31 October 2017 amounted to approximately HK$0.6 million, being property, plant and equipment. As at 31 October 2017, the current assets of Target Group 1 amounted to approximately HK$13.8 million, which mainly comprised trade and other receivables and deposits of approximately HK$2.1 million and amount due from a fellow subsidiary of approximately HK$11.7 million. The current liabilities of Target Group 1 as at 31 October 2017 amounted to approximately HK$523.4 million, of which approximately HK$12.2 million were trade and other payables, accruals and receipts in advance, approximately HK$498.3 million were amount due to fellow subsidiaries and approximately HK$12.9 million were amount due to an immediate holding company. As at 31 October 2017, the net current liabilities and the net liabilities of Target Group 1 amounted to approximately HK$509.5 million and HK$508.9 million respectively. The gearing ratio, as expressed as total liabilities over total assets, of Target Group 1 was approximately 36.2 as at 31 October 2017.

Target Group 2

Target Group 2 remained dormant in the period under review. It holds all the intellectual property and content archives of certain titles, namely *Express News* and *Surprise Weekly*, the publication of which have been ceased.

The audited consolidated financial information of Target Group 2 for the ten months ended 31 October 2017 and the two years ended 31 December 2016 and 31 December 2015 as well as the unaudited comparative figures for the ten months ended 31 October 2016 as set out in Appendix II to the Circular is summarized as follows:

	For the ten months ended 31 October		**For the year ended 31 December**	
	2017	**2016**	**2016**	**2015**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Revenue	–	–	–	–
Loss before income tax	–	–	–	(7)
Loss for the period/year attributable to owner of Target Company 2	–	–	–	(7)

	As at 31 October 2017
	HK$'000
Current liabilities	(26)
Total liabilities	(26)
Net current liabilities and net liabilities	(26)

No revenues were recorded for Target Group 2 for the years ended 31 December 2015 and 2016 and the ten months ended 31 October 2017 as it remained dormant during the period. For the year ended 31 December 2016 and the ten months ended 31 October 2017, no profits/losses were recorded by Target Group 2 while a loss, being administrative expenses, of approximately HK$7,000, was recorded for the year ended 31 December 2015.

As at 31 October 2017, Target Group 2 only had current liabilities, being amount due to a related company, of approximately HK$26,000. The net liabilities of Target Group 2 amounted to approximately HK$26,000 as at 31 October 2017.

Target Group 3

Target Group 3 is principally engaged in media businesses, including, among others, publishing digital media assets, namely *JTV*, and provision of marketing and communication strategy, digital and creative, digital marketing and other related services and solutions. *JTV* is a video and multi-media online platform that provides digital contents to young target audiences and digital creative content creation services and digital marketing services to advertisers including contents sponsorship, video production, content marketing solutions and display advertising. Target Group 3 holds all the intellectual property and historical content archives of certain titles, the publication of which have been ceased.

The audited consolidated financial information of Target Group 3 for the ten months ended 31 October 2017 and the two years ended 31 December 2016 and 31 December 2015 as well as the unaudited comparative figures for the ten months ended 31 October 2016 as set out in Appendix II to the Circular is summarized as follows:

	For the ten months ended 31 October		**For the year ended 31 December**	
	2017	**2016**	**2016**	**2015**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Revenue				
– Sales of magazines	–	–	–	651
– Advertising income	8	–	–	3,710
– Promotion and marketing income	–	–	–	2,880
– Digital income	800	485	805	–
	808	485	805	7,241
Gross profit/(loss)	277	(2,297)	(2,419)	2,157
Loss before income tax	(112)	(3,683)	(4,176)	(3,096)
Loss for the period/year attributable to owner of Target Company 3	(112)	(3,683)	(4,154)	(3,096)

	As at 31 October 2017
	HK$'000
Non-current assets	1
Current assets	1,370
Total assets	1,371
Current liabilities	(14,140)
Total liabilities	(14,140)
Net liabilities	(12,769)

In order to cope with the increasing popularity of digital media publication, Target Group 3 modified its business strategy in 2015 by moving its focus from printed media to digital media. The publication of *JessicaCode*, a monthly female magazine, was ceased in October 2015 pending the development of a pure digital product targeting the target audiences of *JessicaCode* as well as other youngsters, who were beginning to spend more of the content consumption time on digital platforms, namely *JTV*, which was soft launched in June 2016 and fine-tuned in the second half of 2016. For the year ended 31 December 2016, the revenue of Target Group 3 amounted to approximately HK$0.8 million, which was mainly derived from video production after the launch of JTV while the revenue of Target Group 3 for the year ended 31 December 2015, which amounted to approximately HK$7.2 million, was derived from publication of *JessicaCode*, event management, marketing services and other related services. Although the direct expenses, selling and distribution costs and administrative expenses of Target Group 3 reduced by approximately HK$1.9 million, HK$1.6 million and HK$1.8 million respectively as a result of the transformation of the business from printed media to digital media, the lowered revenue for the year ended 31 December 2016 and the initial research and development cost incurred for JTV at the early phase of digital development led to an increase in loss of Target Group 3 attributable to its owners from approximately HK$3.1 million to approximately HK$4.2 million.

For the ten months ended 31 October 2017, the revenue of Target Group 3, which was mainly derived from video production of *JTV*, amounted to approximately HK$0.8 million, representing an increase of approximately 64.9% as compared to the prior corresponding period. As a result of the reduction of research and development costs in the transformation of the business to a pure digital and creative services after the launch of *JTV* and the reduction in administrative expenses attributable to the cutback in headcount of research and development team of *JTV*, the gross profit of Target Group 3 was improved and the loss attributable to its owners decreased from approximately HK$3.7 million for the ten months ended 31 October 2016 to approximately HK$0.1 million for the ten months ended 31 October 2017.

The non-current assets of Target Group 3 as at 31 October 2017 represented minimal furniture and office equipment. As at 31 October 2017, the current assets of Target Group 3 amounted to approximately HK$1.4 million, which mainly comprised trade and other receivables, prepayments and deposits of approximately HK$0.5 million and amount due from a related company of approximately HK$0.9 million. The current liabilities of Target Group 3 as at 31 October 2017 amounted to approximately HK$14.1 million, of which approximately HK$4.4 million were trade and other payables, accruals and receipts in advance and approximately HK$9.7 million were amounts due to related companies. As at 31 October 2017, the net current liabilities and the net liabilities of Target Group 3 amounted to approximately HK$12.8 million and HK$12.8 million respectively. The gearing ratio, as expressed as total liabilities over total assets, of Target Group 3 was approximately 10.3 as at 31 October 2017.

Target Group 4

Target Group 4 is principally engaged in media businesses, including, among others, publishing printed media assets, namely *JESSICA, JESSICA Dream Wedding, JESSICA Baby and Marie Claire (Hong Kong edition)* and digital media assets of *JESSICA* and *Marie Claire (Hong Kong edition)*, and provision of event management, marketing and communication strategy, custom publishing, digital marketing, customer-relationship management and other related services and solutions. Target Group 4 is the owner of all intellectual property and content archives of the above titles. *JESSICA*, which was first launched in 2000, is a monthly women's lifestyle magazine published in conjunction with its website and social media channels targeting at affluent professional women and female executives. It also has two special interest brand extensions targeting at female audience, namely *JESSICA Dream Wedding*, a yearly print publication, and *JESSICA Baby*, a quarterly print publication, which complement the brand's readership and audience base. *Marie Claire (Hong Kong edition)*, which was first launched in 1990, is a licensed international title in partnership with Marie Claire Album in France with international coverage and positioning, and is published in conjunction with its website and social media channels targeting at affluent professional women and female executives.

The audited consolidated financial information of Target Group 4 for the ten months ended 31 October 2017 and the two years ended 31 December 2016 and 31 December 2015 as well as the unaudited comparative figures for the ten months ended 31 October 2016 as set out in Appendix II to the Circular is summarized as follows:

	For the ten months ended 31 October		**For the year ended 31 December**	
	2017	**2016**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(unaudited)		
Revenue				
– Sales of magazines	3,864	2,885	4,269	5,004
– Advertising income	13,969	20,490	25,644	37,665
– Promotion and marketing income	5,294	5,979	8,022	10,614
– Digital income	3,019	1,578	1,916	1,358
	26,146	30,932	39,851	54,641
Gross profit	9,515	12,308	16,198	22,334
(Loss)/profit before income tax	(2,200)	(2,527)	(4,312)	1,107
(Loss)/profit for the period/year attributable to owner of Target Company 4	(2,230)	(2,527)	(4,274)	636

	As at 31 October 2017
	HK$'000
Non-current assets	14
Current assets	107,760
Total assets	107,774
Current liabilities	(64,824)
Total liabilities	(64,824)
Net assets	42,950

For the year ended 31 December 2016, revenue of Target Group 4 amounted to approximately HK$39.9 million, of which approximately HK$4.3 million were generated from sale of magazines, approximately HK$25.6 million were advertising income, approximately HK$8.0 million were promotion and marketing income and approximately HK$1.9 million were digital income. The revenue of Target Group 4 decreased by approximately 27.1% as compared to the prior year and such decrease was mainly attributable to the continued sluggish local economy and global economic environment as well as the weak local retail market, which saw year-on-year decline each month throughout one year of 2016. With lowered revenue, the gross profit of Target Group 4 decreased by approximately HK$6.1 million to approximately HK$16.2 million for the year ended 31 December 2016. Accordingly, Target Group 4 recorded loss before income tax and net loss of approximately HK$4.3 million for the year ended 31 December 2016 as opposed to profit before income tax and net profit of approximately HK$1.1 million and HK$0.6 million respectively for the year ended 31 December 2015.

For the ten months ended 31 October 2017, revenue of Target Group 4 amounted to approximately HK$26.1 million, of which approximately HK$3.9 million were generated from sale of magazines, approximately HK$14.0 million were advertising income, approximately HK$5.3 million were promotion and marketing income and approximately HK$3.0 million were digital income. The revenue of Target Group 4 decreased by approximately 15.5% as compared to the prior corresponding period and such decrease was mainly attributable to the decrease in advertising income as a result of the decrease in advertising spending on cosmetics and skincare category advertisers in respect of traditional paper advertising. During the ten months ended 31 October 2017, the decrease in revenue outweighed the decrease in direct costs such as printing cost and editorial cost. Therefore, the gross profit of Target Group 4 decreased by approximately HK$2.8 million from approximately HK$12.3 million for the ten months end 31 October 2016 to approximately HK$9.5 million for the ten months ended 31 October 2017. On the other hand, the administrative expenses decreased by approximately HK$3.1 million as a result of the reduction in back office's headcount. The net loss recorded by Target Group 4 decreased by approximately HK$0.3 million from approximately HK$2.5 million for the ten months ended 31 March 2016 to approximately HK$2.2 million for the ten months ended 31 October 2017.

The non-current assets of Target Group 4 as at 31 October 2017 represented minimal furniture and office equipment. As at 31 October 2017, the current assets of Target Group 4 amounted to approximately HK$107.8 million, which mainly comprised trade and other receivables and prepayments of approximately HK$6.6 million, amount due from a related company of approximately HK$95.7 million and pledged bank deposit of approximately HK$4.9 million. The current liabilities of Target Group 4 as at 31 October 2017 amounted to approximately HK$64.8 million, of which approximately HK$27.3 million were trade and other payables, accruals and receipts in advance, approximately HK$31.6 million were bank borrowings and approximately HK$5.9 million were amount due to a related company. As at 31 October 2017, the net current assets and the net assets of Target Group 4 amounted to approximately HK$42.9 million and HK$43.0 million respectively. The gearing ratio, as expressed as total liabilities over total assets, of Target Group 4 was approximately 0.6 as at 31 October 2017.

Pursuant to the New Agreement, two wholly-owned subsidiaries of Target Company 4, namely Jessica Foundation Limited and Jessica Charitable Foundation Limited, shall be disposed of in the process of the Reorganisation. As disclosed in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, disposal of Jessica Foundation Limited at cost would result in a gain on disposal of approximately HK$5.8 million in the Media Group while withdrawal and cessation of membership from Jessica Charitable Foundation Limited would pose no financial effect to the Media Group.

We noted that the Media Group had combined net current liabilities and net liabilities as at 31 October 2017. Under normal circumstances, net current liabilities and net liabilities position usually indicate that the company may have a liquidity problem. Therefore, we have discussed with management of the Company in further details on the liquidity of the Media Group. We were given to understand that the net current liabilities of the Media Group mainly included net amounts due to related parties of approximately HK$418.6 million as at 31 October 2017. Such amount mainly represents the loans from related parties of the Media Group for financing the operation. Pursuant to the New Agreement, the amount due to related parties shall be settled by any means upon Completion and the Media Vendors have undertaken that the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date would not be more than HK$69.0 million.

The directors of the Media Target Companies have carried out detailed review of the cashflow forecast of the Media Group for the period up to 31 March 2019, which were made after due and careful consideration by them, and considered that there would be sufficient liquid funds to finance the Media Group's working capital requirements in the relevant time, having considered the waiver of the amount due to related parties, the financial support to be provided by the Group (if necessary), the improving performance of the Media Group for the ten months ended 31 October 2017 as a result of the completion of the restructuring of printed magazines within the Media Group, the modification of business model focusing on provision of integrated marketing solutions and the commencement of the new business of JTV, details of which are set out in the section headed "Future development plan of the Media Group" below. The Directors have reviewed and were satisfied that the assumptions underlying the cashflow forecast of the Media Group were made after due and careful consideration. We have also reviewed, and discussed with management of the Media Group, (i) the cashflow forecast and its underlying assumptions; (ii) the financial statements of the Media Group for the year ended 31 December 2014, 31 December 2015 and 31 December 2016 and the ten months ended 31 October 2017; (iii) the Media Group's latest operations and business development since 1 November 2017; and (iv) the future development plan of the Media Group, and are satisfied that the assumptions underlying the cashflow forecast of the Media Group were made after due and careful consideration by the directors of the Media Group. Based on the above and having considered the future development plan of the Media Group in the section headed "Future development plan of the Media Group" below and the financial position of the Group, we concur with the Directors' view that the Media Group shall have no immediate threat of liquidity problem and have a potential for performance improvement given that (i) the Media Group had ceased its publication of the key loss-making titles; (ii) part of the losses reported for 2016 and the ten months ended 31 October 2017 were attributable to the development costs of the digital platform and one-off restructuring costs following the cessation of publication of Three Weekly; and (iii) the Media Group has shown a significant improvement in its financial performance for the ten months ended 31 October 2017 after the business transformation.

Future development plan of the Media Group

The Media Group went through an extensive restructuring process in the past few years by ceasing publication of less popular magazines and focusing resources and efforts towards core magazines and digitalization of the business in terms of product and service set in order to better position itself in the competitive media industry. With the improving digital products and services, the new business model of the Media Group in providing integrated marketing solutions through its multi-touch point media products, in capturing digital advertising budgets, together with traditional advertising solutions and other below-the-line advertising solutions, the slowed down sales activities has been resuming gradually since mid-2016.

The Media Group has modified its business model regarding advertising in late 2016 by focusing on providing integrated marketing solutions to advertisers, as a package deal, encompassing print, digital, and below-the-line services offerings such as database management and database marketing. In addition to traditional advertisements, the Media Group is proactively promoting customer relationship management services and marketing services to advertisers by organizing marketing events for advertisers such as membership base, fan club base and/or subscriber base marketing activities which enhance the firsthand experience of potential customers. JTV, the pure digital platform of the Media Group, has started to contribute revenue to the Media Group since its first launch in June 2016. We understand from management of the Media Group that the integrated marketing solutions and the new business model, which were operated at its early stage, were well received by advertisers and on a continual improving trend as the digital offerings and products continued to improve. The multi-touchpoint media platform, in print, digital, events, marketing communications strategy, thereby providing a 360-degree solution to the advertisers and corporate clients, while meeting the interests and needs of the target audience. With a strong database and big data derived therefrom, the Media Group is well positioned to engage and mobilize the relevant user bases from online to offline and command a wide spectrum of advertising support in different markets, and further down the road, explore other business opportunities riding on this consumer knowledge and direct database.

According to the information provided by the Media Group, the business of JTV has generated revenue of approximately HK$1.6 million since the commencement of the business. During the ten months ended 31 October 2017, the overall gross profit margin of the Media Group improved from approximately 26.7% for the ten months ended 31 October 2016 to approximately 34.2% for the ten months ended 31 October 2017 and the operational loss decreased substantially by approximately 76.0% from approximately HK$20.4 million for the ten months ended 31 October 2016 to approximately HK$4.9 million for the ten months ended 31 October 2017. It is expected that the Media Group will continue in improving its revenues generated from the uptrending digital media and its integrated-marketing services (the total marketing solutions provided to advertisers including digital, print, events, customer-relationship management services and other marketing services such as contract publishing, creative agency services, etc.) such that the business will turn profitable, and at the same time continue to expand its audience base and revenue sources.

Up to 15 December 2017, approximately 93.0% of the forecast advertising income for 2017 has been recognized or confirmed by the customers either by execution of contracts or email or verbal confirmation. Management of Media Group is optimistic about the future development of the Media Group and is confident that the forecast advertising income for 2017 is achievable.

3. Market overview

According to the data released in February 2017 by admanGo.com Limited, an industry-recognized advertising monitoring company that monitors, together with adspend, advertisements in Hong Kong every day, covering 22 media types such as television, print, outdoor, digital and mobile with more than 15 years of advertising creative and adspend data, Hong Kong's overall advertising market recorded a 9% fall in 2016 to HK$41.6 billion from HK$45.8 billion in 2015 as a consequence of sluggish local economy and negative consumer sentiment. With reference to Hong Kong Monthly Digest of Statistics December 2017 issued by Census and Statistics Department ("**C&SD**") of Hong Kong, the business receipts indices of retail sector was 180.6, 174.0, 159.9, 166.4, 153.5 and 156.1 for the year 2014, 2015 and 2016, the first quarter of 2017, the second quarter of 2017 and the third quarter of 2017 respectively. The above statistics showed that the overall advertising market and retail sector have a bleak outlook in 2016 and the nine months ended 30 September 2017.

However, recent statistics announced by the Hong Kong government seem to indicate that the prevailing business situation and expectations in general, including but not limited to retail sector, are turning slightly positive. In accordance with the results of the recent 4Q 2017 Quarterly Business Tendency Survey ("**QBTS**") issued in October 2017 by the C&SD, which collects views from around 500 prominent establishments, the overall business sentiment of large enterprises in Hong Kong was generally on an improving trend in the past several quarters. Based on the latest QBTS results released in October 2017, in which respondents were asked to exclude seasonal influences in their responses, the proportion of respondents expecting their businesses to fare better in the fourth quarter of 2017 was higher than that of those expecting a weaker business performance.

With reference to the Third Quarter Economic Report 2017 released in November 2017 by Economic Analysis Division, Economic Analysis and Business Facilitation Unit, Financial Secretary's Office, Government of Hong Kong, the gross domestic product ("**GDP**") grew by 3.6% in real terms in the third quarter of 2017 over a year earlier, after the growth of 3.9% in the preceding quarter (revised from the earlier estimate of 3.8%). This marked the fourth consecutive quarter of economic growth that stayed above the past-ten-year trend rate of 2.9% per annum. On a seasonally adjusted quarter-to-quarter comparison, real GDP recorded a continuous growth in six consecutive quarters from 2Q 2016.

According to Report on Monthly Survey of Retail Sales issued by the C&SD in November 2017, the value of total retail sales in October 2017, provisionally estimated at HK$37.5 billion, was up 3.9% as compared to the same month last year. After netting out the effect of price changes over the same period, the provisional estimate of the volume of total retail sales increased by 3.6% year-on-year. The C&SD indicated that retail sales grew solidly in October 2017 over a year earlier owing to the optimistic consumer sentiment and continued revival in inbound tourism. Looking ahead, the favourable income and employment situation, together with the ongoing recovery of inbound tourism, should continue to render support to retail business in the near term.

Set out in the chart below is the revenue in the "Digital Advertising" market generated through desktop and mobile in Hong Kong from 2015 to 2021 released by Statista Inc. in June 2016.

Year	**2015**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**
Digital Advertising revenue (US$ million)	453	582	733	896	1,070	1,248	1,410

Chart 1: Revenue in the "Digital Advertising" market generated through desktop and mobile in Hong Kong from 2015 to 2021

Source: https://www.statista.com/outlook/216/118/digital-advertising/hong-kong#. Statista Inc. is an independent statistics company which provides users with statistics tools for researching quantitative data, statistics and related information.

As shown in the chart above, digital advertising revenue generated through desktop and mobile in Hong Kong increased from approximately US$453 million in 2015 to approximately US$582 million in 2016, representing an annual growth rate of approximately 28.48%. It is expected to continue to grow in the future years, reaching a revenue of approximately US$1,410 million by 2021, reflecting an estimated compound annual growth rate ("CAGR") of approximately 20.83% from 2015. In view of the positive data on digital marketing as stated above, the Board is of the view that the outlook of the digital marketing industry appears optimistic and promising.

According to the figures announced in February 2017 in the survey, namely "The Survey on Advertising Spending and Projections 2017", conducted by Nielsen, an independent market information provider, in partnership with the Hong Kong Advertisers Association, a non-profit organization formed by a volunteer group of dedicated advertising professionals with the missions of, among others, protecting the legitimate interests of advertisers and promoting higher professional standards and ethics, in spite of a cautious outlook in local economy, 48% of the advertisers in Hong Kong believed that the economy had stabilized and would remain the same as the previous year, while 6% of advertisers anticipated economic conditions would move forward. This is in obvious contrast to last year in which 82% of advertisers believed that the market would keep on worsening.

The survey also showed that, advertisers were expecting to increase their advertising spending in 2017 as 26% of the respondents indicated their budget for advertising spending would increase in 2017 while 48% indicated their budget would stay unaltered. Advertisers were also planning to shift their focus from offline to online and mobile advertising. It was anticipated that 2017 would be the first time ever for online advertising spending (51%) to outweigh that of offline (49%).

Among the 51% of online budget, over half was expected to be paid advertisements while 28% of which were expected to be spent on content marketing. Among the advertisers responded to the survey, 74% of them believed that online marketing was more pertinent for their target markets and would enhance the effectiveness of their marketing campaigns. Broadening the reach and adding more touch points were also considered as some of the key grounds for the move from offline to online.

Another report released in October 2017 by eMarketer Inc., an independent market research company that provides insights and trends related to digital marketing, media and commerce, estimated that digital campaigns would make up 21.3%, worth US$638.5 million, of total advertising expenditure in Hong Kong in 2017. That would be up from last year's 18.4% share, estimated at US$560.8 million. It also anticipated that the digital advertising spending in Hong Kong would increase by 14% in 2017 as compared to 2016.

It is expected that the penetration of mobile devices will further broaden the share of online advertising when compared to traditional media. According to the research released in June 2015 by Hong Kong Trade Development Council, a statutory body dedicated to promoting Hong Kong trade, the proportion of mobile internet users to mobile telephone subscribers in Hong Kong rose dramatically from 18.8% in 2009 to 50.6% in 2014 and was expected to exceed 90% by 2020. This represents a huge opportunity in the mobile advertising segment. As reported by Statista Inc. in June 2016, revenue in the "Digital Advertising" market generated through mobile was forecasted to rise from US$201 million in 2015 to US$947 million in 2021, representing a CAGR of approximately 29.48%.

The management of the Company anticipated that as technology platforms mature, the emerge of omni-channel marketing platforms will further stimulate the demand of digital marketing services.

4. Reasons for the New Acquisition

The Company is an investment holding company. The principal activities of the subsidiaries consist of securities, commodities, bullion and forex broking and trading, margin financing, money lending, provision of corporate advisory and underwriting services, asset and wealth management, property investment and investment holding and financial media businesses, including, among others, the publication of the magazines, event management, marketing services and other related businesses.

The Media Group is principally engaged in media businesses, including, among others, publishing printed and digital media assets (namely, *JESSICA, JESSICA Dream Wedding, JESSICA Baby, JTV, Marie Claire (Hong Kong edition), JMEN, Whizkids Express Weekly* and *CarPlus)*, event management, marketing services in digital and creative solutions, customer-relationship management services and other related services, appealing to a client and audience base complementing to the target clients of the Group as well as owning well recognized and established media brand names with wide range of titles and maintaining the relevant content archives.

As set out in the announcement and circular of the Company dated 3 November 2016 and 29 December 2016, respectively, it has been the Company's business strategy to make investments that would create synergy with its existing operations and diversify its revenue streams as well as implement a consumer-oriented-business platform in the future. Following the completion of the Previous Acquisition in January 2017, the Group has commenced its integration plan to fostering the Group's vision to be an one-stop shop financial services provider. Upon Completion, the Media Group will become indirect wholly-owned subsidiaries of the Company. The Board believes that the popularity and widespread reach of the media assets produced by the Media Group would not only broaden the media platform of the Group but also create various business opportunities for the Group, including relationship-building across various business lines, and enable it to provide value-added services to its existing clients. Through the media platform and by utilising the significant audience and circulation reach, broad customer base database, as well as big data of the Media Group, the Group will also be able to broaden its scope of product and services offerings that is indispensable to materialising its plan to develop a consumer-oriented business platform.

With the ever-changing and competitive environment of the financial services market, both in local and global markets, the Company aims to continue to develop new business models and business platforms, to define and expand its competitive edge vis-a-vis other market players. The New Acquisition is a move to build the platform which fully integrates the online and offline service and product offerings starting from the theme of lifestyle, a wide reaching topic, and financial services with existing set-up providing services both online and offline to tap into the digital world, which has demonstrated strong growth potential, with solid support from the offline operations at the back end. Financial services have been the core operation of the Group since it commenced business while an established media business is in possession of readership, subscribers, contents, content production capability as well as existing networks with the advertisers and the suppliers and service providers in the relevant industries. It is a target of the Group to build an integrated platform, which is able to provide non-depletable opportunities for not only growth in its existing business but also rooms for expansion into new business lines, to provide a full range of value-added services to its clients in Hong Kong as well as the Chinese language community. The digital world offers such an environment in the enlarged business ecosystem as the customer or audience base of an operator grows.

The Media Group owns well-recognized and established media brands, a wide range of titles as well as substantial content archives. Such media brands are leaders or in the forefront in their respective categories with long-established presence in the Hong Kong market. According to the latest available data from the Hong Kong Audit Bureau of Circulation, a non-profit organization managed by a committee, comprising members appointed by Hong Kong Advertisers Association, The Association of Accredited Advertising Agencies of Hong Kong and Society of Publishers in Asia, as well as representatives elected among other members, aiming at verifying and reporting facts about the circulations of Hong Kong's publications and related data, *JESSICA*, the only locally-originating brand in the women's glossy monthly magazine sector, is the number 1 circulation women's magazine. *Marie Claire*, a well-established international brand well recognized by the international advertisers, has over 30 sister editions globally and almost 27 years of history in Hong Kong. *CarPlus*, the longest-established locally-originated motor-interests publication in Hong Kong, is a leader in the automobile category. *Whizkids Express Weekly* is the only children's title with over 26 years of publishing history in Hong Kong. Given the strong brands and the presence in market for more than 25 years, the Media Group has a well-established network of advertisers, especially in the categories of luxury retail and fast-moving consumer goods, an area which the existing media business of the Group does not cover effectively, such as cosmetics and beauty brands, fashion, jewelry and watches, motor brands, gadgets and electronics, pharmaceuticals, toiletries and a wide range of fast-moving consumer goods. The strong relationship with the advertisers from different sectors spans spending in multiple media platforms and related marketing services, and will be of help, which is otherwise not available to a start-up business, for the digital operations of the Media Group to secure jobs and, hence, generate revenue in its early stage of operations. This will facilitate the growth of the digital operations of the Group as a whole. As Hong Kong Audit Bureau of Circulation is independent of the Company and its connected persons and is managed by members appointed by major advertising and publishing associations in Hong Kong, we consider that it is a reliable source of information and the circulation data disclosed by it is a fair and reasonable reference for us in assessing the circulation of the magazines of the Media Group.

In addition, the Media Group will play an active role in promoting the corporate identity of the financial services, financial media and FPR arms of the Group through the various channels on its integrated platform, which will help in the modernization thereof. Further, after Completion, the Group will be in a better position to offer more comprehensive customized service packages to its clients, which better suit their needs in terms of channel coverage, pricing or otherwise, as a one-stop-shop. Also, the accumulation of the readership, audience and membership bases as well as the fanbase over time will further strengthen the Group's ability to engage and mobilize target audience, and possible collaborations with various business partners as the Group rolls out its operations in the digital market.

Besides the future possible business opportunities in the digital world which the Group may explore in the long-run riding on the digital platform developed by the Media Group, one of the short- to medium-term objectives of the New Acquisition is to combine the respective strengths of the Group, which is currently engaged in financial services and financial media business, and the Media Group, in order to capture the mutually beneficial aspects of each business and share resources for the common functions of the same. In this way, both the Group and Media Group can leverage a wider client audience and apply better resourced solutions as well as create and maximize synergies.

The Media Group's corporate clients (i.e. the advertisers) are largely different but highly complementary to that of the Group's financial media business, and the Board believes that this will create opportunities for upselling across the different media platforms for more comprehensive service set to the existing clients of the financial media business of the Group and the Media Group, as well as broaden the business opportunities with potential corporate clients which, if standing alone, neither would be able to achieve. Such potential corporate clients of the media business would, in turn, become the potential clients of the FPR and other related services as such corporate clients grow and develop in their life cycles. The combination of the Group's FPR and financial media businesses and the services provided by the Media Group distinguishes the positioning of the Group as a full-fledged corporate marketing and financial public relations consultancy service supplier, creates a comprehensive and competitive service set to its existing and potential clients, and widens the Group's revenue sources.

We have reviewed and discussed with management of the Company regarding the business plan of the Company in relation to the New Acquisition, and consider that it is commercially viable for the Company to implement the proposed business plan following the Completion although the result is uncertain at the moment. Having considered the potential synergies and benefits that are expected to be derived from the New Acquisition, the rapid growth potential of digital marketing and the future development plan of the Media Group, we concur with the Directors' view that the New Acquisition would complement the Company's existing media services activities and provide both synergistic benefits as well as a way to establish both vertical and horizontal integration of its activities, and is in the interests of the Company and the Independent Shareholders as a whole despite the loss-making track record of the Media Group.

5. Consideration

Pursuant to the New Agreement, the Purchaser conditionally agreed to acquire, and the Media Vendors conditionally agreed to sell, the entire issued share capital of the Media Target Companies at the Consideration of HK$15.0 million, subject to adjustment. Such amount has been fully paid by the Purchaser, with the internal resources of the Group, to the collection agent of the Former Media Vendors for settlement of the Media Consideration according to the Original Agreement as to: (i) the sum of HK$10.0 million was paid on 31 March 2017 as deposit and first payment of the Media Consideration; and (ii) the sum of HK$5.0 million was paid on 31 May 2017 as the second payment of the Media Consideration. Pursuant to the New Agreement, the Media Consideration so received by the Former Media Vendors under the Original Agreement shall be applied to settle and deemed as, and shall constitute, the full payment for the Consideration before adjustment (if any) of HK$15.0 million.

The Consideration was determined after arm's length negotiation between the Purchaser and the Media Vendors with reference to, among others, (i) the growth potential and prospect of the Media Group; (ii) the reasons and benefits for the New Acquisition as described in the letter from the Board; and (iii) the conditions that (a) the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date shall equal to HK$69.0 million (failing which adjustment to Consideration is required subject to the threshold of variance of HK$100,000); and (b) the valuation of the Media Group as at 31 December 2016 before taking into account the Media Consolidated Net Liabilities as appraised by an independent valuer appointed by the Company shall not be less than HK$84.0 million which implies that the said valuation as adjusted for the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date shall not be less than the Consideration of HK$15.0 million after the adjustment thereto pursuant to the New Agreement, if any, save for any variance less than HK$100,000.

The Media Vendors have undertaken jointly and severally that the Media Consolidated Net Liabilities shall not exceed HK$69.0 million immediately before Completion as at the Completion Date. The Media Vendors will procure the settlement of the Related Party Loans prior to Completion pursuant to the New Agreement. Upon Completion, the Media Group will become indirect wholly-owned subsidiaries of the Company and the assets, liabilities and results thereof will then be consolidated to the Group as enlarged by the Media Group. Accordingly, it was expected that, upon Completion, the enlarged Group will take up the Media Consolidated Net Liabilities of HK$69.0 million in its consolidated financial statements.

To assess the fairness and reasonableness of the Consideration, we have considered the valuation of the fair value of the Media Group as at 31 December 2016 prepared by Ascent Partners Valuation Service Limited (the "**Valuer**") and performed works as required under Note 1(d) to Rule 13.80 of the Listing Rules in respect of the valuation of the Media Group, including interviewing with the Valuer as to its experiences in business valuation and its relationship with the parties to the New Agreement, and discussing with the Valuer regarding its terms of engagement for the valuation, in particular to its scope of work. We noted that its scope of work was appropriate for it to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Valuation Report. The Valuer confirmed us that apart from normal professional fee payable to it in connection with this valuation appointment, no arrangements exist whereby it will receive any fee or benefit from the parties to the New Agreement. The Valuer also confirmed us that it was not aware of any relationship or interest between it and the Company or any other parties that would be reasonably considered to affect to its independence to act as an independent valuer for the Company.

We have reviewed the Valuation Report as set out in Appendix VI to the Circular and discussed with the Valuer regarding the methodology, basis and assumptions adopted in arriving at the valuation of the Media Group as at 31 December 2016. We noted that the valuation of the Media Group was prepared in accordance with International Valuation Standards issued by International Valuation Standards Council and income approach was adopted by the Valuer in arriving at the fair value of the Media Group. As set out in the Valuation Report, the Valuer has considered three generally accepted valuation approaches, namely cost approach, market approach and income approach, in conducting the valuation. Given that the cost approach only considers the fundamental cost that takes to form the asset and there are no convincing associations of the market value of the Media Group with its costs, and there were insufficient market transactions or relevant comparable companies available in the marketplace for adopting the market approach, the Valuer considers that income approach is the most appropriate method in valuing the Media Group as income approach focuses on the economic benefits generated by the income producing capability of an enterprise, and eliminates the discrepancy in time value of money by using a discount rate appropriate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to its business operation. Having considered the aforementioned limitations in applying the cost approach and market approach in assessing the value of the Media Group, we concur with the Valuer that the income approach is an appropriate method in arriving at the valuation of the Media Group.

We have reviewed, and discussed with management of the Company and the Media Group and the Valuer, (i) the underlying forecast of the Media Group upon which the valuation has been made (the "**Forecast**") and the assumptions adopted for the preparation of the Forecast; (ii) the financial statements of the Media Group for the year ended 31 December 2014, 31 December 2015 and 31 December 2016 and the ten months ended 31 October 2017; (iii) the Media Group's latest operations and business development since 1 November 2017; and (iv) the future development plan of the Media Group. We noted that profits were projected in the Forecast for the coming financial years while the Media Group has been loss-making in the past, and enquired management of the Company about the reasons for the projected turnaround. We were given to understand that the Media Group has gone through an extensive restructuring process in the past few years. It ceased publication of some less-popular magazines and diverted its resources and efforts towards core magazines and digitalization of the business. It has also developed a new business model of providing integrated marketing solutions. The slowed down sales activities of the Media Group has been resuming gradually since mid-2016 after the abovementioned changes and the overall loss of the Media Group narrowed by approximately HK$15.5 million (or 76.0%) to approximately HK$4.9 million for the ten months ended 31 October 2017. Having considered the improving performance of the Media Group resulting from the completion of the restructuring of printed magazines within the Media Group, the modification of business model focusing on provision of integrated marketing solutions and the commencement of the new business of JTV, details of which are set out in the section headed "Future development plan of the Media Group" above, we consider that the new business plan of the Media Group is commercially viable and such modified business model can help improving the profitability of the Media Group. We have also reviewed the comfort letter in relation to the Forecast issued by Grande Capital Limited, the financial adviser to the Company, as set out in Appendix V to the Circular and noted that Grande Capital Limited is satisfied that the Forecast, for which the Directors are solely responsible, has been made after due and careful enquiry by the Directors. The Directors have also confirmed that the Forecast has been made after due and careful consideration with reference to the Media Group's historical performance, latest operations and development and future development plan. Moreover, we have reviewed the comfort letter issued by Ernst & Young regarding the calculation of the Forecast as set out in Appendix V to the Circular and noted that Ernst & Young is of the opinion that, so far as the arithmetical accuracy of the calculation of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the assumptions adopted by the Directors. Based on the above, we are satisfied that the Forecast has been made after due and careful consideration by the directors of the Media Group.

We noted from the Forecast that the change in net working capital for 2017, being the first year in the forecast period, is relatively large as compared to other years in the forecast period. We were advised by the Valuer that the change in net working capital in 2017 represents the working capital as at 31 December 2017 in view of the assumption of zero assets and liabilities as at 31 December 2016. Therefore, there is a significant change in net working capital in the first year in the forecast period. Given the net working capital as at 31 December of respective years in the forecast period were estimated based on the actual turnover days of trade receivable and trade payable for the year ended 31 December 2016 and the assumption of zero assets and liabilities as at 31 December 2016, we concur with the Valuer's view that the changes in net working capital adopted during the forecast period are fair and reasonable.

We also noted that Whizkids Express Weekly under Target Company 1 was forecasted to have a negative present value of free cash flow and the Valuer has assigned a nominal value of zero to it. We were given to understand from the Valuer that it is its normal practice to assign a zero value to the company without a positive operating value as such company may cease operation to eliminate the negative cash flow. Furthermore, given the assumption that the net assets/liabilities of Media Target Companies as at 31 December 2016 be zero, the company without a positive operating value will have a zero value to the Media Target Companies had it ceased operation on the valuation date and realized its assets and liabilities. From such perspective, the negative values have been taken into account in determining the fair value of the Media Target Companies. Therefore, the fair value of the Media Group on the aforesaid assumption has accounted for the value of the company with negative operating value and the net liabilities of such company as at 31 December 2016 have been dealt with by the undertaking that the Media Consolidated Net Liabilities immediately before Completion would be the Undertaking Amount. Based on the above and given that (i) the future direction of Whizkids Express Weekly is at the discretion of the Purchaser after Completion, details of which is set out in the section headed "Business plan of the Group" in Appendix III to the Circular; and (ii) the Valuer confirmed that it is a common practice to assign a nominal value to companies without a positive operating value, we concur with the view of the Valuer that assigning a nominal value to the company with a negative value is fair and reasonable.

We have also reviewed the underlying supporting documents, and discussed with the Valuer, the basis adopted by the Valuer in determining the discount rates. We were advised by the Valuer that it considers the Media Group has two lines of businesses, namely publishing media and digital media. We noted that the discount rates of 13.96% for publishing media and 17.68% for digital media adopted by the Valuer were determined based on the respective weighted average cost of capital of the business lines, which comprises the weighted cost of equity and weighted after-tax cost of debt. The cost of equity was calculated based on the capital asset pricing model, a commonly used model adopted in discounted cash flow valuation, with reference to (i) the yield rate of the Hong Kong government 10-year bond; (ii) the Hong Kong market risk premium determined with reference to the sum of the market risk premium of the

USA and the country risk premium of Hong Kong; and (iii) beta, which measures systematic risk of the respective comparable companies in comparison to the stock market, and adjusted for unsystematic risk by adding size premium and company specific risk premium. The cost of debt was determined with reference to the prevailing prime lending rate of HSBC. We have also discussed with the Valuer the selection criteria of, and reviewed, the comparable companies used for calculation of the beta for the publishing media and digital media respectively and noted that (i) all the comparable companies used for publishing media business are listed on the Stock Exchange principally engaged in the provision of publishing media in Hong Kong; and (ii) all the comparable companies used for digital media business are listed on the major stock exchanges (including Hong Kong, Shanghai, Taiwan, New York and NASDAQ) principally engaged in the provision of digital media in Greater China region. We noted that the comparable companies for digital media included companies listed on other stock exchanges with business located in Greater China region. We were given to understand that since there were no companies listed on the Stock Exchange principally engaged in digital media in Hong Kong and only one company listed on the Stock Exchange principally engaged in digital media in the PRC, which was insufficient for comparison purposes, the Valuer has extended the pool of samples to include companies listed on other major stock exchanges principally engaged in digital media in the Greater China region for comparison purposes. Given that all the comparable companies for publishing media and digital media are public companies carrying on business similar to that of the respective business lines of the Media Group and it is impracticable to conduct the comparison with only one comparable company listed on the Stock Exchange for digital media, we consider that it is appropriate to include samples of companies listed on other major exchanges so as to get a reasonable size of sample pool for a meaningful comparison for digital media and concur with the Valuer's view that the comparable companies used are reasonable and comparable to the publishing media and digital media businesses of the Media Group respectively.

Since the shares of the Media Target Companies are not publicly traded and an active market for their shares does not exist, a discount for lack of marketability of 16.11% was applied in the valuation to discount for lack of ability of converting shares of the Media Target Companies into immediate cash. The Valuer considers a discount for lack of marketability of 16.11% is appropriate for the valuation of the Media Group based on its professional judgement with reference to the 2016 edition of the FMV Restricted Stock Study Companion Guide (the "**FMV Study**"), a guide assisting valuation experts in determining an appropriate discount for lack of marketability for calculating the value of closely held and restricted shares. Based on the results of the FMV Study, which had examined 736 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through September 2015, the median discount for lack of marketability, which represents the percentage difference between the private placement price per share and the market trading price per share, of the 736 transactions under the study, excluding premiums, is 16.11%. Given the extensive data and time span of the FMV Study and the similarity in the characteristics of lack of marketability of the shares of the Media Target Companies and the stocks under the study, we consider that the median discount rate of 16.11% as set out in the FMV Study is a valid reference for determining the lack of marketability discount for the shares of the Media Target Companies.

Based on the above, we consider that the discount rate and lack of marketability discount applied to the valuation of the Media Group are reasonable.

We have also reviewed the general assumptions, such as no material changes in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Media Group, adopted by the Valuer in the valuation of the Media Group and noted that those assumptions are commonly adopted in valuation of a business and fair and reasonable for the purposes of assessing the fair value of the Media Group. Given the valuation methodology applied by the Valuer is normal and usual among professional valuers and is in compliance with the International Valuation Standards, we consider that the methodology and basis for determining the valuation of the Media Group by the Valuer is appropriate. In light of the above and the fact that no unusual matters had come to our attention that led us to believe that the valuation of the Media Group was not prepared on a reasonable basis, we are of the opinion that the valuation of the Media Group is a fair and reasonable benchmark for assessing the Consideration.

However, Independent Shareholders should note that the valuation relies substantially on the Forecast, the bases and assumptions of which are primarily based on current view with respect to business, financial, economic, market and other conditions, and circumstances may develop or change in the future and affect these projections. For example, the successful achievement of the business performance and financial results of the Media Group may be affected by a number of factors such as the economic conditions, the ability of the Media Group to maintain its existing competitive advantages and the threat of competitors and new market entrants, etc.. There are no assurances that the business plan can be successfully implemented. Should there be any material adverse change in the operating environment of the Media Group which result in its failure to implement any part of the business plan, the prospects of the Media Group may be adversely affected.

Apart from referencing to the business valuation of the Media Group performed by the Valuer, we have also tried to assess the value of the Media Group independently by using the commonly adopted approaches in evaluation of a company, namely price-to-earnings approach, net assets approach and dividends approach. However, given that no dividends were declared by the Media Target Companies for the past two years, we consider that the dividends approach is not applicable for assessing the value of the Media Group. Meanwhile, the Media Target Companies recorded audited combined consolidated net losses for each of the two years ended 31 December 2016 and audited combined consolidated net liabilities as at 31 October 2017. Therefore, evaluation of the value of the Media Group by reference to the historical price-to-earnings ratio and the price-to-book ratio are also impracticable.

Having considered that the comparison approaches are inapplicable for assessing the value of the Media Group while the fair value of the Media Group as at 31 December 2016 indicated in the Valuation Report was arrived at by an independent professional valuer in compliance with the International Valuation Standards on a reasonable basis, we consider that the approach of assessing the Consideration by reference to the fair value of the Media Group as at 31 December 2016 indicated in the Valuation Report is fair and reasonable. As the sum of the Consideration of HK$15.0 million (subject to adjustment as set out in the section headed "6. Adjustment to the Consideration" below) and the Undertaking Amount of HK$69.0 million, totaling HK$84.0 million, represents a discount of approximately 20.8% to the fair value of the Media Group as at 31 December 2016 of approximately HK$106.0 million as set out in the Valuation Report, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms.

We noted that the Consideration under the New Agreement is substantially the same as the total consideration (being the sum of the Media Consideration and the Giant Consideration) under the Original Agreement. We were given to understand that the Original Agreement involved two separate transactions, namely (i) the acquisition of the Media Target Companies (the "**Media Acquisition**") for the Media Consideration of HK$15.0 million, which is the same as the Consideration; and (ii) the acquisition of Super Giant (the "**Super Giant Acquisition**") for the Giant Consideration of HK$1. Given that (a) the subject of the New Acquisition is the same as the Media Acquisition; (b) the Media Consideration was determined by the Purchaser and the Media Vendors with reference to all relevant factors regarding the Media Group only and totally irrelevant to the financial position and results of Super Giant or whether the Super Giant Acquisition forms part of the New Acquisition or not; and (c) there were no material adverse changes in the fundamental elements of the Media Group during the time when the Original Agreement and New Agreement were made, we concur with the view of the Directors that it is reasonable for the Consideration under the New Agreement to be the same as the Media Consideration under the Original Agreement.

Regarding the payment terms of the New Acquisition, we have discussed with management of the Company the reasons for paying the Consideration in full by the Purchaser well before Completion and were given to understand that HK$15.0 million was paid by the Purchaser to the Former Media Vendors in accordance with the payment term stipulated in the Original Agreement, which was determined in March 2017 after arm's length negotiations between the parties to the Original Agreement with the assumption that the Previous Proposed Acquisition would be completed within two months from the date of the Original Agreement (i.e. 31 May 2017). Unfortunately, as additional time was required by the Company to finalise the contents of the circular in relation to the Previous Proposed Acquisition, the date of despatch of the circular and completion of the transactions were postponed to a date beyond 31 May 2017. Management of the Company further explained to us that the Media Consideration paid pursuant to the Original Agreement was not refunded to the Purchaser upon signing of the Termination Agreement but applied to settle, and regarded as payment for, the Consideration in full for the New Acquisition instead because the parties to the Original Agreement intended to terminate the acquisition of Super Giant without causing any impact on the acquisition of the Media Group so that the New Acquisition can be transacted in the same terms as before as far as the acquisition of the Media Group is concerned. Therefore, both parties have no intentions and made no attempt to re-open the discussion regarding the terms and conditions of the acquisition of the Media Group, including the payment terms. We were given to understand that management of the Company considered it might not be in the best interest of the Company to re-open the discussion of the payment term of the acquisition of the Media Group as it might also trigger the re-negotiation of the Consideration, which represents a discount of approximately 20.8% to the fair value of the Media Group as at 31 December 2016 according to the Valuation Report.

In view of the backdrop of the Original Agreement and the uncertainty of the outcome of re-opening the discussions on the terms and conditions of the acquisition of the Media Group, which may lead to re-negotiations on other terms (in particular the Consideration) in addition to the payment term, as well as the safeguarding clauses in the New Agreement regarding the refund of the Consideration by the Media Vendors to the Purchaser in the event of lapse or rescission of the New Agreement, we consider the payment term is fair and reasonable although, standing alone, it might not be most desirable to the Group and not on normal commercial terms.

6. Adjustment to the Consideration

Pursuant to the New Agreement, the Media Vendors shall prepare the Completion Accounts and deliver the same to the Purchaser within two months after the Completion Date. If:

(a) the amount of the Media Consolidated Net Liabilities as at the Completion Date, which shall be determined according to the Completion Accounts, is less than HK$69.0 million, the full amount of the Media Combined Net Surplus shall be payable by the Purchaser to the collection agent of the Media Vendor (on a dollar-for-dollar basis), provided that such amount exceeds HK$100,000; or

(b) the amount of the Media Consolidated Net Liabilities as at the Completion Date, which shall be determined according to the Completion Accounts, exceeds HK$69.0 million, the full amount of the Media Combined Net Shortfall shall be payable by the Media Vendors, jointly and severally, to the Purchaser (on a dollar-for-dollar basis), provided that such amount exceeds HK$100,000.

The Media Combined Net Surplus or the Media Combined Net Shortfall, as the case may be, shall be settled, in cash or by cashier order or bank remittance to the bank account designated by the collection agent of the Media Vendors or the Purchaser (whichever being the receiving party(ies)), by the relevant party(ies) within 15 Business Days from the date on which the Completion Accounts are delivered to the Purchaser.

We have discussed with management of the Company the rationale behind the adjustment to the Consideration and were given to understand that in determining the Consideration, the Purchaser and the Media Vendors have a mutual agreement, after arm's length negotiations, that the Media Group would have had an intrinsic value of HK$84.0 million, which was yet to be ascertained by a valuation to be performed by an independent professional valuer to be appointed by the Company, had the net assets/liabilities of the Media Group been at zero value at the Completion Date. Accordingly, the cash consideration for the New Acquisition was set at HK$15.0 million, which was calculated by subtracting the estimated combined consolidated net liabilities to be taken up by the Group after Completion of HK$69.0 million from the intrinsic value of HK$84.0 million. Therefore, if the amount of the Media Consolidated Net Liabilities is in excess of HK$69.0 million as at the Completion Date, the cash consideration for the New Acquisition should be adjusted downwards on a dollar-for-dollar basis to reflect the compensation to be given by the Media Vendors to the Purchaser for the additional liabilities to be taken up by the Group. For the same token, if the amount of the Media Consolidated Net Liabilities is less than HK$69.0 million as at the Completion Date, the cash consideration for the New Acquisition should be adjusted upwards on a dollar-for-dollar basis. Based on the above, we consider that the adjustment to the Consideration is fair and reasonable.

7. Financial effects of the New Acquisition

Upon Completion, the Media Target Companies will become indirect wholly-owned subsidiaries of the Company and their assets, liabilities and financial results will be consolidated into the consolidated financial statements of the Group. The financial effects of the New Acquisition on the Group's earnings, cashflow, net asset value and gearing are set out below. However, it should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group would be upon Completion.

Earnings

With reference to the audited financial information of the Media Group as set out in Appendix II to the Circular, except for Target Company 2, each of the Media Target Companies recorded net consolidated loss for the year ended 31 December 2016. Therefore, had the New Acquisition been completed on 1 January 2016, the loss of the Group attributable to owners of the Company for the year ended 31 December 2016 would have increased.

Cashflow

The Consideration in the amount of HK$15.0 million has been paid in cash by the Purchaser to the collection agent of the Media Vendors. Therefore, the New Acquisition shall give rise to a cash outflow of HK$15.0 million by the Group assuming there were no adjustments on the Consideration.

Net asset value

According to the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to the Circular, had the New Acquisition been completed on 30 June 2017, the total assets of the Group would have increased by approximately HK$75.5 million while the total liabilities of the Group would have increased by approximately HK$78.6 million. Therefore, the net asset value of the Group attributable to the owners of the Company would have decreased by approximately HK$3.1 million, which represents the estimated direct expenses for the New Acquisition, had the New Acquisition been completed on 30 June 2017.

Gearing

Having considered the effects of the New Acquisition on the total assets and total liabilities of the Group as mentioned above, the gearing of the Group, as expressed in the ratio of total liabilities to total assets, would have increased from 0.54 to 0.55 had the New Acquisition been completed on 30 June 2017.

Based on the above analysis, we noted that the New Acquisition would have negative effects on the earnings, cash position, the net assets value and gearing of the Group. However, having considered the reasons and benefits of the New Acquisition, the fairness and reasonableness of the Consideration and the growth potential of the Media Group, we are of the view that the adverse financial impacts of the New Acquisition to the Group are commercially justifiable.

RECOMMENDATION

Having considered the principal factors and reasons stated above, we consider that the terms of the New Agreement are on normal commercial terms (save for the payment term of the Consideration) and are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the New Agreement is in the interests of the Company and Shareholders as a whole although the New Acquisition is not conducted in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favor of the resolution to be proposed at the EGM to approve the New Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Crescendo Capital Limited

Amilia Tsang
Managing Director

Helen Fan
Associate Director

Notes:

1. Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activities and has approximately 14 years of experience in corporate finance.

2. Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activities and has approximately 10 years of experience in corporate finance.

1. FINANCIAL SUMMARY

Financial information of the Group for the years ended 31 December 2014, 2015 and 2016 are disclosed on pages 24 to 104 (http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0428/LTN20150428603.pdf) of the 2014 annual report of the Group, pages 28 to 112 (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0427/LTN20160427621.pdf) of the 2015 annual report of the Group, and pages 36 to 120 (http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN201704272005.pdf) of the 2016 annual report of the Group, respectively, which were published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sctrade.com).

2. STATEMENT OF INDEBTEDNESS

Borrowing

At the close of business on 31 January 2018, the Enlarged Group had outstanding bank borrowings of approximately HK$750.1 million, comprising (i) bank loans and overdrafts of the Group of approximately HK$500.5 million secured by certain bank deposits of and listed shares owned by the Group as well as certain listed shares pledged with the Group by its margin clients as collateral for the margin trading facilities granted thereto; (ii) bank staggering loans of approximately HK$16.1 million to finance subscriptions by the clients of the Group of the shares offered to the public in an initial public offering on margin order secured by the shares to be allotted to such clients; (iii) mortgage loans of the Group of approximately HK$204.9 million secured by the Group's investment properties; (iv) unsecured bank loans of the Media Group of approximately HK$21.3 million; and (v) bank overdraft of the Media Group of approximately HK$7.3 million secured by a pledged bank deposit of the Media Group and a property situated in Hong Kong owned by a director of the Media Group.

An aggregate of approximately HK$721.5 million of the bank loans of the Group as at 31 January 2018 denoted (i), (ii), and (iii) in the above was guaranteed by the Company. The bank loans and overdraft of the Media Group as at 31 January 2018 denoted (iv) and (v) in the above, totaling HK$28.6 million, were guaranteed by certain members of the Media Group and a director of the Media Group.

As at 31 January 2018, the aggregate of the amounts due to immediate holding company, fellow subsidiary and related companies as recorded by the Media Group amounted to approximately HK$527.4 million. As disclosed in sub-section 4 headed "Conditions precedent" under section III headed "The New Agreement" in the Letter from the Board, it is a condition precedent that the said amounts, which were due to certain members of the Private Group, shall be settled prior to Completion. Given the said condition precedent and the expected manner of settlement of the amounts due to immediate holding company, fellow subsidiary and related companies as disclosed in sub-section 3 headed "Consideration and adjustment to the Consideration" under section III headed "The New Agreement" in the Letter from the Board, the abovementioned debts of HK$527.4 million in aggregate, which shall be settled prior to Completion, do not form part of the debts of the Enlarged Group.

The Directors have confirmed after the enquiry with the Vendors that (i) save as aforesaid and apart from normal accruals and payables arising from the ordinary course of business, the Group, the Media Group and, hence, the Enlarged Group did not have any debt securities, whether issued or authorized or otherwise created but unissued, or other borrowings or indebtedness in the nature of borrowing, including liabilities under acceptances (other than normal trade bills), acceptance credits and hire purchase commitments and other mortgages and charges as at the close of business on 31 January 2018; and (ii) since 31 January 2018, there has not been any material change in indebtedness of the Group, the Media Group and, hence, the Enlarged Group up to and including the Latest Practicable Date.

Contingent Liabilities

As at the close of business on 31 January 2018, the Company had contingent liabilities relating to corporate guarantees provided in respect of banking facilities granted to certain members of the Group, of which approximately HK$721.5 million was utilized. Certain members of the Media Group had contingent liabilities relating to corporate guarantees provided in respect of banking facilities granted to certain members of the Media Group, of which approximately HK$28.6 million was utilized as at 31 January 2018. The Directors have confirmed after the enquiry with the Vendors that, since 31 January 2018, there has not been any material change in contingent liabilities of the Group, the Media Group and, hence, the Enlarged Group up to and including the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016 (the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

4. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that following the completion of the New Acquisition, after taking into account the financial resources available to the Enlarged Group, including the available credit facilities, the internally generated funds from operation, and cash and bank balances of the Enlarged Group, the Enlarged Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

In 2016, the Group expanded new business teams including asset management and money-lending, to further develop our market and business horizons, broadening the scope of our financial services offerings. In line with the Group's overall mission as a distinctive "one-stop services" financial institution, the recent acquisition of the companies engaged in the publication of "Capital" series magazines is expected to create synergy to the FPR businesses and current businesses of the Group by offering tailor-made marketing communication solutions to existing and potential customers with the renowned media platform.

Over the past three years, the Media Group was vulnerable to various challenges, such as a change in the market receptiveness to printed periodicals, a slowdown in the economy of Hong Kong and the PRC, increasingly intensifying competition on advertising spending from digital platforms and weak retail sales in 2015-2016 that further restrained advertisers' budget of advertising expenditure, which impacted the Media Group's operating performance and resulted in, along with other peers in the sector, operating losses during the period.

With the global markets become stabilized and a rebound in local retail market, the management of the Media Group considers the media sector has almost reached the trough and the sector is expected not far away to bottom out from the worst.

After the completion of the acquisition of the entire issued share capital of Golden Ways Limited and Media Bonus Limited and their respective subsidiaries (the "**Previous Acquisition Group**") in January 2017, the Group has commenced its integration plan with the Previous Acquisition Group by drawing the strengths of the Group and the Previous Acquisition Group together to, among others, make use of the platform of the Previous Acquisition Group via the Previous Acquisition Group's publication of magazines, event management and marketing services to build and develop the FPR business, fostering the Group's vision to be an one-stop shop financial services provider.

The New Acquisition will allow both the Group and the Media Group reduce their costs and overheads through shared marketing budgets, increased procurement bargaining power and lower costs as well as cost optimization through the sharing of resources in common functions. The Board also considers that the New Acquisition provides the Group plenty opportunities to bridge the services provided by its FPR business with the companies acquired under the New Acquisition in order to expand its scope of services to corporate clients as a whole after Completion. The aggregate ability to produce branded content, the content archives as well as the audience and readership of the financial media business and the business of the Media Group combined, will, through data-driven technology, enable the Group to develop customized products which meet the needs of consumers more precisely, and target desired client groups more precisely. The combined services of the FPR, the financial media business and the business of the Media Group would further enhance and distinguish the positioning of the Enlarged Group as a full-fledged corporate marketing and FPR consultancy service supplier, and create a more comprehensive and competitive service set.

Going forward, in spite of the strategic move to diversify the Group's business into media businesses via the Previous Acquisition and the New Acquisition, the financial service will remain as the core operation of the Enlarged Group in the foreseeable future. As at the Latest Practicable Date, save as the New Acquisition, the Company had no intention to enter into, and has not entered into, any negotiation, agreement, arrangement or understanding (a) to scale down its existing business; and/or (b) regarding any potential acquisition or disposal. The Enlarge Group is still committed to developing and strengthening its financial service operation and platform with broader variety of financial products and services offerings. The Board believes the New Acquisition is to augment the Group's existing business. The New Acquisition is aimed to combine the respective strengths of the Group, which is currently engaged in financial services and financial media business, and the Media Group, in order to capture the mutually beneficial aspects of each business. In this way both the Group and Media Group can leverage a wider client audience and apply better resourced solutions as well as create and maximize synergies, eventually broadening the revenue base, enhancing the growth potential of the Enlarged Group and further improving investors' return in the long term.

The following is the text of the report received from Perfect Riches Limited's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON
HISTORICAL FINANCIAL INFORMATION OF PERFECT RICHES LIMITED

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION
TO THE DIRECTORS OF SOUTH CHINA FINANCIAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of Perfect Riches Limited ("Perfect Riches") and its subsidiaries (together "Perfect Riches Group") set out on pages II-4 to II-40, which comprises the consolidated and company statements of financial position as at 31 December 2014, 2015 and 2016 and 31 October 2017 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-40 forms an integral part of this report, which has been prepared for inclusion in the investment circular of South China Financial Holdings Limited (the "Company") dated 9 March 2018 (the "Circular") in connection with a proposed acquisition of the entire issued share capital of Perfect Riches (the "Proposed Acquisition").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of Perfect Riches Group for the Relevant Periods ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of Perfect Riches and its subsidiaries for the Relevant Periods. The directors of the respective companies now comprising Perfect Riches Group are responsible for the preparation of the respective company's financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Perfect Riches Group and Perfect Riches as at 31 December 2014, 2015 and 2016 and 31 October 2017 and of Perfect Riches Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw your attention to Note 2 to the Historical Financial Information, which indicates that Prefect Riches Group incurred a net loss of approximately HK$2,561,000 for the ten months ended 31 October 2017 and, as of 31 October 2017, Prefect Riches Group and Prefect Riches had recorded net current liabilities of approximately HK$509,542,000 and HK$23,643,000 respectively and capital deficiency of approximately HK$508,911,000 and HK$23,487,000 respectively. As stated in Note 2, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of Perfect Riches Group and Prefect Riches to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of Perfect Riches Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the ten months ended 31 October 2016 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

BDO Limited
Certified Public Accountants
Cheung Or Ping
Practising Certificate no. P05412
Hong Kong
9 March 2018

I. HISTORICAL FINANCIAL INFORMATION OF PERFECT RICHES GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report has been prepared based on previously issued financial statements and management accounts of Perfect Riches and its subsidiaries for the Relevant Periods. The previously issued financial statements were audited by BDO Limited in accordance with Hong Kong Standard on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information is presented in Perfect Riches Group's functional currency, Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000), except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Ten months ended 31 October	
		2014	**2015**	**2016**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	6	40,940	30,660	14,363	11,094	7,552
Direct expenses		(34,858)	(29,152)	(11,977)	(9,763)	(5,531)
Gross profit		6,082	1,508	2,386	1,331	2,021
Other income and gain	7	79	463	28	16	22
Selling and distribution costs		(11,132)	(7,977)	(8,374)	(7,799)	(2,215)
Administrative expenses		(14,093)	(13,720)	(9,366)	(7,693)	(2,389)
Loss before income tax	8	(19,064)	(19,726)	(15,326)	(14,145)	(2,561)
Income tax credit/(expense)	10	39	(1)	(11)	–	–
Loss and total comprehensive income for the year/period attributable to owner of Perfect Riches		(19,025)	(19,727)	(15,337)	(14,145)	(2,561)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 October
		2014	2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Property, plant and equipment	12	2,023	1,763	1,067	631
Current assets					
Trade receivables	13	8,484	4,469	1,335	1,920
Deposits and other receivables	14	267	263	40	201
Due from a fellow subsidiary	15	12,885	11,712	11,694	11,689
Cash and cash equivalents	16	19	15	15	15
		21,655	16,459	13,084	13,825
Current liabilities					
Trade payables	17	28,642	22,521	14,888	9,080
Accruals, other payables and receipts in advance	18	3,468	3,905	3,303	3,084
Due to fellow subsidiaries	15	449,461	469,880	489,370	498,263
Due to an immediate holding company	15	12,928	12,928	12,928	12,928
Due to a director	15	465	–	–	–
Income tax payable		–	1	12	12
		494,964	509,235	520,501	523,367
Net current liabilities		(473,309)	(492,776)	(507,417)	(509,542)
Net liabilities		(471,286)	(491,013)	(506,350)	(508,911)
Equity					
Equity attributable to owner of Perfect Riches					
Share capital	19	1,248	1,248	1,248	1,248
Reserves	20	(472,534)	(492,261)	(507,598)	(510,159)
Capital deficiency		(471,286)	(491,013)	(506,350)	(508,911)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 October
		2014	**2015**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Investments in subsidiaries	25	156	156	156	156
Current liabilities					
Due to a fellow subsidiary	15	10,715	10,715	10,715	10,715
Due to an immediate holding company	15	12,928	12,928	12,928	12,928
		23,643	23,643	23,643	23,643
Net current liabilities		(23,643)	(23,643)	(23,643)	(23,643)
Net liabilities		(23,487)	(23,487)	(23,487)	(23,487)
Equity					
Share capital	19	1,248	1,248	1,248	1,248
Reserves	20	(24,735)	(24,735)	(24,735)	(24,735)
Capital deficiency		(23,487)	(23,487)	(23,487)	(23,487)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014	1,248	(453,509)	(452,261)
Loss and total comprehensive income for the year	–	(19,025)	(19,025)
At 31 December 2014 and 1 January 2015	1,248	(472,534)	(471,286)
Loss and total comprehensive income for the year	–	(19,727)	(19,727)
At 31 December 2015 and 1 January 2016	1,248	(492,261)	(491,013)
Loss and total comprehensive income for the year	–	(15,337)	(15,337)
At 31 December 2016 and 1 January 2017	1,248	(507,598)	(506,350)
Loss and total comprehensive income for the period	–	(2,561)	(2,561)
At 31 October 2017	1,248	(510,159)	(508,911)
For ten months ended 31 October (unaudited)			
At 1 January 2016	1,248	(492,261)	(491,013)
Loss and total comprehensive income for the period	–	(14,145)	(14,145)
At 31 October 2016 (unaudited)	1,248	(506,406)	(505,158)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Ten months ended 31 October	
		2014	2015	2016	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Cash flows from operating activities						
Loss before income tax		(19,064)	(19,726)	(15,326)	(14,145)	(2,561)
Adjustments for:						
Bad debts written off of trade and other receivables	8	141	630	83	79	–
Impairment of trade receivables	8	344	550	61	–	28
Impairment of other receivables	8	150	–	100	–	–
Reversal of impairment of trade receivables	7	(66)	(80)	(12)	–	(19)
Reversal of impairment of other receivables	7	–	(128)	–	–	–
Depreciation of property, plant and equipment	8	954	833	701	609	436
Loss on disposal of property, plant and equipment	8	–	20	–	–	–
Operating loss before working capital changes		(17,541)	(17,901)	(14,393)	(13,457)	(2,116)
Decrease/(increase) in trade receivables		4,717	2,986	3,002	3,990	(594)
(Increase)/decrease in deposits and other receivables		(67)	61	123	266	(161)
Decrease in trade payables		(11,185)	(6,121)	(7,633)	(6,469)	(5,808)
(Decrease)/increase in accruals, other payables and receipts in advance		(178)	437	(602)	(722)	(219)
Cash used in operations		(24,254)	(20,538)	(19,503)	(16,392)	(8,898)
Income taxes paid		(2,321)	–	–	–	–
Net cash used in operating activities		(26,575)	(20,538)	(19,503)	(16,392)	(8,898)

		Year ended 31 December			Ten months ended 31 October	
		2014	2015	2016	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Cash flows from investing activities						
Purchase of property, plant and equipment		(446)	(733)	(5)	(5)	–
Decrease in amount due from a fellow subsidiary		184	1,173	18	27	5
Proceeds from disposals of property, plant and equipment		–	140	–	–	–
Net cash (used in)/generated from investing activities		(262)	580	13	22	5
Cash flows from financing activities						
Increase in amounts due to fellow subsidiaries		21,464	20,419	19,490	16,370	8,893
Increase/(decrease) in amount due to a director		465	(465)	–	–	–
Net cash generated from financing activities		21,929	19,954	19,490	16,370	8,893
Net decrease in cash and cash equivalents		(4,908)	(4)	–	–	–
Cash and cash equivalents at beginning of year/period		4,927	19	15	15	15
Cash and cash equivalents at end of year/period		19	15	15	15	15

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Perfect Riches is a limited liability company incorporated in the British Virgin Islands (the "BVI") on 15 July 1992. Its registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, the BVI.

The principal activity of Perfect Riches is investment holding. Perfect Riches Group is principally engaged in publication of magazines in Hong Kong.

The immediate holding company of Perfect Riches is Nicemate Investments Limited, a company incorporated in Hong Kong with limited liability. In the opinion of the directors of Perfect Riches (the "Directors"), the ultimate holding company of Perfect Riches is Broaden Base Investments Limited, a company established in the BVI with limited liability. The ultimate controlling shareholder of Perfect Riches is Mr. Ng Hung Sang.

As at the date of this report, Perfect Riches had direct or indirect interests in the following subsidiaries, and the particulars of which are set out below:

Name	Place and date of incorporation/ Registration and form of business structure	Issued and fully paid share capital/ register capital	Effective interests held by Perfect Riches	Principal activities
Directly held				
Strategic Placements Limited[ii]	The BVI 2 January, 1998 Limited liability company	United States dollar ("US$")1	100%	Investment holding
Yongder Hall Overseas Inc.[ii]	The BVI 16 June, 1988 Limited liability company	US$20,000	100%	Investment holding
Indirectly held				
JMEN Limited[i]	Hong Kong 19 March, 1999 Limited liability company	HK$2	100%	Publication of a monthly male magazine, namely "JMEN"
Car Plus Limited[i]	Hong Kong 19 March, 1999 Limited liability company	HK$2	100%	Publication of a monthly car magazine, namely "CarPlus"
Cheez Design Limited[i]	Hong Kong 19 March, 1999 Limited liability company	HK$2	100%	Dormant
Kick Creation Limited[i]	Hong Kong 19 March, 1999 Limited liability company	HK$2	100%	Dormant
Him Limited[i]	Hong Kong 12 April, 2000 Limited liability company	HK$2	100%	Publication of a monthly entertainment magazine, namely "Him", which had been ceased publication since December 2015
South China Publishing Limited[i]	Hong Kong 19 March, 1999 Limited liability company	HK$2	100%	Provision for publication and internet advertising services

Name	Place and date of incorporation/ Registration and form of business structure	Issued and fully paid share capital/ register capital	Effective interests held by Perfect Riches	Principal activities
8 Weekly Limited[i]	Hong Kong 1 April 2004 Limited liability company	HK$1	100%	Dormant
Yongder Hall Dynamic Marketing Limited[i]	Hong Kong 7 July 1992 Limited liability company	HK$2	100%	Dormant
Yongder Hall Limited[i]	Hong Kong 4 October 1985 Limited liability company	HK$100,000	100%	Dormant
Whiz Kids Express Weekly Limited[i]	Hong Kong 1 July 1993 Limited liability company	HK$2	100%	Publication of a magazine, namely "Whizkids Express Weekly"
Express News Weekly Limited[i]	Hong Kong 1 July 1993 Limited liability company	HK$2	100%	Dormant
Friday Weekly Limited[i]	Hong Kong 2 December 2012 Limited liability company	HK$2	100%	Dormant
PC Express Limited[i]	Hong Kong 17 March 1999 Limited liability company	HK$2	100%	Holding of property, plant and equipment for the use by certain fellow subsidiaries
Gracefree Limited[i]	Hong Kong 24 December 1999 Limited liability company	HK$2	100%	Dormant
M16 Limited[i]	Hong Kong 12 April 2000 Limited liability company	HK$2	100%	Dormant
Three Weekly Limited[i]	Hong Kong 7 July 1999 Limited liability company	HK$2	100%	Dormant
ZYC Holding Limited[i]	Hong Kong 7 October 1986 Limited liability company	HK$200,000	100%	Sales of magazines
Sky Vantage Investments Limited[i]	Hong Kong 12 May 2006 Limited liability company	HK$1	100%	Publication of a weekly entertainment magazine, namely "Three Weekly", which had been ceased publication since May 2016
South China Media Publishing Limited[i]	Hong Kong 15 January 1999 Limited liability company	HK$2	100%	Dormant

Notes:

(i) The statutory financial statements of these entities for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with HKFRSs issued by the HKICPA and Hong Kong Companies Ordinance and were audited by BDO Limited, Certified Public Accountants, Hong Kong.

(ii) No audited financial statements have been prepared for these entities since their respective dates of incorporation as they were incorporated in jurisdictions where there is no statutory audit requirement.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with the applicable HKFRSs. These policies have been consistently applied to the Relevant Periods unless otherwise stated.

The Historical Financial Information has been prepared under the historical cost basis. The measurement basis are fully described in the accounting policies below in Note 4.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. 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 Historical Financial Information are described in Note 5.

Perfect Riches Group incurred a net loss of approximately HK$2,561,000 for the ten months ended 31 October 2017. As at 31 October 2017, Perfect Riches Group and Perfect Riches had recorded net current liabilities of approximately HK$509,542,000 and HK$23,643,000 respectively, and capital deficiency of approximately HK$508,911,000 and HK$23,487,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of Perfect Riches Group and Perfect Riches to continue as a going concern and therefore, Perfect Riches Group and Perfect Riches may be unable to realise their assets and discharge their its liabilities in the normal course of business. Notwithstanding these, the going concern basis has been adopted after taking into account the following measures:

(a) the Director of Perfect Riches has confirmed to provide continuing financial support to Perfect Riches Group and Perfect Riches before the completion of the Proposed Acquisition so as to enable Perfect Riches Group and Perfect Riches to meet their obligation and liabilities as and when they fall due and to continue their day-to-day business operations as a going concern;

(b) the fellow subsidiary and an immediate holding company have undertaken not to demand repayment of the amounts due by Perfect Riches Group of approximately HK$498,263,000 and HK$12,928,000 as at 31 October 2017, respectively, until such time when repayment will not affect the ability of Perfect Riches Group to repay other creditors in the normal course of business for the period up to the completion of the Proposed Acquisition; and

(c) Perfect Mind Ventures Limited, being the new holding company of Perfect Riches after the completion of the Proposed Acquisition (the "New Holding Company") has confirmed, upon the completion of the Proposed Acquisition, it has the ability and intention to maintain the going concern of Perfect Riches Group and Perfect Riches, on a need basis, for the foreseeable future to enable Perfect Riches Group and Perfect Riches to meet their obligation and liabilities as and when they fall due and to continue day-to-day business operations as going concern.

Should Perfect Riches Group and Perfect Riches be unable to continue in business as a going concern, adjustments would have to be made to reduce the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following new standards relevant to the operations of Perfect Riches Group have been issued and are not yet effective for its financial year beginning 1 January 2017 and have not been early adopted:

HKFRSs (Amendments)	Annual improvement to HKFRSs 2014-2016 cycle except for amendments to HKFRS 12[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKRFS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 40	Transfers of Investments Property[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Perfect Riches is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Perfect Riches Group's result of operations and financial positions. Specifically, Perfect Riches Group assesses the impact of HKFRS 9, HKFRS 15 and HKFRS 16 as follows:

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ('the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL"). HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

Perfect Riches Group has completed its preliminary assessment of the classification and measurement of its financial assets and liabilities, and expects that financial assets and liabilities currently measured at amortised cost will continue to qualify for measurement at amortised cost under HKFRS 9. Perfect Riches Group does not have financial liabilities which are designated at fair value through profit or loss.

Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on Perfect Riches Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

Based on the above assessment so far, Perfect Riches Group considers that the initial application of HKFRS 9 will not have a significant impact on Perfect Riches Group's results of operations and financial position.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Based on the assessment so far, Perfect Riches Group considers that the initial application of HKFRS 15 will not have a significant impact on Perfect Riches Group's results of operations and financial position.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Perfect Riches Group does not expect the adoption of HKFRS 16 will have significant impact on Perfect Riches Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

4.1 Basis of consolidation

The Historical Financial Information comprise the financial statements of Perfect Riches and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Historical Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4.2 Subsidiaries

A subsidiary is an investee over which Perfect Riches is able to exercise control. Perfect Riches controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) 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.

In the Perfect Riches's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by Perfect Riches on the basis of dividend received and receivable.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Perfect Riches Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	5 years
Furniture and office equipment	5 years
Computer equipment	5 years
Motor vehicles	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.4 Leasing

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

Perfect Riches Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4.5 Impairment of non-financial assets

At the end of each reporting period, Perfect Riches Group reviews the carrying amounts of property, plant and equipment and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (i.e. the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4.6 Financial instruments

(i) Financial assets

Perfect Riches Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at FVTPL are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

Perfect Riches Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account unless the recovery of the amount is remote, in which case the impairment loss is written off against the financial asset directly. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

Perfect Riches Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals and other payables, amounts due to fellow subsidiaries, immediate holding company and a director are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by Perfect Riches are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

Perfect Riches Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.7 Cash and cash equivalents

Cash and cash equivalents in the statements of financial positions comprise cash on hand.

4.8 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Perfect Riches Group and the revenue can be measured reliably. Perfect Riches Group's revenue is recognised when following specific recognition criteria are met.

(i) Sale of magazines is recognised when the magazines are delivered net of returns and title has passed, with advance subscription fee received from subscribers recorded as receipts in advance.

(ii) Advertising income is recognised on the date of the relevant publication issue or on time basis by reference to the period in which the advertisement is published.

(iii) Promotion and marketing income is recognised in the accounting period in which the services are rendered.

(iv) Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(v) Interest income is recognised on a time-proportion basis using effective interest method.

4.9 Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill, if any, and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.10 Foreign currency

Transactions entered into by Perfect Riches Group in currencies other than the functional currency, which is the currency of the primary economic environment in which it operates, are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

4.11 Employee benefits

(i) Defined contribution plan

Retirement benefits to employees are provided through a defined contribution plan.

Perfect Riches Group participates in a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit or loss 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 Perfect Riches Group in an independently administered fund. Perfect Riches Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

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

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.12 Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, 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.

4.13 Related parties

(a) A person or a close member of that person's family is related to Perfect Riches Group if that person:

(i) has control or joint control of Perfect Riches Group;

(ii) has significant influence over Perfect Riches Group; or

(iii) is a member of the key management personnel of Perfect Riches Group or Perfect Riches's parent.

(b) An entity is related to Perfect Riches Group if any of the following conditions apply:

(i) The entity and Perfect Riches Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of Perfect Riches Group or an entity related to Perfect Riches 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 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 Perfect Riches Group or to Perfect Riches Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.14 Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to Perfect Riches Group's most senior management for the purpose of allocating resources to, and assessing the performance of, Perfect Riches Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following is the critical judgements, apart from those involving estimates (see below), that the directors have made in the process of applying the Perfect Riches Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

(i) Going concern consideration

The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that Perfect Riches Group and Perfect Riches have the capability to continue as a going concern and the going concern assumption is set out in Note 2.

Perfect Riches Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(ii) Depreciation

Perfect Riches Group depreciates property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets is available for use. The estimated useful lives reflect the Directors' estimates of the periods that Perfect Riches Group intends to derive future economic benefits from the use of Perfect Riches Group's property, plant and equipment.

(iii) Impairment of trade and other receivables

The provision policy for doubtful debts of Perfect Riches Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer and the related parties. If the financial conditions of the customers and other debtors of Perfect Riches Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents total invoiced values of goods supplied and income from provision of services. Revenue recognised during the Relevant Periods is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Sales of magazines	14,109	12,662	5,382	3,382	1,977
Advertising income	22,102	14,133	6,347	6,010	3,191
Promotion and marketing income	4,159	2,826	2,533	1,702	2,384
Royalty income	570	1,039	101	–	–
	40,940	30,660	14,363	11,094	7,552

An operating segment is a component of Perfect Riches Group that is engaged in business activities from which Perfect Riches Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by Perfect Riches Group's chief operating decision maker in order to allocate resources and assess performance of the segment. For the Relevant Periods, the information reported to the directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each goods or services line or geographical area and the directors reviewed the financial result of Perfect Riches Group as a whole reported under HKFRSs. Therefore, the directors have determined that Perfect Riches Group has only one single business component/reportable segment as Perfect Riches Group is mainly engaged in publication of magazines. The directors allocate resources and assess performance on an aggregated basis. Accordingly, no operating segment is presented.

Geographic information

Perfect Riches Group's operations are mainly located in Hong Kong and all Perfect Riches Group's non-current assets are located in Hong Kong.

Information about major customers

There are no external customers contributing over 10% of the total revenue of Perfect Riches Group during the Relevant Periods.

7. OTHER INCOME AND GAIN

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest income	–	–	–	–	–
Net exchange gains	4	2	–	–	–
Reversal of impairment of other receivables *(Note 14)*	–	128	–	–	–
Reversal of impairment of trade receivables *(Note 13)*	66	80	12	–	19
Sundry income	9	253	16	16	3
	79	463	28	16	22

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditor's remuneration *(Note)*	–	141	84	–	–
Depreciation of property, plant and equipment	954	833	701	609	436
Loss on disposal of property, plant and equipment	–	20	–	–	–
Bad debt written off of trade receivables	141	559	83	79	–
Bad debt written off of other receivables	–	71	–	–	–
Operating lease charges in respect of office premises	961	874	614	528	257
Impairment of trade receivables *(Note 13)*	344	550	61	–	28
Impairment of other receivables *(Note 14)*	150	–	100	–	–
Employee benefit expense (including Directors' remuneration *(Note 9)*):					
– Salaries, allowances and benefits in kind	28,185	23,388	14,430	14,281	3,855
– Pension scheme contributions – defined contribution plan	1,213	986	443	365	174
	29,398	24,374	14,873	14,646	4,029

Note: During the Relevant Periods, certain auditor's remuneration of Perfect Riches's subsidiaries were borne by a related company, which is 100% beneficially owned by ultimate shareholder of Perfect Riches, Mr. Ng Hung Sang and has a common director with Perfect Riches.

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

(a) Directors' remuneration

The remuneration paid or payable to each of the Directors for the Relevant Periods are as follows:

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2014				
Executive Directors:				
Ms. Ng Yuk Mui, Jessica	–	409	5	414
Mr. Ng Hung Sang	–	–	–	–
	–	409	5	414
Year ended 31 December 2015				
Executive Directors:				
Ms. Ng Yuk Mui, Jessica	–	361	5	366
Mr. Ng Hung Sang	–	–	–	–
	–	361	5	366
Year ended 31 December 2016				
Executive Directors:				
Ms. Ng Yuk Mui, Jessica	–	114	2	116
Mr. Ng Hung Sang	–	–	–	–
	–	114	2	116
Ten months ended 31 October 2017				
Executive Directors:				
Ms. Ng Yuk Mui, Jessica	–	–	–	–
Mr. Ng Hung Sang	–	–	–	–
	–	–	–	–
Ten months ended 31 October 2016 (unaudited)				
Executive Directors:				
Ms. Ng Yuk Mui, Jessica	–	114	2	116
Mr. Ng Hung Sang	–	–	–	–
	–	114	2	116

(b) Five highest paid individuals

The five highest paid individuals during the Relevant Periods included none of the Directors. Details of the remuneration of the five highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, allowances and benefits in kind	2,022	2,164	4,179	4,102	1,285
Pension scheme contributions	74	66	74	70	64
	2,096	2,230	4,253	4,172	1,349

Their remuneration fell within the following bands:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	No. of individuals	*No. of individuals*	*No. of individuals*	*No. of individuals* (unaudited)	*No. of individuals*
Nil to HK$1,000,000	5	5	4	4	5
HK$1,000,000 to HK$1,500,000	–	–	–	–	–
HK$1,500,001 to HK$2,000,000	–	–	–	–	–
Over HK$2,000,001	–	–	1	1	–
	5	5	5	5	5

During the Relevant Periods, there was no arrangement under which any of the Directors or the five highest paid individuals of Perfect Riches Group waived or agreed to waive any remuneration and there were no emoluments paid by Perfect Riches Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining Perfect Riches Group, or as compensation for loss of office.

10. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax – Hong Kong Profits Tax					
Charge for the year	–	1	11	–	–
Over-provision in prior years	(39)	–	–	–	–
	(39)	1	11	–	–

Pursuant to the rules and regulations of the BVI, Perfect Riches Group is not subjected to any taxation under the jurisdiction of the BVI.

During the Relevant Periods, Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods.

Reconciliation between income tax (credit)/expense and accounting loss at applicable tax rate is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Loss before income tax	(19,064)	(19,726)	(15,326)	(14,145)	(2,561)
Tax calculated at the applicable rate of 16.5%	(3,146)	(3,255)	(2,529)	(2,334)	(423)
Tax effect of non-taxable income	–	–	–	–	(45)
Tax effect of non-deductible expenses	173	152	866	681	100
Tax effect of temporary differences not recognised	(165)	–	–	–	–
Tax effect of tax losses not recognised	3,156	3,136	1,710	1,673	368
Utilisation of tax losses previously not recognised	(18)	(29)	(16)	–	–
Tax reduction	–	(3)	(20)	(20)	–
Over-provision in prior years	(39)	–	–	–	–
Income tax (credit)/expense	(39)	1	11	–	–

No deferred tax has been provided in the Historical Financial Information as there are no material temporary differences during the Relevant Periods.

Perfect Riches Group has tax losses arising in Hong Kong of approximately HK$28,114,000, HK$46,944,000 HK$57,211,000 and HK$59,443,000 as at 31 December 2014, 2015, 2016 and 31 October 2017 respectively that are available indefinitely for offsetting against future taxable profits. No deferred tax has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

11. DIVIDENDS

No dividend was paid or declared by Perfect Riches during the Relevant Periods.

12. PROPERTY, PLANT AND EQUIPMENT

Perfect Riches Group

	Leasehold improvements	Furniture and office equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014					
Cost	8,521	7,562	8,983	547	25,613
Accumulated depreciation	(7,565)	(6,765)	(8,478)	(274)	(23,082)
Net book amount	956	797	505	273	2,531
Year ended 31 December 2014					
Opening net book amount	956	797	505	273	2,531
Additions	38	253	155	–	446
Depreciation	(271)	(395)	(191)	(97)	(954)
Closing net book amount	723	655	469	176	2,023
At 31 December 2014 and 1 January 2015					
Cost	8,559	7,554	9,138	547	25,798
Accumulated depreciation	(7,836)	(6,899)	(8,669)	(371)	(23,775)
Net book amount	723	655	469	176	2,023
Year ended 31 December 2015					
Opening net book amount	723	655	469	176	2,023
Addition	26	8	79	620	733
Disposal	–	–	–	(160)	(160)
Depreciation	(258)	(265)	(191)	(119)	(833)
Closing net book amount	491	398	357	517	1,763
At 31 December 2015 and 1 January 2016					
Cost	8,585	7,562	9,217	686	26,050
Accumulated depreciation	(8,094)	(7,164)	(8,860)	(169)	(24,287)
Net book amount	491	398	357	517	1,763

	Leasehold improvements *HK$'000*	Furniture and office equipment *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Year ended 31 December 2016					
Opening net book amount	491	398	357	517	1,763
Addition	–	–	5	–	5
Depreciation	(239)	(181)	(157)	(124)	(701)
Closing net book amount	252	217	205	393	1,067
At 31 December 2016 and 1 January 2017					
Cost	8,585	7,562	9,222	686	26,055
Accumulated depreciation	(8,333)	(7,345)	(9,017)	(293)	(24,988)
Net book amount	252	217	205	393	1,067
Ten months ended 31 October 2017					
Opening net book amount	252	217	205	393	1,067
Depreciation	(122)	(112)	(99)	(103)	(436)
Closing net book amount	130	105	106	290	631
At 31 October 2017					
Cost	8,585	7,562	9,222	686	26,055
Accumulated depreciation	(8,455)	(7,457)	(9,116)	(396)	(25,424)
Net book amount	130	105	106	290	631

13. TRADE RECEIVABLES

Perfect Riches Group

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	12,823	8,392	5,083	5,677
Less: impairment of receivables	(4,339)	(3,923)	(3,748)	(3,757)
Trade receivables, net	8,484	4,469	1,335	1,920

The movement of the provision for impairment of trade receivables is as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	4,091	4,339	3,923	3,748
Impairment loss recognised *(Note 8)*	344	550	61	28
Reversal of impairment of trade receivables *(Note 7)*	(66)	(80)	(12)	(19)
Written off	(30)	(886)	(224)	–
At 31 December/31 October	4,339	3,923	3,748	3,757

Impairment losses in respect of trade receivables are recorded using an allowance account unless Perfect Riches Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. During the years ended 31 December 2014, 2015 and 2016 and ten months ended 31 October 2017, bad debts of approximately HK$141,000 and HK$559,000, and HK$83,000 and HK$Nil, respectively were written off against trade receivables directly (Note 8).

At each reporting date, Perfect Riches Group reviews trade receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2014, 2015, 2016 and 31 October 2017, the Perfect Riches Group has determined trade receivables of approximately HK$4,339,000, HK$3,923,000, HK$3,748,000 and HK$3,757,000 as individually impaired respectively. Based on this assessment, during the years ended 31 December 2014, 2015 and 2016 and ten months period ended 31 October 2017, impairment loss of approximately HK$344,000, HK$550,000, HK$61,000 and HK$28,000 respectively and reversal of impairment of trade receivables of impairment loss of approximately HK$66,000, HK$80,000, HK$12,000 and HK$19,000 respectively have been recognised in profit or loss. During the years ended 31 December 2014, 2015 and 2016 and ten months period ended 31 October 2017, the provision for impairment of trade receivables of approximately HK$30,000, HK$886,000, HK$224,000 and HK$Nil have been written off respectively. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

Perfect Riches Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

Perfect Riches Group allows a credit period from 30 days to 120 days to its trade customers.

The ageing analysis of Perfect Riches Group's trade receivables net of impairment losses as at the end of each reporting date, based on invoice date, is as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	3,155	2,271	917	1,081
31 to 90 days	2,566	1,215	119	382
91 to 180 days	1,340	768	210	276
Over 180 days	1,423	215	89	181
	8,484	4,469	1,335	1,920

The ageing analysis of Perfect Riches Group's trade receivables that are not considered to be impaired as at the end of each reporting date is as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	2,338	1,682	687	758
1 to 90 days past due	3,832	2,216	499	943
91 to 180 days past due	947	402	68	98
Over 180 days past due	1,367	169	81	121
	8,484	4,469	1,335	1,920

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for when there was no recent history of default.

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

14. DEPOSITS AND OTHER RECEIVABLES

Perfect Riches Group

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	84	84	27	57
Other receivables	183	179	13	144
	267	263	40	201

The movement of the provision for impairment of other receivables is as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	–	150	22	122
Impairment loss recognised *(Note 8)*	150	–	100	–
Reversal of impairment of other receivables *(Note 7)*	–	(128)	–	–
At 31 December/31 October	150	22	122	122

Impairment losses in respect of other receivables are recorded using an allowance account unless Perfect Riches Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly. During the years ended 31 December 2014, 2015 and 2016, and ten months ended 31 October 2017, bad debts of approximately HK$Nil and HK$71,000, and HK$Nil and HK$Nil, respectively were written off against other receivables directly (Note 8).

At each reporting date, Perfect Riches Group reviews other receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2014, 2015, 2016 and 31 October 2017, the Perfect Riches Group has determined other receivables of approximately HK$150,000, HK$22,000, HK$122,000 and HK$122,000 as individually impaired respectively. Based on this assessment, during the years ended 31 December 2014, 2015 and 2016 and ten months period ended 31 October 2017, impairment loss of approximately HK$150,000, HK$Nil, HK$100,000 and HK$Nil respectively and reversal of impairment loss of approximately HK$Nil, HK$128,000, HK$Nil and HK$Nil respectively have been recognised in profit or loss. The impaired other receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

Perfect Riches Group did not hold any collateral as security or other credit enhancements over the impaired other receivables, whether determined on an individual or collective basis.

15. BALANCES WITH RELATED PARTIES

The balances with a director, an immediate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand.

The tables below provide further analysis of balances with related parties.

Perfect Riches Group

			As at 31 December		**As at 31 October**
		2014	**2015**	**2016**	**2017**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due from a fellow subsidiary					
South China Media Management Limited	(i)	12,885	11,712	11,694	11,689

			Year ended 31 December		**Ten months ended 31 October**
		2014	**2015**	**2016**	**2017**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Maximum amount due from a fellow subsidiary during the year/period					
South China Media Management Limited	(i)	12,885	12,885	11,712	11,694

			As at 31 December		**As at 31 October**
		2014	**2015**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due to a director					
Ms. Ng Yuk Mui, Jessica		465	–	–	–
Due to fellow subsidiaries					
South China Media Management Limited	(i), (ii)	449,461	468,877	489,370	498,263
Success Production Limited	(iii)	–	1,003	–	–
		449,461	469,880	489,370	498,263
Due to an immediate holding company					
Nicemate Investments Limited	(ii)	12,928	12,928	12,928	12,928

Perfect Riches

			As at 31 December		As at 31 October
		2014	**2015**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due to a fellow subsidiary					
South China Media Management Limited	(i), (ii)	10,715	10,715	10,715	10,715
Due to an immediate holding company					
Nicemate Investments Limited	(iii)	12,928	12,928	12,928	12,928

Notes:

(i) The ultimate shareholder of Perfect Riches, Mr. Ng Hung Sang has 100% beneficial interest in the entity which has a common director with Perfect Riches.

(ii) The fellow subsidiary and immediate holding company had undertaken not to demand for repayment of the relevant amounts until such time when repayment will not affect Perfect Riches Group's and Perfect Riches' ability to repay other creditors in the normal course of business.

(iii) Mr. Ng Yuk Fung, Peter, the director of certain subsidiaries of Perfect Riches, is also the director of the entity.

16. CASH AND CASH EQUIVALENTS

		As at 31 December		As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash on hand	19	15	15	15

17. TRADE PAYABLES

The ageing analysis of Perfect Riches Group's trade payables as at the end of each reporting date, based on the invoice date, is as follows:

		As at 31 December		As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	7,231	5,521	395	90
31 to 90 days	3,333	2,821	467	262
91 to 180 days	4,965	3,805	893	908
Over 180 days	13,113	10,374	13,133	7,820
	28,642	22,521	14,888	9,080

18. ACCRUALS, OTHER PAYABLES AND RECEIPTS IN ADVANCE

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	2,090	2,207	2,015	2,054
Other payables	681	907	747	606
Receipts in advance	697	791	541	424
	3,468	3,905	3,303	3,084

19. SHARE CAPITAL

	Number	**Amount**
		HK$'000
Authorised:		
Ordinary shares of US$1.00 each		
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017 and 31 October 2017	160,000	1,248
Issued:		
Ordinary shares of US$1.00 each		
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017 and 31 October 2017	160,000	1,248

20. RESERVES

Perfect Riches Group

Details of the movement of Perfect Riches Group's reserves are set out in the consolidated statements of changes in equity in Section I.

Perfect Riches

	Accumulated losses *HK$'000*
At 1 January 2014	(24,735)
Result and total comprehensive income for the year	–
At 31 December 2014 and 1 January 2015	(24,735)
Result and total comprehensive income for the year	–
At 31 December 2015 and 1 January 2016	(24,735)
Result and total comprehensive income for the year	–
At 31 December 2016 and 1 January 2017	(24,735)
Result and total comprehensive income for the period	–
At 31 October 2017	(24,735)
For ten months ended 31 October 2016 (unaudited):	
At 1 January 2016	(24,735)
Result and total comprehensive income for the period	–
At 31 October 2016 (unaudited)	(24,735)

21. COMMITMENTS

At the end of each of the Relevant Periods, Perfect Riches Group and Perfect Riches did not have any significant commitments.

22. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, Perfect Riches Group had the following material transactions with related parties during the Relevant Periods:

		Year ended 31 December			Ten months ended 31 October	
		2014	**2015**	**2016**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Colour separation expense						
Fellow subsidiary – Success Production Limited	(i)	409	609	116	96	133
Management fee expense						
Fellow subsidiary - South China Media Management Limited	(ii)	631	609	458	382	307
Advertising income						
Related company – South China Financial Holdings Limited	(iii)	–	216	135	722	722
Rental expense						
Fellow subsidiary – South China Media Management Limited	(ii), (iv)	266	229	225	187	224

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

Notes:

(i) Mr. Ng Yuk Fung, Peter, the director of certain subsidiaries of Perfect Riches, is also the director of the entity.

(ii) The ultimate shareholder of Perfect Riches, Mr. Ng Hung Sang, have 100% beneficial interest in this entity. The Directors of Perfect Riches, Mr. Ng Yuk Fung, Peter, and Ms. Ng Yuk Mui, Jessica are also the directors of this entity.

(iii) The Directors of Perfect Riches, Mr. Ng Hung Sang and Ms. Ng Yuk Mui, Jessica, are also the directors of the entity.

(iv) Perfect Riches Group has occupied the office premises at Units A, B and D, 3rd Floor and Unit B, 12th Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong, which shared the rent with South China Media Management Limited, a fellow subsidiary of Perfect Riches. Until 17 January 2017, Perfect Riches Group ceased occupying the office premises at Unit D, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong.

(b) Compensation of key management personnel of Perfect Riches Group

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Short-term employee benefits	818	949	2,151	2,151	350
Pension scheme contributions	20	5	15	15	17
	838	954	2,166	2,166	367

Further details of Directors' remuneration are included in Note 9 to the Historical Financial Information.

23. FINANCIAL RISK MANAGEMENT

Perfect Riches Group is exposed to financial risks through its use of financial instruments in its ordinary course of business and its investment activities. The financial risks include market risk (including interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Perfect Riches Group's headquarters, in close co-operation with the Directors. The overall objectives in managing financial risks focus on securing Perfect Riches's short to medium term cash flows by minimising its exposure to financial markets. Long-term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not Perfect Riches Group's policy to actively engage in the trading of financial instruments for speculative purpose. Perfect Riches Group works under the policies approved by the Directors. It identifies ways to access financial markets and monitors Perfect Riches Group's financial risk exposures. Regular reports are provided to the Directors.

(a) Summary of financial assets and liabilities by category

The carrying amounts of each of the categories of financial instruments as at the end of each reporting date are as follows:

Perfect Riches Group

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables:				
Trade receivables	8,484	4,469	1,335	1,920
Deposits and other receivables	267	263	40	201
Due from a fellow subsidiary	12,885	11,712	11,694	11,689
Cash and cash equivalents	19	15	15	15
	21,655	16,459	13,084	13,825
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	28,642	22,521	14,888	9,080
Accruals and other payables	2,771	3,114	2,762	2,660
Due to fellow subsidiaries	449,461	469,880	489,370	498,263
Due to an immediate holding company	12,928	12,928	12,928	12,928
Due to a director	465	–	–	–
	494,267	508,443	519,948	522,931

Perfect Riches

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities				
Financial liabilities at amortised cost:				
Due to a fellow subsidiary	10,715	10,715	10,715	10,715
Due to immediate holding company	12,928	12,928	12,928	12,928
	23,643	23,643	23,643	23,643

(b) Credit Risk

Perfect Riches Group continuously monitors defaults of the customers and counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. Perfect Riches Group's policy is to deal only with creditworthy counterparties.

None of Perfect Riches Group's financial assets are secured by collateral or other credit enhancements.

Perfect Riches Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality including those that are past due.

In respect of the trade and other receivables, Perfect Riches Group is not exposed to any significant credit risk to a single counterparty or a group of counterparties having similar characteristics.

(c) Liquidity Risk

Perfect Riches Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its requirements in the short and longer terms. Perfect Riches Group incurred a net loss of approximately HK$2,561,000 for the ten months ended 31 October 2017. As at 31 October 2017, Perfect Riches Group and Perfect Riches had recorded net current liabilities of approximately HK$509,542,000 and HK$23,643,000 respectively, and capital deficiency of approximately HK$508,911,000 and HK$23,487,000 respectively. The liquidity of Perfect Riches Group is primarily dependent on the undertakings from a director of Perfect Riches to provide financial support to Perfect Riches Group and Perfect Riches and from the fellow subsidiary and an immediate holding company not to demand repayment of the amounts due by the Perfect Riches Group of approximately HK$498,263,000 and HK$12,928,000 as at 31 October 2017, respectively, until such time when repayment will not affect the ability of Perfect Riches Group to repay other creditors in the normal course of business for the period up to the completion of the proposed acquisition, and the New Holding Company has confirmed, upon the completion of the proposed acquisition, it has the ability and intention to maintain the going concern of the Perfect Riches Group, on a need basis, for the foreseeable future to enable Perfect Riches Group and Perfect Riches to meet their obligation and liabilities as and when they fall due and to continue day-to-day business operations as going concern.

At the end of each reporting date, the maturity profile of Perfect Riches Group's financial liabilities, based on contractual undiscounted payments, is either payable on demand or within one year at the amounts same as their carrying amounts as at the end of each of the Relevant Periods.

(d) Fair value

The fair values of Perfect Riches Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

24. CAPITAL MANAGEMENT

Perfect Riches Group's objectives when managing capital include:

(i) To safeguard Perfect Riches Group's ability to continue as going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Perfect Riches Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Perfect Riches Group's risk management capability.

Perfect Riches Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of Perfect Riches Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Perfect Riches currently does not adopt any formal dividend policy.

Management regards total equity and the undertakings from a director of Perfect Riches to provide financial support to Perfect Riches Group and the fellow subsidiary and an immediate holding company not to demand repayment of the amounts due by Perfect Riches Group as set out in Note 2 as capital, for capital management purpose.

25. INVESTMENTS IN SUBSIDIARIES

Perfect Riches

		As at 31 December		As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	156	156	156	156

Particulars of the subsidiaries at 31 October 2017 are set out in Note 1.

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to fellow subsidiaries	Amount due to an immediate holding company	Amount due to a director	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	427,997	12,928	–	440,925
Financing cash flows	21,464	–	465	21,929
At 31 December 2014 and 1 January 2015	449,461	12,928	465	462,854
Financing cash flows	20,419	–	(465)	19,954
At 31 December 2015 and 1 January 2016	469,880	12,928	–	482,808
Financing cash flows	19,490	–	–	19,490
At 31 December 2016 and 1 January 2017	489,370	12,928	–	502,298
Financing cash flows	8,893	–	–	8,893
At 31 October 2017	498,263	12,928	–	511,191
(Unaudited)				
At 1 January 2016	469,880	12,928	–	482,808
Financing cash flows	16,370	–	–	16,370
At 31 October 2016 (unaudited)	486,250	12,928	–	499,178

27. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in this report, there are no material subsequent events undertaken by Perfect Riches Group after 31 October 2017.

28. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Perfect Riches or its subsidiaries comprising Perfect Riches Group in respect of any period subsequent to 31 October 2017.

The following is the text of the report received from Super Bellax Ltd.'s reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON
HISTORICAL FINANCIAL INFORMATION OF SUPER BELLAX LTD.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION
TO THE DIRECTORS SOUTH CHINA FINANCIAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of Super Bellax Ltd. ("Super Bellax") and its subsidiaries (together "Super Bellax Group") set out on pages II-44 to II-64, which comprises the consolidated and company statements of financial position as at 31 December 2014, 2015 and 2016 and 31 October 2017 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages II-44 to II-64 forms an integral part of this report, which has been prepared for inclusion in the investment circular of South China Financial Holdings Limited (the "Company") dated 9 March 2018 (the "Circular") in connection with a proposed acquisition of the entire issued share capital of Super Bellax (the "Proposed Acquisition").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of Super Bellax Group for the Relevant Periods ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of Super Bellax and its subsidiaries for the Relevant Periods. The directors of the respective companies now comprising Super Bellax Group are responsible for the preparation of the respective company's financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Super Bellax Group and Super Bellax as at 31 December 2014, 2015 and 2016 and 31 October 2017 and of Super Bellax Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw your attention to Note 2 to the Historical Financial Information, which indicates that Super Bellax Group had recorded net current liabilities and capital deficiency of approximately HK$26,000 as at 31 October 2017. As stated in Note 2, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of Super Bellax Group to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of Super Bellax Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the ten months ended 31 October 2016 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "Listing Rules")

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

BDO Limited
Certified Public Accountants
Cheung Or Ping
Practising Certificate no. P05412
Hong Kong
9 March 2018

I. HISTORICAL FINANCIAL INFORMATION OF SUPER BELLAX GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on previously issued financial statements and management accounts of Super Bellax and its subsidiaries for the Relevant Periods. The previously issued financial statements were audited by BDO Limited in accordance with Hong Kong Standard on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Super Bellax Group's functional currency, Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000"), except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Ten months ended 31 October	
		2014	**2015**	**2016**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	6	–	–	–	–	–
Administrative expenses		(7)	(7)	–	–	–
Loss/result before income tax	7	(7)	(7)	–	–	–
Income tax expense	9	–	–	–	–	–
Loss/result and total comprehensive income for the year/period attributable to owner of Super Bellax		(7)	(7)	–	–	–

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 October
		2014	**2015**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liability					
Due to a related company	11	19	26	26	26
Net current liabilities/net liabilities		(19)	(26)	(26)	(26)
Equity					
Equity attributable to owner of Super Bellax					
Share capital	12	–*	–*	–*	–*
Reserves	13	(19)	(26)	(26)	(26)
Capital deficiency		(19)	(26)	(26)	(26)

* Represents the amount less than HK$1,000.

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 October
		2014	**2015**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Investments in subsidiaries	17	–*	–*	–*	–*
Current asset					
Due from subsidiaries	11	–	–	–	–
Current liability					
Due to a related company	11	–*	–*	–*	–*
Net current assets/net assets		–	–	–	–
Equity					
Share capital	12	–*	–*	–*	–*
Reserves	13	–	–	–	–
Total equity		–	–	–	–

* Represents the amount less than HK$1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2014	–*	(12)	(12)
Loss and total comprehensive income for the year	–	(7)	(7)
At 31 December 2014 and 1 January 2015	–*	(19)	(19)
Loss and total comprehensive income for the year	–	(7)	(7)
At 31 December 2015 and 1 January 2016	–*	(26)	(26)
Result and total comprehensive income for the year	–	–	–
At 31 December 2016 and 1 January 2017	–*	(26)	(26)
Result and total comprehensive income for the period	–	–	–
At 31 October 2017	–*	(26)	(26)
For ten months ended 31 October 2016 (unaudited)			
At 1 January 2016	–*	(26)	(26)
Result and total comprehensive income for the period	–	–	–
At 31 October 2016 (unaudited)	–*	(26)	(26)

* Represents the amount less than HK$1,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cash flows from operating activities					
Loss/result before income tax and operating loss before working capital changes	(7)	(7)	–	–	–
Cash used in operations	(7)	(7)	–	–	–
Income taxes paid	–	–	–	–	–
Net cash used in operating activities	(7)	(7)	–	–	–
Cash flows from financing activities					
Increase in amount due to a related company	7	7	–	–	–
Net cash generated from financing activities	7	7	–	–	–
Net change in cash and cash equivalents	–	–	–	–	–
Cash and cash equivalents at beginning of year /period	–	–	–	–	–
Cash and cash equivalents at end of year/period	–	–	–	–	–

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Super Bellax is a limited liability company incorporated in the British Virgin Islands (the "BVI") on 20 March 1996. Its registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, the BVI.

Super Bellax and Super Bellax Group were dormant during the Relevant Periods.

The immediate holding company of Super Bellax is Jessica Publications (BVI) Limited, a company incorporated in BVI with limited liability. In the opinion of the directors of Super Bellax (the "Directors"), the ultimate holding company of Super Bellax is Win Gain Investments Limited, a company established in the BVI with limited liability. The ultimate controlling shareholder of Super Bellax is Mr. Ng Hung Sang.

As at the date of this report, Super Bellax had direct interests in the following subsidiaries, and the particulars of which are set out below:

Name	Place and date of incorporation/Registration	Issued and fully paid share capital/ register capital	Effective interests held by Super Bellax	Principal activities
Directly held				
Surprise Publishing Limited[(i)]	Hong Kong 17 August 1993 Limited liability company	HK$2	100%	Dormant
Newasia Management Limited[(i)]	Hong Kong 15 February 1996 Limited liability company	HK$2	100%	Dormant
Express Publishing Limited[(i)]	Hong Kong 17 August 1993 Limited liability company	HK$2	100%	Dormant
Express Management Limited[(i)]	Hong Kong 17 August 1993 Limited liability company	HK$2	100%	Dormant

Note:

(i) The statutory financial statements of these entities for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with HKFRSs issued by the HKICPA and Hong Kong Companies Ordinance and were audited by BDO Limited, Certified Public Accountants, Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with the applicable HKFRSs. These policies have been consistently applied to the Relevant Periods unless otherwise stated.

The Historical Financial Information has been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below in Note 4.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. 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 Historical Financial Information are described in Note 5.

Super Bellax Group had recorded net current liabilities and capital deficiency of approximately HK$26,000 as at 31 October 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of Super Bellax Group to continue as a going concern and therefore, Super Bellax Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding this, the going concern basis has been adopted after taking into account the following measures:

(a) a director of Super Bellax has confirmed to provide continuing financial support to Super Bellax Group before the completion of the Proposed Acquisition so as to enable Super Bellax Group to meet its obligation and liabilities as and when they fall due and to continue its day-to-day business operations as a going concern;

(b) a related company has undertaken not to demand repayment of the amount due by Super Bellax Group of approximately HK$26,000 as at 31 October 2017 until such time when repayment will not affect the ability of Super Bellax Group to repay other creditors in the normal course of business for the period up to the completion of the Proposed Acquisition; and

(c) the Perfect Mind Ventures Limited, being the new holding company of Super Bellax after the completion Company after completion of the Proposed Acquistion (the "New Holding Company") has confirmed, upon the completion of the Proposed Acquisition, it has the ability and intention to maintain the going concern of Super Bellax Group, on a need basis, for the foreseeable future to enable Super Bellax Group to meet its obligation and liabilities as and when they fall due and to continue day-to-day business operations as going concern.

Should Super Bellax Group be unable to continue in business as a going concern, adjustments would have to be made to provide for any further liabilities which might arise.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following new standards relevant to the operations of Super Bellax Group have been issued and are not yet effective for its financial year beginning 1 January 2017 and have not been early adopted:

HKFRSs (Amendments)	Annual improvement to HKFRSs 2014-2016 cycle except for amendments to HKFRS 12[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKRFS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 40	Transfers of Investments Property[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Super Bellax is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Super Bellax Group's result of operations and financial positions. Specifically, Super Bellax Group assesses the impact of HKFRS 9, HKFRS 15 and HKFRS 16 as follows:

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ('the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL"). HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Super Bellax Group has completed its preliminary assessment of the classification and measurement of its financial assets and liabilities, and expects that financial assets and liabilities currently measured at amortised cost will continue to qualify for measurement at amortised cost under HKFRS 9. Super Bellax Group does not have financial liabilities which are designated at fair value through profit or loss.

Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on Super Bellax Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

Based on the above assessment so far, Super Bellax Group considers that the initial application of HKFRS 9 will not have a significant impact on Super Bellax Group's results of operations and financial position.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Based on the assessment so far, Super Bellax Group considers that the initial application of HKFRS 15 will not have a significant impact on Super Bellax Group's results of operations and financial position.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Super Bellax Group does not expect the adoption of HKFRS 16 will have significant impact on Super Bellax Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

4.1 Basis of consolidation

The Historical Financial Information comprise the financial statements of Super Bellax and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Historical Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4.2 Subsidiaries

A subsidiary is an investee over which Super Bellax is able to exercise control. Super Bellax controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) 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.

In the Super Bellax's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by Super Bellax on the basis of dividend received and receivable.

4.3 Impairment of non-financial assets

At the end of each reporting period, Super Bellax Group reviews the carrying amounts of investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (i.e. the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4.4 Financial instruments

(i) Financial assets

Super Bellax Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at FVTPL are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

Super Bellax Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account unless the recovery of the amount is remote, in which case the impairment loss is written off against the financial asset directly. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liability

Super Bellax Group classifies its financial liability, depending on the purpose for which the liability was incurred. Financial liability at amortised costs is initially measured at fair value, net of directly attributable costs incurred.

Financial liability at amortised cost

Financial liability at amortised cost including amount due to a related company is initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by Super Bellax are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

Super Bellax Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.5 Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill, if any, and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.6 Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, 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.

4.7 Related parties

(a) A person or a close member of that person's family is related to Super Bellax Group if that person:

(i) has control or joint control of Super Bellax Group;

(ii) has significant influence over Super Bellax Group; or

(iii) is a member of the key management personnel of Super Bellax Group or Super Bellax's parent.

(b) An entity is related to Super Bellax Group if any of the following conditions apply:

(i) The entity and Super Bellax Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of Super Bellax Group or an entity related to Super Bellax 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 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 Super Bellax Group or to Super Bellax Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Super Bellax makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are not significant.

The following is the critical judgements that the directors have made in the process of applying the Super Bellax Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

(i) Going concern consideration

The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that Super Bellax Group has the capability to continue as a going concern and the going concern assumption is set out in Note 2.

6. REVENUE AND SEGMENT INFORMATION

Super Bellax Group did not generate any revenue during the Relevant Periods. No segment information is presented as Super Bellax Group was dormant during the Relevant Periods.

7. LOSS/RESULT BEFORE INCOME TAX

Loss/result before income tax is arrived at after charging:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditor's remuneration *(Note)*	–	–	–	–	–

Note: For the Relevant Periods, the auditor's remuneration of Super Bellax's subsidiaries were borne by a related company, which is 100% beneficially owned by ultimate shareholder of Super Bellax, Mr. Ng Hung Sang and has common directors with Super Bellax.

8. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL'S REMUNERATION

(a) Directors' remuneration

The Executive Directors of Super Bellax during the Relevant Periods are Ms. Ng Yu Mui, Jessica and Mr. Ng Yuk Fung, Peter. No emolument was paid or payable to any of the Directors during the Relevant Periods.

(b) Five highest paid individuals

No emolument was paid or payable to any of employees or directors of Super Bellax during the Relevant Periods.

During the Relevant Periods, there was no arrangement under which any of the Directors or the five highest paid individuals of Super Bellax Group waived or agreed to waive any remuneration and there were no emoluments paid by Super Bellax Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining Super Bellax Group, or as compensation for loss of office.

9. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the BVI, Super Bellax Group is not subjected to any taxation under the jurisdiction of the BVI.

No Hong Kong profits tax has been provided as Super Bellax Group did not derive any assessable profits during the Relevant Periods.

Reconciliation between income tax expense and accounting loss/result at applicable tax rate is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Loss/result before income tax	(7)	(7)	–	–	–
Tax calculated at the applicable rate of 16.5%	(1)	(1)	–	–	–
Tax effect of non-deductible expenses	1	1	–	–	–
Income tax expense	–	–	–	–	–

No deferred tax has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

10. DIVIDENDS

No dividend was paid or declared by Super Bellax during the Relevant Periods.

11. BALANCES WITH RELATED COMPANIES

Super Bellax Group

		As at 31 December			As at 31 October
		2014	**2015**	**2016**	**2017**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due to a related company					
South China Media Management Limited	*(i)*	19	26	26	26

Super Bellax

		As at 31 December			As at 31 October
		2014	**2015**	**2016**	**2017**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due from subsidiaries					
Due from subsidiaries		296,664	296,664	296,664	296,664
Less: impairment		(296,664)	(296,664)	(296,664)	(296,664)
Due from subsidiaries, net	*(ii)*	–	–	–	–
Due to a related company					
South China Media Management Limited	*(i)*	–*	–*	–*	–*

The balances with these related companies are unsecured, interest-free and repayable on demand.

Note:

(i) The ultimate shareholder of Super Bellax, Mr. Ng Hung Sang has 100% beneficial interest in South China Media Management Limited which has common directors with Super Bellax.

(ii) The amounts due from subsidiaries had been fully impaired in prior years.

* Represents the amount less than HK$1,000.

12. SHARE CAPITAL

	Number	Amount
		HK$'000
Authorised:		
Ordinary shares of US$1.00 each		
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017 and 31 October 2017	50,000	390
Issued:		
Ordinary shares of US$1.00 each		
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017 and 31 October 2017	1	–*

* Represents the amount less than HK$1,000.

13. RESERVES

Super Bellax Group

Details of the movement of Super Bellax Group's reserves are set out in the consolidated statements of changes in equity in Section I.

Super Bellax

	Accumulated losses *HK$'000*
At 1 January 2014	–
Result and total comprehensive income for the year	–
At 31 December 2014 and 1 January 2015	–
Result and total comprehensive income for the year	–
At 31 December 2015 and 1 January 2016	–
Result and total comprehensive income for the year	–
At 31 December 2016 and 1 January 2017	–
Result and total comprehensive income for the period	–
At 31 October 2017	–
For ten months ended 31 October 2016 (unaudited):	
At 1 January 2016	–
Result and total comprehensive income for the period	–
At 31 October 2016 (unaudited)	–

14. RELATED PARTY TRANSACTIONS

(a) Super Bellax Group did not have any material transactions with related parties during the Relevant Periods.

(b) Members of key management personnel of Super Bellax Group comprises only of the Directors, who have no emoluments during the Relevant Periods (Note 8).

15. FINANCIAL RISK MANAGEMENT

Super Bellax Group is exposed to a variety of financial risks which result from its operating activities. Super Bellax Group's management meets periodically to analyse and formulate strategies to manage Super Bellax Group's exposure to the financial risks. Super Bellax Group's exposure to these risks is kept to a minimum level. Super Bellax Group has not used any derivatives or other instruments for hedging purpose.

(a) Summary of financial assets and liabilities by category

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Super Bellax Group

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liability				
Financial liability at amortised cost:				
Due to a related company	19	26	26	26

Super Bellax

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial asset				
Loans and receivables:				
Due from subsidiaries	–	–	–	–
Financial liability				
Financial liability at amortised cost:				
Due to a related company	–*	–*	–*	–*

* Represents the amount less than HK$1,000.

(b) Credit Risk

Super Bellax Group's exposure to credit risk is not significant as Super Bellax Group did not have any financial assets recognised at the reporting date.

(c) Liquidity Risk

Super Bellax Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its requirements in the short and longer terms. Super Bellax Group had net current liabilities and capital deficiency of HK$26,000 as at 31 October 2017. The liquidity of Super Bellax Group is primarily dependent on the undertakings from a director of Super Bellax to provide financial support to Super Bellax Group and from a related company not to demand repayment of the amount due by the Super Bellax Group of approximately HK$26,000 as at 31 October 2017 until such time when repayment will not affect the ability of Super Bellax Group to repay other creditors in the normal course of business for the period up to the completion of the proposed acquisition, and the New Holding Company has confirmed, upon the completion of the proposed acquisition, it has the ability and intention to maintain the going concern of the Super Bellax Group, on a need basis, for the foreseeable future to enable Super Bellax Group to meet its obligation and liabilities as and when they fall due and to continue day-to-day business operations as going concern.

At the end of each of the Relevant Periods, the maturity profile of Super Bellax Group's financial liability, based on contractual undiscounted payments, is either payable on demand or within one year at the amounts same as their carrying amounts as at the end of each of the Relevant Periods.

16. CAPITAL MANAGEMENT

Super Bellax Group's objectives when managing capital include:

(i) To safeguard Super Bellax Group 's ability to continue as going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Super Bellax Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Super Bellax Group's risk management capability.

Super Bellax Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of Super Bellax Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Super Bellax currently does not adopt any formal dividend policy.

Management regards total equity and the undertakings from a director of Super Bellax to provide financial support to Super Bellax Group and a related company not to demand repayment of the amount due by Super Bellax Group as set out in Note 2 as capital, for capital management purpose.

17. INVESTMENTS IN SUBSIDIARIES

Super Bellax

	As at 31 December			**As at 31 October**
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–*	–*	–*	–*

* Represents the amount less than HK$1,000.

Particulars of the subsidiaries at 31 October 2017 are set out in Note 1.

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amount due to a related company	Total
	HK$'000	*HK$'000*
At 1 January 2014	12	12
Financing cash flows	7	7
At 31 December 2014 and 1 January 2015	19	19
Financing cash flows	7	7
At 31 December 2015 and 1 January 2016	26	26
Financing cash flows	–	–
At 31 December 2016 and 1 January 2017	26	26
Financing cash flows	–	–
At 31 October 2017	26	26
(Unaudited)		
At 1 January 2016	26	26
Financing cash flows	–	–
At 31 October 2016 (unaudited)	26	26

19. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in this report, there are no material subsequent events undertaken by Super Bellax Group after 31 October 2017.

20. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Super Bellax or its subsidiaries comprising Super Bellax Group in respect of any period subsequent to 31 October 2017.

The following is the text of the report received from Great Ready Assets Limited's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON
HISTORICAL FINANCIAL INFORMATION OF GREAT READY ASSETS LIMITED

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION
TO THE DIRECTORS OF SOUTH CHINA FINANCIAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of Great Ready Assets Limited ("Great Ready") and its subsidiaries (together "Great Ready Group") set out on pages II-68 to II-100, which comprises the consolidated and company statements of financial position as at 31 December 2014, 2015 and 2016 and 31 October 2017 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages II-68 to II-100 forms an integral part of this report, which has been prepared for inclusion in the investment circular of South China Financial Holdings Limited (the "Company") dated 9 March 2018 (the "Circular") in connection with a proposed acquisition of the entire issued share capital of Great Ready (the "Proposed Acquisition").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of Great Ready Group for the Relevant Periods ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of Great Ready and its subsidiaries for the Relevant Periods. The directors of the respective companies now comprising Great Ready Group are responsible for the preparation of the respective company's financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Great Ready Group and Great Ready as at 31 December 2014, 2015 and 2016 and 31 October 2017 and of Great Ready Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw your attention to Note 2 to the Historical Financial Information, which indicates that Great Ready Group incurred a net loss of approximately HK$112,000 for the ten months ended 31 October 2017 and, as of 31 October 2017, Great Ready Group and Great Ready had recorded net current liabilities of approximately HK$12,770,000 and HK$24,000 respectively and capital deficiency of approximately HK$12,769,000 and HK$24,000 respectively. As stated in Note 2, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of Great Ready Group and Great Ready to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of Great Ready Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the ten months ended 31 October 2016 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "Listing Rules")

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

BDO Limited
Certified Public Accountants
Cheung Or Ping
Practising Certificate no. P05412
Hong Kong
9 March 2018

I. HISTORICAL FINANCIAL INFORMATION OF GREAT READY GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report has been prepared based on previously issued financial statements and management accounts of Great Ready and its subsidiaries for the Relevant Periods. The previously issued financial statements were audited by BDO Limited in accordance with Hong Kong Standard on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information is presented in Great Ready Group's functional currency, Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000"), except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Ten months ended 31 October	
		2014	**2015**	**2016**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	6	13,136	7,241	805	485	808
Direct expenses		(8,457)	(5,084)	(3,224)	(2,782)	(531)
Gross profit/(loss)		4,679	2,157	(2,419)	(2,297)	277
Other income and gain	7	28	10	89	–	–
Selling and distribution costs		(2,092)	(2,027)	(401)	(401)	(80)
Administrative expenses		(2,494)	(3,236)	(1,445)	(985)	(309)
Profit/(loss) before income tax	8	121	(3,096)	(4,176)	(3,683)	(112)
Income tax credit	10	–	–	22	–	–
Profit/(loss) and total comprehensive income for the year/period attributable to owner of Great Ready		121	(3,096)	(4,154)	(3,683)	(112)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 October
		2014	**2015**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Property, plant and equipment	12	22	13	6	1
Current assets					
Trade receivables	13	2,059	557	170	343
Prepayments, deposits and other receivables	14	167	267	152	171
Due from a related company	15	8,193	4,877	1,422	855
Cash and cash equivalents	16	72	47	1	1
		10,491	5,748	1,745	1,370
Current liabilities					
Trade payables	17	5,672	4,354	3,501	2,929
Accruals, other payables and receipts in advance	18	2,948	2,365	2,191	1,501
Due to related companies	15	6,458	6,703	8,716	9,710
Income tax payable		842	842	–	–
		15,920	14,264	14,408	14,140
Net current liabilities		(5,429)	(8,516)	(12,663)	(12,770)
Net liabilities		(5,407)	(8,503)	(12,657)	(12,769)
Equity					
Equity attributable to owner of Great Ready					
Share capital	19	–*	–*	–*	–*
Reserves	20	(5,407)	(8,503)	(12,657)	(12,769)
Capital deficiency		(5,407)	(8,503)	(12,657)	(12,769)

* Represents the amount less than HK$1,000.

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 October
		2014	2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Investments in subsidiaries	25	–*	–*	–*	–*
Current liability					
Due to a related company	15	9	14	19	24
Net current liabilities		(9)	(14)	(19)	(24)
Net liabilities		(9)	(14)	(19)	(24)
Equity					
Share capital	19	–*	–*	–*	–*
Reserves	20	(9)	(14)	(19)	(24)
Capital deficiency		(9)	(14)	(19)	(24)

* Represents the amount less than HK$1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014	–*	(5,528)	(5,528)
Profit and total comprehensive income for the year	–	121	121
At 31 December 2014 and 1 January 2015	–*	(5,407)	(5,407)
Loss and total comprehensive income for the year	–	(3,096)	(3,096)
At 31 December 2015 and 1 January 2016	–*	(8,503)	(8,503)
Loss and total comprehensive income for the year	–	(4,154)	(4,154)
At 31 December 2016 and 1 January 2017	–*	(12,657)	(12,657)
Loss and total comprehensive income for the period	–	(112)	(112)
At 31 October 2017	–*	(12,769)	(12,769)
For ten months ended 31 October 2016 (unaudited)			
At 1 January 2016	–*	(8,503)	(8,503)
Loss and total comprehensive income for the period	–	(3,683)	(3,683)
At 31 October 2016 (unaudited)	–*	(12,186)	(12,186)

* Represents the amount less than HK$1,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Ten months ended 31 October	
		2014	**2015**	**2016**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from operating activities						
Profit/(loss) before income tax		121	(3,096)	(4,176)	(3,683)	(112)
Adjustments for:						
Reversal of impairment of trade receivables	7	–	–	(72)	–	–
Bad debts written off of trade receivables	8	–	156	–	–	–
Impairment of trade receivables	8	–	109	106	–	–
Bad debts written off of other receivables	8	–	–	34	–	–
Depreciation of property, plant and equipment	8	13	9	7	6	5
Operating profit/(loss) before working capital changes		134	(2,822)	(4,101)	(3,677)	(107)
Decrease/(increase) in trade receivables		618	1,237	353	348	(173)
(Increase)/decrease in prepayments, deposits and other receivables		(12)	(100)	81	116	(19)
Decrease in trade payables		(1,660)	(1,318)	(853)	(642)	(572)
Decrease in accruals, other payables and receipts in advance		(710)	(583)	(174)	(307)	(690)
Cash used in operations		(1,630)	(3,586)	(4,694)	(4,162)	(1,561)
Income taxes paid		–	–	(820)	(247)	–
Net cash used in operating activities		(1,630)	(3,586)	(5,514)	(4,409)	(1,561)

	Notes	Year ended 31 December 2014 HK$'000	2015 HK$'000	2016 HK$'000	Ten months ended 31 October 2016 HK$'000 (unaudited)	2017 HK$'000
Cash flows from investing activity						
Decrease in amount due from a related company		604	3,316	3,455	3,809	567
Net cash generated from investing activity		604	3,316	3,455	3,809	567
Cash flows from financing activity						
Increase in amounts due to related companies		1,024	245	2,013	555	994
Net cash generated from financing activity		1,024	245	2,013	555	994
Net decrease in cash and cash equivalents		(2)	(25)	(46)	(45)	–
Cash and cash equivalents at beginning of year/period		74	72	47	47	1
Cash and cash equivalents at end of year/period		72	47	1	2	1

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Great Ready is a limited liability company incorporated in the British Virgin Islands (the "BVI") on 18 July 2001. Its registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, the BVI.

The principal activity of Great Ready is investment holding. Great Ready Group is principally engaged in publication of magazines in Hong Kong.

In the opinion of the director of Great Ready (the "Director"), the ultimate holding company and immediate holding company of Great Ready is Win Gain Investments Limited, a company established in the BVI with limited liability. The ultimate controlling shareholder of Great Ready is Mr. Ng Hung Sang.

As at the date of this report, Great Ready had direct or indirect interests in the following subsidiaries, and the particulars of which are set out below:

Name	Place and date of incorporation/ registration	Issued and fully paid share capital/register capital	Effective interests held by Great Ready	Principal activities
Directly held				
Jessicacode Management Limited[(i)]	Hong Kong 22 June 2001 Limited liability company	HK$2	100%	Provision of employment and personnel services
Jessicacode Limited[(i)]	Hong Kong 20 August 2001 Limited liability company	HK$2	100%	Publication of a monthly female magazine, namely "Jessicacode", ceased publication since November 2015
Clear Success Limited[(ii)]	The BVI 8 October 2003 Limited liability company	United States dollar ("US$") 1	100%	Investment holding
Beforward Trading Limited[(ii)]	The BVI 12 January 2001 Limited liability company	US$2	100%	Investment holding
Indirectly held				
Superb Taste Company Limited[(i)]	Hong Kong 17 March 1999 Limited liability company	HK$2	100%	Publication of a magazine, namely "Lisa", stopped publication since March 2014

Notes:

(i) The statutory financial statements of these entities for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with HKFRSs issued by the HKICPA and Hong Kong Companies Ordinance and were audited by BDO Limited, Certified Public Accountants, Hong Kong.

(ii) No audited financial statements have been prepared for these entities since their respective dates of incorporation as they were incorporated in jurisdictions where there is no statutory audit requirement.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with the applicable HKFRSs. These policies have been consistently applied to the Relevant Periods unless otherwise stated.

The Historical Financial Information has been prepared under the historical cost basis. The measurement basis are fully described in the accounting policies below in Note 4.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. 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 Historical Financial Information are described in Note 5.

Great Ready Group incurred a net loss of approximately HK$112,000 for the ten months ended 31 October 2017. As at 31 October 2017, Great Ready Group and Great Ready had recorded net current liabilities of approximately HK$$12,770,000 and HK$24,000 respectively, and capital deficiency of approximately HK$12,769,000 and HK$24,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of Great Ready Group and Great Ready to continue as a going concern and therefore, Great Ready Group and Great Ready may be unable to realise their assets and discharge their liabilities in the normal course of business. Notwithstanding these, the going concern basis has been adopted after taking into account the following measures:

(a) the Director has confirmed to provide continuing financial support to Great Ready Group and Great Ready before the completion of the Proposed Acquisition so as to enable Great Ready Group and Great Ready to meet their obligation and liabilities as and when they fall due and to continue their day-to-day business operations as a going concern;

(b) the related companies have undertaken not to demand repayment of the amounts due by Great Ready Group of approximately HK$9,710,000 as at 31 October 2017 until such time when repayment will not affect the ability of Great Ready Group to repay other creditors in the normal course of business for the period up to the completion of the Proposed Acquisition; and

(c) Perfect Mind Ventures Limited, being the new holding company of Great Ready after the completion of the Proposed Acquisition (the "New Holding Company") has confirmed, upon the completion of the Proposed Acquisition, it has the ability and intention to maintain the going concern of Great Ready Group and Great Ready, on a need basis, for the foreseeable future to enable Great Ready Group and Great Ready to meet its obligation and liabilities as and when they fall due and to continue day-to-day business operations as going concern.

Should Great Ready Group and Great Ready be unable to continue in business as a going concern, adjustments would have to be made to reduce the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following new standards relevant to the operations of Great Ready Group have been issued and are not yet effective for its financial year beginning 1 January 2017 and have not been early adopted:

HKFRSs (Amendments)	Annual improvement to HKFRSs 2014-2016 cycle except for amendments to HKFRS 12[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKRFS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 40	Transfers of Investments Property[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Great Ready is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Great Ready Group's result of operations and financial positions. Specifically, Great Ready Group assesses the impact of HKFRS 9, HKFRS 15 and HKFRS 16 as follows:

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ('the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Great Ready Group has completed its preliminary assessment of the classification and measurement of its financial assets and liabilities, and expects that financial assets and liabilities currently measured at amortised cost will continue to qualify for measurement at amortised cost under HKFRS 9. Great Ready Group does not have financial liabilities which are designated at fair value through profit or loss.

Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on Great Ready Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

Based on the above assessment so far, Great Ready Group considers that the initial application of HKFRS 9 will not have a significant impact on Great Ready Group's results of operations and financial position.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Based on the assessment so far, Great Ready Group considers that the initial application of HKFRS 15 will not have a significant impact on Great Ready Group's results of operations and financial position.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Great Ready Group does not expect the adoption of HKFRS 16 will have significant impact on Great Ready Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

4.1 Basis of consolidation

The Historical Financial Information comprises the financial statements of Great Ready and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Historical Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4.2 Subsidiaries

A subsidiary is an investee over which Great Ready is able to exercise control. Great Ready controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) 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.

In the Great Ready's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by Great Ready on the basis of dividend received and receivable.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Great Ready Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Furniture and office equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.4 Leasing

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

Great Ready Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4.5 Impairment of non-financial assets

At the end of each reporting period, Great Ready Group reviews the carrying amounts of property, plant and equipment and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (i.e. the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4.6 Financial instruments

(i) Financial assets

Great Ready Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at FVTPL are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

Great Ready Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account unless the recovery of the amount is remote, in which case the impairment loss is written off against the financial asset directly. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

Great Ready Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals and other payables and amounts due to related companies are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by Great Ready are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

Great Ready Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.7 Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at bank and on hand.

4.8 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Great Ready Group and the revenue can be measured reliably. Great Ready Group's revenue is recognised when following specific recognition criteria are met.

(i) Sale of magazines is recognised when the magazines are delivered net of returns and title has passed, with advance subscription fee received from subscribers recorded as receipts in advance.

(ii) Advertising income is recognised on the date of the relevant publication issue or on time basis by reference to the period in which the advertisement is published.

(iii) Promotion and marketing income is recognised in the accounting period in which the services are rendered.

(iv) Digital income is recognised when digital services are provided and the right to receive payment is established.

4.9 Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill, if any, and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.10 Employee benefits

(i) Defined contribution plan

Retirement benefits to employees are provided through a defined contribution plan.

Great Ready Group participates in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss 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 Great Ready Group in an independently administered fund. Great Ready Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.11 Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, 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.

4.12 Related parties

(a) A person or a close member of that person's family is related to Great Ready Group if that person:

(i) has control or joint control of Great Ready Group;

(ii) has significant influence over Great Ready Group; or

(iii) is a member of the key management personnel of Great Ready Group or Great Ready's parent.

(b) An entity is related to Great Ready Group if any of the following conditions apply:

(i) The entity and Great Ready Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of Great Ready Group or an entity related to Great Ready 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 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 Great Ready Group or to Great Ready Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.13 Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements. are identified from the financial information provided regularly to Great Ready Group's most senior management for the purpose of allocating resources to, and assessing the performance of, Great Ready Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following is the critical judgements, apart from those involving estimates (see below), that the directors have made in the process of applying the Great Ready Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

(i) Going concern consideration

The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that Great Ready Group and Great Ready have the capability to continue as a going concern and the going concern assumption is set out in Note 2.

Great Ready Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(ii) Depreciation

Great Ready Group depreciates property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets is available for use. The estimated useful lives reflect the Director's estimates of the periods that Great Ready Group intends to derive future economic benefits from the use of Great Ready Group's property, plant and equipment.

(iii) Impairment of trade and other receivables

The provision policy for doubtful debts of Great Ready Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer and the related parties. If the financial conditions of the customers and other debtors of Great Ready Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents total invoiced values of goods supplied and income from provision of services. Revenue recognised during the Relevant Periods is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Sales of magazines	1,381	651	–	–	–
Advertising income	6,080	3,710	–	–	8
Promotion and marketing income	5,675	2,880	–	–	–
Digital income	–	–	805	485	800
	13,136	7,241	805	485	808

An operating segment is a component of Great Ready Group that is engaged in business activities from which Great Ready Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by Great Ready Group's chief operating decision maker in order to allocate resources and assess performance of the segment. For the Relevant Periods, the information reported to the directors, who are the chief operating decision maker for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each goods or services line or geographical area and the directors reviewed the financial result of Great Ready Group as a whole reported under HKFRSs. Therefore, the directors have determined that Great Ready Group has only one single business component/reportable segment as Great Ready Group is mainly engaged in publication of magazines. The directors allocate resources and assesses performance on an aggregated basis. Accordingly, no operating segment is presented.

Geographic information

Great Ready Group's operations are mainly located in Hong Kong and all Great Ready Group's non-current assets are located in Hong Kong.

Information about major customers

Revenue from external customers contributing over 10% of the total revenue of Great Ready Group during the Relevant Periods is as follows:

	Year ended 31 December			**Ten months ended 31 October**	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Customer A	n/a	n/a	550	400	n/a
Customer B	n/a	n/a	255	85	230
Customer C	n/a	n/a	n/a	n/a	131

n/a: Transaction during the year/period did not exceed 10% of the total revenue of Great Ready Group.

7. OTHER INCOME AND GAIN

	Year ended 31 December			**Ten months ended 31 October**	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Reversal of impairment of trade receivables *(Note 13)*	–	–	72	–	–
Sundry income	28	10	17	–	–
	28	10	89	–	–

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditor's remuneration *(Note)*	–	38	19	–	–
Depreciation of property, plant and equipment	13	9	7	6	5
Bad debt written off of trade receivables *(Note 13)*	–	156	–	–	–
Impairment of trade receivables *(Note 13)*	–	109	106	–	–
Bad debts written off of other receivables *(Note 14)*	–	–	34	–	–
Operating lease charges in respect of office premises	311	345	93	82	42
Employee benefit expense (including Director's remuneration *(Note 9)*):					
– Salaries, allowances and benefits in kind	5,656	6,553	2,656	2,278	389
– Pension scheme contributions – defined contribution plan	210	274	93	81	19
	5,866	6,827	2,749	2,359	408

Note: During the Relevant Periods, certain auditor's remuneration of Great Ready's subsidiaries were borne by a related company which is 100% beneficially owned by ultimate shareholder of Great Ready, Mr. Ng Hung Sang and has a common director with Great Ready.

9. DIRECTOR'S AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

(a) Director's remuneration

The remuneration paid or payable to the Director for the Relevant Periods are as follows:

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2014				
Executive Director:				
Ms. Ng Yuk Mui, Jessica	–	79	1	80
Year ended 31 December 2015				
Executive Director:				
Ms. Ng Yuk Mui, Jessica	–	105	2	107
Year ended 31 December 2016				
Executive Director:				
Ms. Ng Yuk Mui, Jessica	–	13	–	13
Ten months ended 31 October 2017				
Executive Director:				
Ms. Ng Yuk Mui, Jessica	–	–	–	–
Ten months ended 31 October 2016 (unaudited)				
Executive Director:				
Ms. Ng Yuk Mui, Jessica	–	13	–	13

(b) Five highest paid individuals

The five highest paid individuals during the Relevant Periods included none of the director. Details of the remuneration of the five highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, allowances and benefits in kind	1,623	1,662	1,858	1,566	292
Pension scheme contributions	68	71	63	54	15
	1,691	1,733	1,921	1,620	307

Their remuneration fell within the following band:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	No. of individuals	*No. of individuals*	*No. of individuals*	*No. of individuals*	*No. of individuals*
Nil to HK$1,000,000	5	5	5	5	5

During the Relevant Periods, there was no arrangement under which any of the Director or the five highest paid individuals of Great Ready Group waived or agreed to waive any remuneration and there were no emoluments paid by Great Ready Group to the Director or any of the five highest paid individuals as an inducement to join or upon joining Great Ready Group, or as compensation for loss of office.

10. INCOME TAX CREDIT

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Current tax – Hong Kong Profits Tax					
Charge for the year	–	–	–	–	–
Over-provision in prior years	–	–	(22)	–	–
	–	–	(22)	–	–

Pursuant to the rules and regulations of the BVI, Great Ready Group is not subjected to any taxation under the jurisdiction of the BVI.

During the Relevant Periods, Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods.

Reconciliation between income tax credit and accounting profit/(loss) at applicable tax rate is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) before income tax	121	(3,096)	(4,176)	(3,683)	(112)
Tax calculated at the applicable rate of 16.5%	20	(511)	(689)	(608)	(18)
Tax effect of non-taxable income	–	–	–	–	–
Tax effect of non-deductible expenses	1	1	8	–	–
Tax effect of temporary differences not recognised	2	1	1	–	–
Tax effect of tax losses not recognised	43	511	680	608	18
Utilisation of tax losses previously not recognised	(66)	(2)	–	–	–
Over-provision in prior years	–	–	(22)	–	–
Income tax credit	–	–	(22)	–	–

No deferred tax has been provided in the Historical Financial Information as there are no material temporary differences during the Relevant Periods.

Great Ready Group has tax losses arising in Hong Kong of approximately HK$10,046,000, HK$13,131,000, HK$17,252,000 and HK$17,361,000 as at 31 December 2014, 2015 and 2016 and 31 October 2017 that are available indefinitely for offsetting against future taxable profits. No deferred tax has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

11. DIVIDENDS

No dividend was paid or declared by Great Ready during the Relevant Periods.

12. PROPERTY, PLANT AND EQUIPMENT

Great Ready Group

	Furniture and office equipment
	HK$'000
At 1 January 2014	
Cost	493
Accumulated depreciation	(458)
Net book amount	35
Year ended 31 December 2014	
Opening net book amount	35
Depreciation	(13)
Closing net book amount	22

	Furniture and office equipment *HK$'000*
At 31 December 2014 and 1 January 2015	
Cost	493
Accumulated depreciation	(471)
Net book amount	22
Year ended 31 December 2015	
Opening net book amount	22
Depreciation	(9)
Closing net book amount	13
At 31 December 2015 and 1 January 2016	
Cost	493
Accumulated depreciation	(480)
Net book amount	13
Year ended 31 December 2016	
Opening net book amount	13
Depreciation	(7)
Closing net book amount	6
At 31 December 2016 and 1 January 2017	
Cost	493
Accumulated depreciation	(487)
Net book amount	6
Ten months ended 31 October 2017	
Opening net book amount	6
Depreciation	(5)
Closing net book amount	1
At 31 October 2017	
Cost	493
Accumulated depreciation	(492)
Net book amount	1

13. TRADE RECEIVABLES

Great Ready Group

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	2,759	1,366	951	1,124
Less: impairment of receivables	(700)	(809)	(781)	(781)
Trade receivables, net	2,059	557	170	343

The movement of the provision for impairment of trade receivables is as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	700	700	809	781
Impairment loss recognised *(Note 8)*	–	109	106	–
Reversal of impairment loss previously recognised *(Note 7)*	–	–	(72)	–
Written off	–	–	(62)	–
At 31 December/31 October	700	809	781	781

Impairment losses in respect of trade receivables are recorded using an allowance account unless Great Ready Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. During the year ended 31 December 2015, bad debts of HK$156,000 were written off against trade receivables directly (Note 8).

At each reporting date, Great Ready Group reviews trade receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2014, 2015, 2016 and 31 October 2017, the Great Ready Group has determined trade receivables of approximately HK$700,000, HK$809,000, HK$781,000 and HK$781,000 as individually impaired respectively. Based on this assessment, during the years ended 31 December 2014, 2015 and 2016 and ten months period ended 31 October 2017, impairment loss of approximately HK$Nil, HK$109,000, HK$106,000 and HK$Nil respectively and reversal of impairment loss of approximately HK$Nil, HK$Nil, HK$72,000 and HK$Nil have been recognised in profit or loss. During the years ended 31 December 2014, 2015 and 2016 and ten months period ended 31 October 2017, the provision for impairment of trade receivables of approximately HK$Nil, HK$Nil, HK$62,000 and HK$Nil have been written off respectively. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

Great Ready Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

Great Ready Group allows a credit period from 30 days to 120 days to its trade customers.

The ageing analysis of Great Ready Group's trade receivables net of impairment losses as at the end of each reporting date, based on invoice date, is as follows:

		As at 31 December		As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	680	–	170	185
31 to 90 days	455	–	–	95
91 to 180 days	402	273	–	63
Over 180 days	522	284	–	–
	2,059	557	170	343

The ageing analysis of Great Ready Group's trade receivables that are not considered to be impaired as at the end of each reporting date is as follows:

		As at 31 December		As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	578	–	85	155
1 to 30 days past due	463	–	85	125
31 to 90 days past due	216	171	–	60
91 to 180 days past due	303	115	–	3
Over 180 days past due	499	271	–	–
	2,059	557	170	343

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for when there was no recent history of default.

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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Great Ready Group

		As at 31 December		As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	14	70	–	121
Deposits	110	119	119	4
Other receivables	43	78	33	46
	167	267	152	171

Impairment losses in respect of other receivables are recorded using an allowance account unless Great Ready Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly. During the year ended 31 December 2016, bad debts of HK$34,000 were written off against other receivables directly.

15. BALANCES WITH RELATED COMPANIES

Great Ready Group

		As at 31 December			As at 31 October
		2014	2015	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due from a related company					
South China Media Management Limited	(i)	8,193	4,877	1,422	855

		Year ended 31 December			Ten months ended 31 October
		2014	2015	2016	2017
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Maximum amount due from a related company during the year/period					
South China Media Management Limited	(i)	8,797	8,193	4,877	1,422

		As at 31 December			As at 31 October
		2014	2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due to related companies					
South China Media Management Limited	(i)	6,297	6,443	8,620	9,614
Surge Fast Assets Limited	(i)	161	260	96	96
	(ii)	6,458	6,703	8,716	9,710

Great Ready

		As at 31 December			As at 31 October
		2014	2015	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due to a related company					
South China Media Management Limited	(i)	9	14	19	24

The balances with these related companies are unsecured, interest-free and repayable on demand.

Notes:

(i) The ultimate shareholder of Great Ready, Mr. Ng Hung Sang has 100% beneficial interest in the entity which has a common director with Great Ready.

(ii) The related companies had undertaken not to demand for repayment of the relevant amounts until such time when repayment will not affect Great Ready Group's ability to repay other creditors in the normal course of business.

16. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and on hand	72	47	1	1

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.

17. TRADE PAYABLES

The aging analysis of Great Ready Group's trade payables as at the end of each of reporting date, based on the invoice date, is as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	1,034	692	–	70
31 to 90 days	348	–	168	–
91 to 180 days	1,059	304	396	109
Over 180 days	3,231	3,358	2,937	2,750
	5,672	4,354	3,501	2,929

18. ACCRUALS, OTHER PAYABLES AND RECEIPTS IN ADVANCE

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	1,058	365	505	466
Other payables	1,674	1,747	1,686	1,035
Receipts in advance	216	253	–	–
	2,948	2,365	2,191	1,501

19. SHARE CAPITAL

	Number	Amount
		HK$'000
Authorised:		
Ordinary shares of US$1.00 each		
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017 and 31 October 2017	50,000	390
Issued:		
Ordinary shares of US$1.00 each		
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017 and 31 October 2017	3	–*

* Represents the amount less than HK$1,000.

20. RESERVES

Great Ready Group

Details of the movement of Great Ready Group's reserves are set out in the consolidated statements of changes in equity in Section I.

Great Ready

	Accumulated losses
	HK$'000
At 1 January 2014	(4)
Loss and total comprehensive income for the year	(5)
At 31 December 2014 and 1 January 2015	(9)
Loss and total comprehensive income for the year	(5)
At 31 December 2015 and 1 January 2016	(14)
Loss and total comprehensive income for the year	(5)
At 31 December 2016 and 1 January 2017	(19)
Result and total comprehensive income for the period	(5)
At 31 October 2017	(24)
For ten months ended 31 October 2016 (unaudited):	
At 1 January 2016	(14)
Result and total comprehensive income for the period	(–)*
At 31 October 2016 (unaudited)	(14)

* Represents the amount less than HK$1,000.

21. OPERATING LEASE COMMITMENTS

Great Ready Group as lessee

Great Ready Group leases certain of its office premise under operating lease arrangements, which is negotiated for terms with 2 years. At the end of each of the Relevant Periods, Great Ready Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	164	361	181	–
In the second to fifth year	–	181	–	–
	164	542	181	–

At the end of each of the Relevant Periods, Great Ready did not have any significant commitments.

22. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, Great Ready Group had the following material transactions with related parties during the Relevant Periods:

Type of transactions	Name of related companies	Notes	Year ended 31 December 2014	2015	2016	Ten months ended 31 October 2016	2017
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Colour separation and photo processing fee	Success Production Limited	(i)	113	–	–	–	–
Management fee expense	South China Media Management Limited	(ii)	6	30	72	60	52
Rental expense	South China Media Management Limited	(iii)	311	345	93	78	42

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

Notes:

(i) The ultimate shareholder of Great Ready, Mr. Ng Hung Sang, have 100% beneficial interest in these entities.

(ii) The ultimate shareholder of Great Ready, Mr. Ng Hung Sang, have 100% beneficial interest in this entity. The Director of Great Ready, Ms. Ng Yuk Mui, Jessica is also one of the directors of this entity.

(iii) Great Ready Group has occupied the office premises at Units A, B and D, 3rd Floor and Unit B, 12th Floor Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong, which shared the rent with South China Media Management Limited, a related company. The related company has common directors with Jade Fountain. Until 17 January 2017, Great Ready Group ceased occupying the office premise at Unit D, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong.

(b) Compensation of key management personnel of Great Ready Group

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Short-term employee benefits	615	515	973	813	–
Pension scheme contributions	18	19	18	15	–
	633	534	991	828	–

Further details of Director's remuneration are included in Note 9 to the Historical Financial Information.

23. FINANCIAL RISK MANAGEMENT

Great Ready Group is exposed to financial risks through its use of financial instruments in its ordinary course of business and its investment activities. The financial risks include market risk (including interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Great Ready Group's headquarters, in close co-operation with the Director. The overall objectives in managing financial risks focus on securing Great Ready's short to medium term cash flows by minimising its exposure to financial markets. Long-term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not Great Ready Group's policy to actively engage in the trading of financial instruments for speculative purpose. Great Ready Group works under the policies approved by the Director. It identifies ways to access financial markets and monitors Great Ready Group's financial risk exposures. Regular reports are provided to the Director.

(a) Summary of financial assets and liabilities by category

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting date are as follows:

Great Ready Group

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables:				
Trade receivables	2,059	557	170	343
Deposits and other receivables	153	197	152	50
Due from a related company	8,193	4,877	1,422	855
Cash and cash equivalents	72	47	1	1
	10,477	5,678	1,745	1,249
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	5,672	4,354	3,501	2,929
Accruals and other payables	2,732	2,112	2,191	1,501
Due to related companies	6,458	6,703	8,716	9,710
	14,862	13,169	14,408	14,140

Great Ready

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liability				
Financial liability at amortised cost:				
Due to a related company	9	14	19	24

(b) Credit Risk

Great Ready Group continuously monitors defaults of the customers and counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. Great Ready Group's policy is to deal only with creditworthy counterparties.

None of Great Ready Group's financial assets are secured by collateral or other credit enhancements.

Great Ready Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality including those that are past due.

In respect of the trade and other receivables, Great Ready Group is not exposed to any significant credit risk to a single counterparty or a group of counterparties having similar characteristics. The credit risk for cash and cash equivalents are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(c) Liquidity Risk

Great Ready Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its requirements in the short and longer terms. Great Ready Group incurred a net loss of approximately HK$112,000 for the ten months ended 31 October 2017. As at 31 October 2017, Great Ready Group and Great Ready had net current liabilities of approximately HK$12,770,000 and HK$24,000 respectively, and capital deficiency of approximately HK$12,769,000 and HK$24,000 respectively. The liquidity of Great Ready Group is primarily dependent on the undertakings from a director of Great Ready to provide financial support to Great Ready Group and Great Ready and from the related companies not to demand repayment of the amount due by the Great Ready Group of approximately HK$9,710,000 as at 31 October 2017 until such time when repayment will not affect the ability of Great Ready Group to repay other creditors in the normal course of business for the period up to the completion of the Proposed Acquisition, and the New Holding Company has confirmed, upon the completion of the Proposed Acquisition, it has the ability and intention to maintain the going concern of the Great Ready Group, on a need basis, for the foreseeable future to enable Great Ready Group to meet their obligation and liabilities as and when they fall due and to continue day-to-day business operations as going concern.

At the end of each of reporting date, the maturity profile of Great Ready Group's financial liabilities, based on contractual undiscounted payments, is either payable on demand or within one year at the amounts same as their carrying amounts as at the end of each of the Relevant Periods.

(d) Fair value

The fair values of Great Ready Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

24. CAPITAL MANAGEMENT

Great Ready Group's objectives when managing capital include:

(i) To safeguard Great Ready Group's ability to continue as going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Great Ready Group's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Great Ready Group's risk management capability.

Great Ready Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of Great Ready Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Great Ready currently does not adopt any formal dividend policy.

Management regards total equity and the undertakings from a director of Great Ready to provide financial support to Great Ready Group and the related companies not to demand repayment of the amount due by Great Ready Group as set out in Note 2 as capital, for capital management purpose.

25. INVESTMENTS IN SUBSIDIARIES

Great Ready

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–*	–*	–*	–*

* Represents the amount less than HK$1,000.

Particulars of the subsidiaries at 31 October 2017 are set out in Note 1.

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to related companies	Total
	HK$'000	*HK$'000*
At 1 January 2014	5,434	5,434
Financing cash flows	1,024	1,024
At 31 December 2014 and 1 January 2015	6,458	6,458
Financing cash flows	245	245
At 31 December 2015 and 1 January 2016	6,703	6,703
Financing cash flows	2,013	2,013
At 31 December 2016 and 1 January 2017	8,716	8,716
Financing cash flows	994	994
At 31 October 2017	9,710	9,710
(Unaudited)		
At 1 January 2016	6,703	6,703
Financing cash flows	555	555
At 31 October 2016 (unaudited)	7,258	7,258

27. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in this report, there are no material subsequent events undertaken by Great Ready Group after 31 October 2017.

28. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Great Ready or its subsidiaries comprising Great Ready Group in respect of any period subsequent to 31 October 2017.

The following is the text of the report received from Jade Fountain Limited's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON
HISTORICAL FINANCIAL INFORMATION OF JADE FOUNTAIN LIMITED

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SOUTH CHINA FINANCIAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of Jade Fountain Limited ("Jade Fountain") and its subsidiaries (together "Jade Fountain Group") set out on pages II-104 to II-144, which comprises the consolidated and company statements of financial position as at 31 December 2014, 2015 and 2016 and 31 October 2017 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages II-104 to II-144 forms an integral part of this report, which has been prepared for inclusion in the investment circular of South China Financial Holdings Limited (the "Company") dated 9 March 2018 (the "Circular") in connection with a proposed acquisition of the entire issued share capital of Jade Fountain.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of Jade Fountain Group for the Relevant Periods ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of Jade Fountain and its subsidiaries for the Relevant Periods. The directors of the respective companies now comprising Jade Fountain Group are responsible for the preparation of the respective company's financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on the Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Jade Fountain Group and Jade Fountain as at 31 December 2014, 2015 and 2016 and 31 October 2017 and of Jade Fountain Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of Jade Fountain Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the ten months ended 31 October 2016 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

BDO Limited
Certified Public Accountants
Cheung Or Ping
Practising Certificate no. P05412
Hong Kong
9 March 2018

I. HISTORICAL FINANCIAL INFORMATION OF JADE FOUNTAIN GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report has been prepared based on previously issued financial statements and management accounts of the Jade Fountain and its subsidiaries for the Relevant Periods. The previously issued financial statements were audited by BDO Limited in accordance with Hong Kong Standard on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Historical Financial Information is presented in Jade Fountain Group's functional currency, Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000), except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Ten months ended 31 October	
		2014	**2015**	**2016**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	6	77,449	54,641	39,851	30,932	26,146
Direct expenses		(47,444)	(32,307)	(23,653)	(18,624)	(16,631)
Gross profit		30,005	22,334	16,198	12,308	9,515
Other income and gain	7	1,662	1,242	1,402	1,187	1,302
Selling and distribution costs		(14,729)	(12,570)	(11,237)	(6,819)	(7,367)
Administrative expenses		(8,458)	(7,949)	(8,507)	(7,328)	(4,228)
Finance costs	8	(2,281)	(1,950)	(2,168)	(1,875)	(1,422)
Profit/(loss) before income tax	9	6,199	1,107	(4,312)	(2,527)	(2,200)
Income tax (expense)/credit	11	(1,138)	(471)	38	-	(30)
Profit/(loss) and total comprehensive income for the year/period attributable to owner of Jade Fountain		5,061	636	(4,274)	(2,527)	(2,230)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 October
		2014	2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Property, plant and equipment	13	137	88	49	14
Current assets					
Trade receivables	14	14,115	10,491	5,257	5,971
Prepayments and other receivables	15	286	309	156	667
Due from a related company	16	111,038	102,924	110,655	95,684
Income tax recoverable		–	–	187	199
Pledged bank deposit	17	4,509	4,509	4,901	4,900
Cash and cash equivalents	17	5,692	5,409	215	339
		135,640	123,642	121,371	107,760
Current liabilities					
Trade payables	18	27,486	27,839	28,503	22,618
Accruals, other payables and receipts in advance	19	8,723	8,668	6,546	4,708
Bank borrowings	20	44,205	31,576	35,297	31,587
Due to a related company	16	5,882	5,886	5,894	5,911
Income tax payable		663	307	–	–
		86,959	74,276	76,240	64,824
Net current assets		48,681	49,366	45,131	42,936
Net assets		48,818	49,454	45,180	42,950
Equity					
Equity attributable to owner of Jade Fountain					
Share capital	21	–*	–*	–*	–*
Reserves	22	48,818	49,454	45,180	42,950
Total equity		48,818	49,454	45,180	42,950

* Represents the amount less than HK$1,000.

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 October
		2014	2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Investments in subsidiaries	27	521	521	521	521
Current liability					
Accruals		–	–	–	2
Due to a related company	16	38	39	46	51
		38	39	46	53
Net current liabilities		(38)	(39)	(46)	(53)
Net assets		483	482	475	468
Equity					
Share capital	21	–*	–*	–*	–*
Reserves	22	483	482	475	468
Total equity		483	482	475	468

* Represents the amount less than HK$1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014	–*	43,757	43,757
Profit and total comprehensive income for the year	–	5,061	5,061
At 31 December 2014 and 1 January 2015	–*	48,818	48,818
Profit and total comprehensive income for the year	–	636	636
At 31 December 2015 and 1 January 2016	–*	49,454	49,454
Loss and total comprehensive income for the year	–	(4,274)	(4,274)
At 31 December 2016 and 1 January 2017	–*	45,180	45,180
Loss and total comprehensive income for the period	–	(2,230)	(2,230)
At 31 October 2017	–*	42,950	42,950
For ten months ended 31 October 2016 (unaudited)			
At 1 January 2016	–*	49,454	49,454
Loss and total comprehensive income for the period	–	(2,527)	(2,527)
At 31 October 2016 (unaudited)	–*	46,927	46,927

* Represents the amount less than HK$1,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Ten months ended 31 October	
		2014	2015	2016	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from operating activities						
Profit/(loss) before income tax		6,199	1,107	(4,312)	(2,527)	(2,200)
Adjustments for:						
Bank interest income	7	(4)	(1)	(21)	(21)	–
Other interest income	7	(1,028)	(1,017)	(1,371)	(1,159)	(1,111)
Reversal of impairment of trade receivables	7	–	–	–	–	(20)
Finance costs	8	2,281	1,950	2,168	1,875	1,422
Impairment of other receivables	9	–	–	10	–	–
Bad debts written off	9	–	204	69	–	–
Impairment of trade receivables	9	–	348	81	–	54
Depreciation of property, plant and equipment	9	58	49	48	40	35
Operating profit/(loss) before working capital changes		7,506	2,640	(3,328)	(1,792)	(1,820)
Decrease/(increase) in trade receivables		4,798	3,072	5,084	4,156	(748)
Decrease/(increase) in prepayments and other receivables		134	(23)	143	36	(511)
(Decrease)/increase in trade payables		(363)	353	664	190	(5,885)
Decrease in accruals, other payables and receipts in advance		(226)	(55)	(2,122)	(2,317)	(1,838)
Cash generated from/(used in) operations		11,849	5,987	441	273	(10,802)
Interest paid		(2,281)	(1,950)	(2,168)	(1,875)	(1,422)
Income taxes paid		(1,708)	(827)	(456)	(456)	(42)
Net cash generated from/(used in) operating activities		7,860	3,210	(2,183)	(2,058)	(12,266)

		Year ended 31 December			Ten months ended 31 October	
		2014	2015	2016	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Cash flows from investing activities						
Interest received		4	1	21	21	–
Decrease/(increase) in amount due from a related company		1,719	9,131	(6,360)	(1,961)	16,082
Purchase of property, plant and equipment		(14)	–	(9)	–	–
(Increase)/decrease in pledged bank deposit		(3)	–	(392)	(392)	1
Net cash generated from/(used in) investing activities		1,706	9,132	(6,740)	(2,332)	16,083
Cash flows from financing activities						
Proceeds from bank loans		5,000	20,000	54,000	44,017	28,000
Repayments of bank loans		(12,400)	(27,231)	(42,333)	(36,850)	(31,666)
Proceeds from receivable financing		21,462	14,742	11,544	5,482	–
Repayments of receivable financing		(20,351)	(16,724)	(16,672)	(10,610)	–
Proceeds from invoice financing		25,033	18,491	6,490	4,821	–
Repayments of invoice financing		(23,993)	(21,582)	(9,676)	(7,966)	–
Increase in amount due to a related company		74	4	8	19	17
Net cash used in financing activities		(5,175)	(12,300)	3,361	(1,087)	(3,649)
Net increase/(decrease) in cash and cash equivalents		4,391	42	(5,562)	(5,477)	168
Cash and cash equivalents at beginning of year/period		(7,453)	(3,062)	(3,020)	(3,020)	(8,582)
Cash and cash equivalents at end of year/period	17	(3,062)	(3,020)	(8,582)	(8,497)	(8,414)

MAJOR NON-CASH TRANSACTIONS:

During the years ended 31 December 2014, 2015, 2016 and the periods ended 31 October 2016 and 31 October 2017, the interest income of approximately HK$1,028,000, HK$1,017,000, HK$1,371,000, HK$1,159,000 and HK$1,111,000 respectively were settled through the amount due from a related company.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Jade Fountain is a limited liability company incorporated in the British Virgin Islands (the "BVI") on 26 March 2009. Its registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, the BVI.

The principal activity of Jade Fountain is investment holding. Jade Fountain Group is principally engaged in publication of magazines in Hong Kong.

In the opinion of the directors of Jade Fountain (the "Directors"), the ultimate holding company and immediate holding company of Jade Fountain is Ace Market Investments Limited, a company incorporated in the BVI with limited liability. The ultimate controlling shareholder of Jade Fountain is Mr. Ng Hung Sang.

As at the date of this report, Jade Fountain had direct interests in the following subsidiaries, and the particulars of which are set out below:

Name	Place and date of incorporation/ Registration and form of business structure	Issued and fully paid share capital/register capital	Effective interests held by Jade Fountain	Principal activities
Directly held				
Jessica Management Company Limited[(i)]	Hong Kong 20 June 2001 Limited liability company	HK$2	100%	Provision of employment and personnel services
Jessica Limited[(i)]	Hong Kong 6 September 1999 Limited liability company	HK$2	100%	Publication of a monthly female magazine, namely "Jessica", a yearly wedding magazine, namely "JESSICA Dream Wedding" and a quarterly magazine, namely "JESSICA Baby"
ZYC Holding No. 1 Limited[(i)]	Hong Kong 22 December 1999 Limited liability company	HK$2	100%	Publication of a monthly female magazine, namely "Marie Claire"
Jessica Foundation Limited[(i)]	Hong Kong 5 October 2004 Limited liability company	HK$1	100%	Dormant

Notes:

(i) The statutory financial statements of these entities for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with HKFRSs issued by the HKICPA and Hong Kong Companies Ordinance and were audited by BDO Limited, Certified Public Accountants, Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with the applicable HKFRSs. These policies have been consistently applied to the Relevant Periods unless otherwise stated.

The Historical Financial Information has been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below in Note 4.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. 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 Historical Financial Information are described in Note 5.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following new standards relevant to the operations of Jade Fountain Group have been issued and are not yet effective for its financial year beginning 1 January 2017 and have not been early adopted:

HKFRSs (Amendments)	Annual improvement to HKFRSs 2014-2016 cycle except for amendments to HKFRS 12[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKRFS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 40	Transfers of Investments Property[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Jade Fountain is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Jade Fountain Group's result of operations and financial positions. Specifically, Jade Fountain Group assesses the impact of HKFRS 9, HKFRS 15 and HKFRS 16 as follows:

HKFRS 9 - Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (‘the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”). HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

Jade Fountain Group has completed its preliminary assessment of the classification and measurement of its financial assets and liabilities, and expects that financial assets and liabilities currently measured at amortised cost will continue to qualify for measurement at amortised cost under HKFRS 9. Jade Fountain Group does not have financial liabilities which are designated at fair value through profit or loss.

Impairment

The new impairment model in HKFRS 9 replaces the “incurred loss” model in HKAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on Jade Fountain Group’s trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

Based on the above assessment so far, Jade Fountain Group considers that the initial application of HKFRS 9 will not have a significant impact on Jade Fountain Group’s results of operations and financial position.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Based on the assessment so far, Jade Fountain Group considers that the initial application of HKFRS 15 will not have a significant impact on Jade Fountain Group's results of operations and financial position.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Jade Fountain Group does not expect the adoption of HKFRS 16 will have significant impact on Jade Fountain Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

4.1 Basis of consolidation

The Historical Financial Information comprises the financial statements of Jade Fountain and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Historical Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4.2 Subsidiaries

A subsidiary is an investee over which Jade Fountain is able to exercise control. Jade Fountain controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) 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.

In the Jade Fountain's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by Jade Fountain on the basis of dividend received and receivable.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Jade Fountain Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Furniture and office equipment	5 years
Computer equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.4 Leasing

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

Jade Fountain Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4.5 Impairment of non-financial assets

At the end of each reporting period, Jade Fountain Group reviews the carrying amounts of property, plant and equipment and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (i.e. the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4.6 Financial instruments

(i) Financial assets

Jade Fountain Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at FVTPL are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) ***Impairment loss on financial assets***

Jade Fountain Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account unless the recovery of the amount is remote, in which case the impairment loss is written off against the financial asset directly. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) ***Financial liabilities***

Jade Fountain Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals and other payables and amounts due to related companies are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) ***Equity instruments***

Equity instruments issued by Jade Fountain are recorded at the proceeds received, net of direct issue costs.

(vi) ***Derecognition***

Jade Fountain Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.7 Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amount of cash, and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Jade Fountain Group's cash management.

For the purpose of the consolidated statements of financial position and statements of financial position of Jade Fountain, cash and cash equivalents comprise cash at banks and on hand, including term deposits, which are not restricted as to use.

4.8 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Jade Fountain Group and the revenue can be measured reliably. Jade Fountain Group's revenue is recognised when following specific recognition criteria are met.

(i) Sale of magazines is recognised when the magazines are delivered net of returns and title has passed, with advance subscription fee received from subscribers recorded as receipts in advance.

(ii) Advertising income is recognised on the date of the relevant publication issue or on time basis by reference to the period in which the advertisement is published.

(iii) Promotion and marketing income is recognised in the accounting period in which the services are rendered.

(iv) Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(v) Digital income is recognised when the digital services are provided and the right to receive payment is established.

(vi) Interest income is recognised on a time-proportion basis using effective interest method.

4.9 Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill, if any, and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.10 Foreign currency

Transactions entered into by Jade Fountain Group in currencies other than the functional currency, which is the currency of the primary economic environment in which it operates, are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

4.11 Employee benefits

(i) Defined contribution plan

Retirement benefits to employees are provided through a defined contribution plan.

Jade Fountain Group participates in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss 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 Jade Fountain Group in an independently administered fund. Jade Fountain Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.12 Borrowing costs

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

4.13 Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, 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.

4.14 Related parties

(a) A person or a close member of that person's family is related to Jade Fountain Group if that person:

(i) has control or joint control of Jade Fountain Group;

(ii) has significant influence over Jade Fountain Group; or

(iii) is a member of the key management personnel of Jade Fountain Group or Jade Fountain's parent.

(b) An entity is related to Jade Fountain Group if any of the following conditions apply:

(i) The entity and Jade Fountain Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of Jade Fountain Group or an entity related to Jade Fountain 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 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 Jade Fountain Group or to Jade Fountain Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.15 Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements. are identified from the financial information provided regularly to Jade Fountain Group's most senior management for the purpose of allocating resources to, and assessing the performance of, Jade Fountain Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Apart from those involving estimates (see below), the directors did not adopt any critical judgements in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Jade Fountain makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation

Jade Fountain Group depreciates property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets is available for use. The estimated useful lives reflect the Directors' estimates of the periods that Jade Fountain Group intends to derive future economic benefits from the use of Jade Fountain's property, plant and equipment.

(ii) Impairment of trade and other receivables

The provision policy for doubtful debts of Jade Fountain Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer and the related parties. If the financial conditions of the customers and other debtors of Jade Fountain Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents total invoiced values of goods supplied and income from provision of services. Revenue recognised during the Relevant Periods is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Sales of magazines	4,718	5,004	4,269	2,885	3,864
Advertising income	51,654	37,665	25,644	20,490	13,969
Promotion and marketing income	20,174	10,614	8,022	5,979	5,294
Royalty income	903	–	–	–	–
Digital income	–	1,358	1,916	1,578	3,019
	77,449	54,641	39,851	30,932	26,146

An operating segment is a component of Jade Fountain Group that is engaged in business activities from which Jade Fountain Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by Jade Fountain Group's chief operating decision makers in order to allocate resources and assess performance of the segment. For the Relevant Periods, the information reported to the Directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each goods or services line or geographical area and the Directors reviewed the financial result of Jade Fountain Group as a whole reported under HKFRSs. Therefore, the Directors have determined that Jade Fountain Group has only one single business component/reportable segment as Jade Fountain Group is mainly engaged in publication of magazines. The Directors allocate resources and assess performance on an aggregated basis. Accordingly, no operating segment is presented.

Geographic information

Jade Fountain Group's operations are mainly located in Hong Kong and all Jade Fountain Group's non-current assets are located in Hong Kong.

Information about major customers

Revenue from external customers contributing over 10% of the total revenue of Jade Fountain Group during the Relevant Periods is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A	10,813	9,950	7,309	5,789	4,802
Customer B	8,175	n/a	n/a	n/a	n/a

n/a: Transaction during the year /period did not exceed 10% of Jade Fountain Group's total revenue.

7. OTHER INCOME AND GAIN

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Bank interest income	4	1	21	21	–
Other interest income	1,028	1,017	1,371	1,159	1,111
Exchange gain	–	149	–	–	–
Reversal of impairment of trade receivables *(Note 14)*	–	–	–	–	20
Sundry income	630	75	10	7	171
	1,662	1,242	1,402	1,187	1,302

8. FINANCE COSTS

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest charges on bank borrowings	2,256	1,920	2,168	1,875	1,422
Others	25	30	–	–	–
	2,281	1,950	2,168	1,875	1,422

9. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditor's remuneration *(Note)*	–	106	196	196	–
Depreciation of property, plant and equipment	58	49	48	40	35
Bad debt written off *(Note 14)*	–	204	69	–	–
Impairment of trade receivables *(Note 14)*	–	348	81	–	54
Impairment of other receivables *(Note 15)*	–	–	10	–	–
Net exchange loss/(gain)	2	(149)	–	–	4
Operating lease charges in respect of office premises	797	638	738	591	625
Employee benefit expense (including Directors' remuneration *(Note 10)*):					
– Salaries, allowances and benefits in kind	27,806	21,756	19,002	14,643	10,260
– Pension scheme contributions – defined contribution plan	831	790	530	436	418
	28,637	22,546	19,532	15,079	10,678

Note: During the Relevant Periods, certain auditor's remuneration of Jade Fountain's subsidiaries were borne by a related company which is 100% beneficially owned by ultimate shareholder of Jade Fountain, Mr. Ng Hung Sang and has common directors with Jade Fountain.

10. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

(a) Directors' remuneration

The remuneration paid or payable to each of the Directors for the Relevant Periods are as follows:

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2014				
Executive Directors:				
Mr. Ng Yuk Fung, Peter	–	–	–	–
Ms. Ng Yuk Mui, Jessica	–	352	5	357
Mr. Ng Hung Sang	–	–	–	–
	–	352	5	357
Year ended 31 December 2015				
Executive Directors:				
Mr. Ng Yuk Fung, Peter	–	–	–	–
Ms. Ng Yuk Mui, Jessica	–	350	5	355
Mr. Ng Hung Sang	–	–	–	–
	–	350	5	355
Year ended 31 December 2016				
Executive Directors:				
Mr. Ng Yuk Fung, Peter	–	–	–	–
Ms. Ng Yuk Mui, Jessica	–	82	1	83
Mr. Ng Hung Sang	–	–	–	–
	–	82	1	83
Ten months ended 31 October 2017				
Executive Directors:				
Mr. Ng Yuk Fung, Peter	–	–	–	–
Ms. Ng Yuk Mui, Jessica	–	–	–	–
Mr. Ng Hung Sang	–	–	–	–
	–	–	–	–
Ten months ended 31 October 2016 (unaudited)				
Executive Directors:				
Mr. Ng Yuk Fung, Peter	–	–	–	–
Ms. Ng Yuk Mui, Jessica	–	82	1	83
Mr. Ng Hung Sang	–	–	–	–
	–	82	1	83

(b) Five highest paid individuals

The five highest paid individuals during the Relevant Periods included none of the directors. Details of the remuneration of the five highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, allowances and benefits in kind	4,413	4,042	3,344	2,777	2,284
Pension scheme contributions	79	77	90	75	74
	4,492	4,119	3,434	2,852	2,358

Their remuneration fell within the following bands:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	No. of individuals	*No. of individuals*	*No. of individuals*	*No. of individuals*	*No. of individuals*
Nil to HK$1,000,000	3	4	4	5	5
HK$1,000,000 to HK$1,500,000	1	–	1	–	–
HK$1,500,001 to HK$2,000,000	1	1	–	–	–
	5	5	5	5	5

During the Relevant Periods, there was no arrangement under which any of the Directors or the five highest paid individuals of Jade Fountain Group waived or agreed to waive any remuneration and there were no emoluments paid by Jade Fountain Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining Jade Fountain Group, or as compensation for loss of office.

11. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax – Hong Kong Profits Tax					
Charge for the year	993	170	–	–	–
Under-provision/(over-provision) in prior years	145	301	(38)	–	30
	1,138	471	(38)	–	30

Pursuant to the rules and regulations of the BVI, Jade Fountain Group is not subjected to any taxation under the jurisdiction of the BVI.

During the Relevant Periods, Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods.

Reconciliation between income tax expense/(credit) and accounting profit/(loss) at applicable tax rate is as follows:

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) before income tax	6,199	1,107	(4,312)	(2,527)	(2,200)
Tax calculated at the applicable rate of 16.5%	1,023	183	(711)	(417)	(363)
Tax effect of non-taxable income	(1)	–	(3)	–	(3)
Tax effect of non-deductible expenses	8	20	22	1	1
Tax effect of temporary differences not recognised	3	3	3	–	–
Tax reduction	(40)	(36)	–	–	–
Tax effect of tax losses not recognised	–	–	689	416	365
Under-provision /(over-provision) in prior years	145	301	(38)	–	30
Income tax expense/(credit)	1,138	471	(38)	–	30

Jade Fountain Group has tax losses arising in Hong Kong of approximately HK$4,176,000 and HK$7,349,000 as at 31 December 2016 and 31 October 2017 that are available indefinitely for offsetting against future taxable profits. No deferred tax has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

12. DIVIDENDS

No dividend was paid or declared by Jade Fountain during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

Jade Fountain Group

	Furniture and office equipment	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014			
Cost	1,735	1,022	2,757
Accumulated depreciation	(1,554)	(1,022)	(2,576)
Net book amount	181	–	181
Year ended 31 December 2014			
Opening net book amount	181	–	181
Additions	14	–	14
Depreciation	(58)	–	(58)
Closing net book amount	137	–	137
At 31 December 2014 and 1 January 2015			
Cost	1,749	1,022	2,771
Accumulated depreciation	(1,612)	(1,022)	(2,634)
Net book amount	137	–	137
Year ended 31 December 2015			
Opening net book amount	137	–	137
Depreciation	(49)	–	(49)
Closing net book amount	88	–	88
At 31 December 2015 and 1 January 2016			
Cost	1,749	1,022	2,771
Accumulated depreciation	(1,661)	(1,022)	(2,683)
Net book amount	88	–	88
Year ended 31 December 2016			
Opening net book amount	88	–	88
Additions	9	–	9
Depreciation	(48)	–	(48)
Closing net book amount	49	–	49

	Furniture and office equipment	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2016 and 1 January 2017			
Cost	1,758	1,022	2,780
Accumulated depreciation	(1,709)	(1,022)	(2,731)
Net book amount	49	–	49
Ten months ended 31 October 2017			
Opening net book amount	49	–	49
Depreciation	(35)	–	(35)
Closing net book amount	14	–	14
At 31 October 2017			
Cost	1,758	1,022	2,780
Accumulated depreciation	(1,744)	(1,022)	(2,766)
Net book amount	14	–	14

14. TRADE RECEIVABLES

Jade Fountain Group

	As at 31 December			As at 31 October
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	15,455	12,179	7,026	7,774
Less: impairment of trade receivables	(1,340)	(1,688)	(1,769)	(1,803)
Trade receivables, net	14,115	10,491	5,257	5,971

The movement of the provision for impairment of trade receivables is as follows:

	As at 31 December			As at 31 October
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	1,387	1,340	1,688	1,769
Impairment loss recognised *(Note 9)*	–	348	81	54
Reversal of impairment of trade receivables *(Note 7)*	–	–	–	(20)
Written off	(47)	–	–	–
At 31 December/31 October	1,340	1,688	1,769	1,803

Impairment losses in respect of trade receivables are recorded using an allowance account unless Jade Fountain Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. During the years ended 31 December 2015 and 2016, bad debts of approximately HK$204,000 and HK$69,000 were written off against trade receivables directly (Note 9).

At each reporting date, Jade Fountain Group reviews trade receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2014, 2015, 2016 and 31 October 2017, the Jade Fountain Group has determined trade receivables of approximately HK$1,340,000, HK$1,688,000, HK$1,769,000 and HK$1,803,000 as individually impaired respectively. Based on this assessment, during the years ended 31 December 2014, 2015 and 2016 and ten months period ended 31 October 2017, impairment loss of approximately HK$Nil, HK$348,000, HK$81,000 and HK$54,000 respectively and reversal of impairment of trade receivables of approximately HK$Nil, HK$Nil, HK$Nil and HK$20,000 respectively have been recognised in profit or loss. During the years ended 31 December 2014, 2015 and 2016 and ten months period ended 31 October 2017, the provision for impairment of trade receivables of approximately HK$47,000, HK$Nil, HK$Nil and HK$Nil have been written off respectively. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

Jade Fountain Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

Jade Fountain Group allows a credit period from 30 days to 120 days to its trade customers.

The ageing analysis of Jade Fountain Group's trade receivables net of impairment losses as at the end of each reporting date, based on invoice date, is as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	5,765	3,912	2,393	2,743
31 to 90 days	3,562	2,604	1,088	1,805
91 to 180 days	3,574	3,416	1,217	1,196
Over 180 days	1,214	559	559	227
	14,115	10,491	5,257	5,971

The ageing analysis of Jade Fountain Group's trade receivables that are not considered to be impaired as at the end of each reporting date is as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	6,193	4,636	2,655	3,005
1 to 30 days past due	3,307	2,187	1,216	1,372
31 to 90 days past due	2,224	2,269	534	1,039
91 to 180 days past due	1,737	995	351	400
Over 180 days past due	654	404	501	155
	14,115	10,491	5,257	5,971

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

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

As at 31 December 2014 and 2015, certain trade receivables of approximately HK$2,896,000 and HK$3,279,000 respectively were pledged as security for receivable financing (Note 20).

15. PREPAYMENTS AND OTHER RECEIVABLES

Jade Fountain Group

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	68	70	43	569
Other receivables	218	239	113	98
	286	309	156	667

The movement of the provision for impairment of other receivables is as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	–	–	–	10
Impairment loss recognised *(Note 9)*	–	–	10	–
At 31 December/31 October	–	–	10	10

Impairment loss in respect of other receivables is recorded using an allowance account unless Jade Fountain Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly. During the years ended 31 December 2014, 2015 and 2016, and ten months ended 31 October 2017, no bad debts were written off against other receivables directly.

At each reporting date, Jade Fountain Group reviews other receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2014, 2015, 2016 and 31 October 2017, the Jade Fountain Group has determined other receivables of approximately HK$Nil, HK$Nil, HK$10,000 and HK$10,000 as individually impaired respectively. Based on this assessment, during the year ended 31 December 2014, 2015 and 2016 and ten months ended 31 October 2017, impairment loss of approximately HK$Nil, HK$Nil, HK$10,000 and HK$Nil respectively have been recognised in profit or loss. The impaired other receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

Jade Fountain Group did not hold any collateral as security or other credit enhancements over the impaired other receivables, whether determined on an individual or collective basis.

16. BALANCES WITH RELATED COMPANIES

Jade Fountain Group

		As at 31 December			As at 31 October
		2014	2015	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due from a related company					
South China Media Management Limited	(i), (ii)	111,038	102,924	110,655	95,684

		Year ended 31 December			Ten months ended 31 October
		2014	2015	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Maximum amounts due from related company during the year/period					
South China Media Management Limited	(i)	115,769	111,656	110,655	110,655

		As at 31 December			As at 31 October
		2014	2015	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due to a related company					
South China Media Management Limited	(i)	5,882	5,886	5,894	5,911

Jade Fountain

		As at 31 December			As at 31 October
		2014	2015	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due to a related company					
South China Media Management Limited	(i)	38	39	46	51

Notes

(i) The ultimate shareholder of Jade Fountain, Mr. Ng Hung Sang has 100% beneficial interest in South China Media Management Limited which has common directors with Jade Fountain.

(ii) The balances with this entity were unsecured and repayable on demand. As at 31 December 2014, 2015, 2016 and 31 October 2017, the amount due from this entity of approximately HK$16,000,000, HK$16,000,000, HK$25,297,000 and HK$23,587,000 bore fixed interest rate at 6.42% per annum, 6.36% per annum, 5.42% per annum and 5.65% per annum respectively.

17. PLEDGED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

Jade Fountain Group

As at 31 December 2014 and 2015, a pledged bank deposit of approximately HK$4,509,000 and HK$4,509,000, carried at a fixed interest rate of 0.2% per annum respectively, were pledged as security for banking facilities in respect of receivable financing and invoice financing (Note 20).

As at 31 December 2016 and 31 October 2017, a pledged bank deposit of approximately HK$4,901,000 and HK$4,900,000 carried at floating rate based on daily bank deposit rates, were pledged as security for banking facilities in respect of bank overdrafts (Note 20).

		As at 31 December		**As at 31 October**
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and on hand	5,692	5,409	215	339
Bank overdrafts *(Note 20)*	(8,754)	(8,429)	(8,797)	(8,753)
Cash and cash equivalents for the purpose of statements of cash flows	(3,062)	(3,020)	(8,582)	(8,414)

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

18. TRADE PAYABLES

The ageing analysis of Jade Fountain Group's trade payables as at the end of each reporting date, based on the invoice date, is as follows:

Jade Fountain Group

		As at 31 December		**As at 31 October**
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	2,368	11,294	102	26
31 to 90 days	4,345	3,182	1,477	1,872
91 to 180 days	6,596	5,007	2,794	2,353
Over 180 days	14,177	8,356	24,130	18,367
	27,486	27,839	28,503	22,618

19. ACCRUALS, OTHER PAYABLES AND RECEIPTS IN ADVANCE

Jade Fountain Group

	As at 31 December			As at 31 October
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	5,086	4,504	4,499	2,789
Other payables	2,570	1,294	937	1,675
Receipts in advance	1,067	2,870	1,110	244
	8,723	8,668	6,546	4,708

20. BANK BORROWINGS

Jade Fountain Group

	As at 31 December			As at 31 October
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts *(Notes (a))*	8,754	8,429	8,797	8,753
Bank loans *(Notes (b))*	22,064	14,833	26,500	22,834
Receivable financing *(Note (c))*	7,110	5,128	–	–
Invoice financing *(Note (c))*	6,277	3,186	–	–
	44,205	31,576	35,297	31,587

Notes:

(a) As at 31 December 2014 and 2015, bank overdrafts of approximately HK$8,754,000 and HK$8,429,000 respectively were under the corporate guarantee executed by Jade Fountain and a personal guarantee executed by Ms. Ng Yuk Mui, Jessica, a director of Jade Fountain and; secured by a property situated in Hong Kong owned by a director of Jade Fountain, Ms. Ng Yuk Mui, Jessica and a security charge over the bank accounts of all monies by Yongder Hall Limited, a related company of Jade Fountain which has common directors with Jade Fountain. The security charge over the bank accounts of all monies by Yongder Hall Limited was released during year ended 31 December 2015. The entire bank overdrafts are repayable on demand.

As at 31 December 2016 and 31 October 2017, bank overdrafts of approximately HK$8,797,000 and HK$8,753,000 respectively were secured by a pledged bank deposit of approximately HK$4,901,000 and HK$4,900,000 respectively (Note 17) and a property situated in Hong Kong owned by a director of Jade Fountain, Ms. Ng Yuk Mui, Jessica; and under the corporate guarantee executed by Jade Fountain and a personal guarantee executed by Ms. Ng Yuk Mui, Jessica, a director of Jade Fountain. The entire bank overdrafts are repayable on demand.

(b) As at 31 December 2014 and 2015, bank loans of approximately HK$7,904,000 and HK$1,833,000 respectively were secured by the Government of Hong Kong Special Administrative Region in respect of the Small and Medium Enterprises Loan Guarantee Scheme, and under a corporate guarantee executed by Jade Fountain and a personal guarantee executed by Ms. Ng Yuk Mui, Jessica, a director of Jade Fountain. The amount of approximately HK$6,071,000 and HK$1,833,000 were fully settled during the year ended 31 December 2015 and 2016, respectively.

As at 31 December 2015, a bank loan of approximately HK$5,000,000 was under a personal guarantee executed by Ms. Ng Yuk Mui, Jessica, a director of Jade Fountain.

As at 31 December 2014, 2015, 2016 and 31 October 2017, bank loans of approximately HK$14,160,000, HK$8,000,000, HK$13,000,000 and HK$11,000,000 respectively were under the corporate guarantee executed by Jade Fountain and a personal guarantee executed by Ms. Ng Yuk Mui, Jessica, a director of Jade Fountain.

As at 31 December 2016 and 31 October 2017, bank loans of approximately HK$13,500,000 and HK$11,834,000 respectively were under the corporate guarantee executed by ZYC Holding No. 1 Limited, a subsidiary of Jade Fountain; and a personal guarantee executed by Ms. Ng Yuk Mui, Jessica, a director of Jade Fountain.

(c) Receivable financing represents the amount of financing obtained in factoring transactions which does not meet the derecognition requirement in HKAS 39. The corresponding financial assets are included in trade receivables (Note 14).

Receivable financing and invoice financing are connected with the bank facilities granted to Jessica Limited and ZYC Holding No. 1 Limited, the subsidiaries of Jade Fountain.

The bank facilities of the receivable financing and invoice financing was secured by cross-guarantees executed by Jade Fountain, Jessica Limited and ZYC Holding No. 1 Limited, a personal guarantee executed by Ms. Ng Yuk Mui, Jessica, a director of Jade Fountain and pledged bank deposits of approximately HK$4,509,000 and HK$4,509,000 as at 31 December 2014 and 2015 respectively (Note 17).

Discounted trade receivables of approximately HK$2,896,000 and HK$3,279,000 as at 31 December 2014 and 2015 respectively were pledged as security for receivable financing (Note 14).

Since borrowings from receivable financing and invoice financing has been repaid during year ended 31 December 2016, the corresponding guarantee and security charges had been released.

At the end of each reporting date, no provision for the obligation of Jade Fountain, Jessica Limited and ZYC Holding No. 1 Limited under guarantee contracts have been made as the Directors considered that it was not probable the repayment of the bank borrowings would be in default.

As at 31 December 2014, 2015 and 2016 and 31 October 2017, the bank loans of approximately HK$22,064,000, HK$14,833,000, HK$26,500,000 and HK$22,834,000 respectively contain a clause that provide the lender with an unconditional right to demand repayment at any time at its own discretion. As at 31 December 2014 and 2016 and 31 October 2017, approximately HK$1,833,000, HK$6,500,000 and HK$$4,834,000 of bank loans, respectively that are not scheduled to repay within one year are classified as current liabilities due to the repayable on demand clause.

The analysis of Jade Fountain Group's bank borrowings by schedule repayment dates in the loan agreements, ignoring the effect of any repayment on demand clause, is as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
On demand or within one year	42,372	31,576	28,797	26,753
More than one year, but not exceeding two years	1,833	–	2,000	2,000
More than two years, but not exceeding five years	–	–	4,500	2,834
	44,205	31,576	35,297	31,587

The above bank borrowings carried interests at variable interest rates. The range of effective interest rates on Jade Fountain Group's bank borrowings were as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Effective interest rates:				
Variable-rate bank borrowings	3.38% to 7.25%	3.05% to 7.25%	3.38% to 7.25%	3.76% to 7.25%

21. SHARE CAPITAL

	Number	**Amount**
		HK$'000
Authorised:		
Ordinary shares of US$1.00 each		
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017 and 31 October 2017	50,000	390
Issued:		
Ordinary shares of US$1.00 each		
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017 and 31 October 2017	1	–*

* Represents the amount less than HK$1,000.

22. RESERVES

Jade Fountain Group

Details of the movement of Jade Fountain Group's reserves are set out in the consolidated statements of changes in equity in Section I.

Jade Fountain

	Retained earnings *HK$'000*
At 1 January 2014	488
Loss and total comprehensive income for the year	(5)
At 31 December 2014 and 1 January 2015	483
Loss and total comprehensive income for the year	(1)
At 31 December 2015 and 1 January 2016	482
Loss and total comprehensive income for the year	(7)
At 31 December 2016 and 1 January 2017	475
Loss and total comprehensive income for the period	(7)
At 31 October 2017	468
For ten months ended 31 October 2016 (unaudited):	
At 1 January 2016	482
Loss and total comprehensive income for the period	(7)
At 31 October 2016 (unaudited)	475

23. COMMITMENTS

At the end of each reporting date, Jade Fountain Group and Jade Fountain did not have any significant commitments.

24. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, Jade Fountain Group had the following material transactions with related parties during the Relevant Periods:

Type of transactions	Name of related companies	Notes	Year ended 31 December 2014 HK$'000	2015 HK$'000	2016 HK$'000	Ten months ended 31 October 2016 HK$'000 (unaudited)	2017 HK$'000
Colour separation and photo processing fee	Success Production Limited	(i)	417	–	148	123	240
Overseas travelling expenses	Hong Kong Four Seas Tour Limited	(i)	35	–	–	–	–
Corporate Management fee	South China Media Management Limited	(ii)	–	3	287	239	751
Other interest income	South China Media Management Limited	(ii) and (iii)	1,028	1,017	1,371	1,159	1,111
Advertising income	South China Financial Holdings Limited	(iv)	–	–	–	–	1,826
Rental expense	South China Media Management Limited	(ii) and (v)	797	638	676	563	614

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

Notes:

(i) Mr. Ng Yuk Fung, Peter, a director of Jade Fountain is also a director of these entities.

(ii) The ultimate shareholder of Jade Fountain, Mr. Ng Hung Sang, has 100% beneficial interest in this entity. The Directors of Jade Fountain, Mr. Ng Yuk Fung, Peter, and Ms. Ng Yuk Mui, Jessica are also the directors of this entity.

(iii) The amount represented the interest charged on HK$16,000,000, HK$16,000,000, HK$25,297,000 and HK$23,587,000 due from this entity with fixed interest rate at 6.42% per annum, 6.36% per annum, 5.42% per annum and 5.65% per annum respectively as at 31 December 2014, 2015, 2016 and 31 October 2017 (Note 16).

(iv) The Directors of Jade Fountain, Mr. Ng Hung Sang and Ms. Ng Yuk Mui, Jessica, are also the directors of the entity.

(v) Jade Fountain Group has occupied the office premises at Units A, B and D, 3rd Floor and unit B, 12th Floor Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong, which shared the rent with South China Media Management Limited, a related company. Until 17 January 2017, Jade Fountain Group ceased occupying the office premises at Units D, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong. The related company has common directors with Jade Fountain.

(b) Jade Fountain Group entered into mutual agreements with certain related companies that those related companies have a right to use the title "旭茉Jessica" at a nominal value of HK$1. The related parties have a common director with Jade Fountain.

(c) As at 31 December 2014, 2015 and 2016 and 31 October 2017, bank loans and bank overdrafts in aggregate of approximately HK$30,818,000, HK$23,262,000, HK$35,297,000 and HK$31,587,000 respectively were secured by Ms. Ng Yuk Mui, Jessica, a director of Jade Fountain (Note 20).

(d) As at 31 December 2014 and 2015, a bank overdraft of approximately HK$8,754,000 and HK$8,429,000 respectively were secured by a security charge over the bank accounts of all monies by Yongder Hall Limited, a related company of Jade Fountain which has common directors with Jade Fountain. The security charge was released during year ended 31 December 2015 (Note 20).

(e) Compensation of key management personnel of Jade Fountain Group

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Short-term employee benefits	2,961	2,672	1,826	1,437	526
Pension scheme contributions	38	36	37	30	11
	2,999	2,708	1,863	1,467	537

Further details of Directors' remuneration are included in Note 10 to the Historical Financial Information.

25. FINANCIAL RISK MANAGEMENT

Jade Fountain Group is exposed to financial risks through its use of financial instruments in its ordinary course of business and its investment activities. The financial risks include market risk (including interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Jade Fountain Group's headquarters, in close co-operation with the Directors. The overall objectives in managing financial risks focus on securing Jade Fountain's short to medium term cash flows by minimising its exposure to financial markets. Long-term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not Jade Fountain Group's policy to actively engage in the trading of financial instruments for speculative purpose. Jade Fountain Group works under the policies approved by the Directors. It identifies ways to access financial markets and monitors Jade Fountain Group's financial risk exposures. Regular reports are provided to the Directors.

(a) Summary of financial assets and liabilities by category

The carrying amounts of each of the categories of financial instruments as at the end of each reporting date are as follows:

Jade Fountain Group

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables:				
Trade receivables	14,115	10,491	5,257	5,971
Other receivables	218	239	113	98
Due from a related company	111,038	102,924	110,655	95,684
Pledged bank deposit	4,509	4,509	4,901	4,900
Cash and cash equivalents	5,692	5,409	215	339
	135,572	123,572	121,141	106,992
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	27,486	27,839	28,503	22,618
Accruals and other payables	7,656	5,798	5,436	4,464
Bank borrowings	44,205	31,576	35,297	31,587
Due to a related company	5,882	5,886	5,894	5,911
	85,229	71,099	75,130	64,580

Jade Fountain

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities				
Financial liabilities at amortised cost:				
Due to a related company	38	39	46	51

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Jade Fountain Group's amount due from a related company and pledged bank deposit bear fixed interest rate. Jade Fountain Group's cash at banks balances and bank borrowings bear variable interest rates. Exposure to interest rate risk exists on those balances subject to variable interest rate when there are unexpected adverse interest rate movements.

Jade Fountain Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary. The policy to manage interest rate risk have been followed by Jade Fountain Group consistently the Relevant Periods.

The following table details the interest rate profile of Jade Fountain Group's financial instruments at the end of each reporting date.

	Effective interest rate per annum				Carrying amount			
	As at 31 December			As at 31 October	As at 31 December			As at 31 October
	2014	2015	2016	2017	2014	2015	2016	2017
	%	%	%	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fixed rate instrument:								
Financial assets								
Due from a related company	6.42	6.36	5.42	5.65	16,000	16,000	25,297	23,587
Pledged bank deposit	0.20	0.20	0.01	0.01	4,509	4,509	4,901	4,900
Variable rate instruments:								
Financial asset								
Cash at banks	0.01	0.01	0.01	0.01	5,640	5,373	179	303
Financial liability								
Bank borrowings	3.38–7.25	3.05–7.25	3.38–7.25	3.76–7.25	44,205	31,576	35,297	31,587
Net exposure					38,565	26,203	35,118	31,284

Sensitivity analysis

As at 31 December 2014, 2015 and 2016 and 31 October 2017, if the interest rate on Jade Fountain Group's variable interest rate financial instruments had been increase/decrease by 50 basis points, with all other variables held constant, Jade Fountain Group's profit for the year/period and retained earnings would decrease/increase by approximately HK$156,000, HK$105,000, HK$146,000 and HK$130,000 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each reporting date and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The analysis is performed on the same basis throughout the Relevant Periods.

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to Jade Fountain Group. Jade Fountain Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities.

Jade Fountain Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the credit control department. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods or on rendering of services. Payment record of customers is closely monitored. Monthly reports of customer payment history are produced and reviewed by the credit control department. Overdue balances and significant trade receivables are highlighted. The credit control department and the management will determine appropriate recovery actions. It is not Jade Fountain Group's policy to request collateral from its customers.

In respect of trade and other receivables, Jade Fountain Group is not exposed to any significant credit risk exposure to a single counterparty or a group of counterparties having similar characteristics. The credit risk for cash and cash equivalents and pledged bank deposits are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(d) Liquidity risk

Liquidity risk relates to the risk that Jade Fountain Group will not be able to meet its obligations associated with its financial liabilities. Jade Fountain Group is exposed to liquidity risk in respect of settlement of trade and other payables and borrowings and also in respect of its cash flow management. Jade Fountain 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-term and long-term.

Jade Fountain Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for its financial liabilities as well as forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day basis, as well as on the basis of a rolling 30 days projection. Long-term liquidity needs for a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis show if borrowings facilities are expected to be sufficient over the lookout period.

Jade Fountain Group maintains cash and bank deposits to meet its liquidity requirements for 30-day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The maturity profile of Jade Fountain Group's financial liabilities as at the end of each reporting date, based on the contractual undiscounted payments, was as follows:

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than one year but less than two years	More than two years but less than five years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2014					
Trade payables	27,486	27,486	27,486	–	–
Accruals and other payables	7,656	7,656	7,656	–	–
Borrowings	44,205	44,772	44,772	–	–
Due to a related company	5,882	5,882	5,882	–	–
	85,229	85,796	85,796	–	–
At 31 December 2015					
Trade payables	27,839	27,839	27,839	–	–
Accruals and other payables	5,798	5,798	5,798	–	–
Borrowings	31,576	31,815	31,815	–	–
Due to a related company	5,886	5,886	5,886	–	–
	71,099	71,338	71,338	–	–
At 31 December 2016					
Trade payables	28,503	28,503	28,503	–	–
Accruals and other payables	5,436	5,436	5,436	–	–
Borrowings	35,297	36,775	36,775	–	–
Due to a related company	5,894	5,894	5,894	–	–
	75,130	76,608	76,608	–	–
At 31 October 2017					
Trade payables	22,618	22,618	22,618	–	–
Accruals and other payables	4,464	4,464	4,464	–	–
Borrowings	31,587	34,562	34,562	–	–
Due to a related company	5,911	5,911	5,911	–	–
	64,580	67,555	67,555	–	–

(e) Fair value

The fair values of Jade Fountain Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

26. CAPITAL MANAGEMENT

Jade Fountain Group's objectives when managing capital include:

(i) To safeguard Jade Fountain Group 's ability to continue as going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Jade Fountain Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Jade Fountain Group's risk management capability.

Jade Fountain Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of Jade Fountain Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Jade Fountain Group monitors its capital using the basis of the net debt to equity ratio. For this purpose net debt is defined as borrowings less cash and cash equivalents. The Group aims to maintain the net debt to equity ratio at a reasonable level.

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	44,205	31,576	35,297	31,587
Due to a related company	5,882	5,886	5,894	5,911
Less:				
Pledged bank deposit	(4,509)	(4,509)	(4,901)	(4,900)
Cash and cash equivalents	(5,692)	(5,409)	(215)	(339)
Net debt	39,886	27,544	36,075	32,259
Total equity	48,818	49,454	45,180	42,950
Net debt to equity ratio	0.82	0.56	0.80	0.75

27. INVESTMENTS IN SUBSIDIARIES

Jade Fountain

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	521	521	521	521

Particulars of Jade Fountain's subsidiaries at 31 October 2017 are set out in Note 1.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank loans	Receivable financing	Invoice financing	Amount due to a related company	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2014	29,464	5,999	5,237	5,808	46,508
Financing cash flows	(7,400)	1,111	1,040	74	(5,175)
As at 31 December 2014 and 1 January 2015	22,064	7,110	6,277	5,882	41,333
Financing cash flows	(7,231)	(1,982)	(3,091)	4	(12,300)
As at 31 December 2015 and 1 January 2016	14,833	5,128	3,186	5,886	29,033
Financing cash flows	11,667	(5,128)	(3,186)	8	3,361
As at 31 December 2016 and 1 January 2017	26,500	–	–	5,894	32,394
Financing cash flows	(3,666)	–	–	17	(3,649)
As at 31 October 2017	22,834	–	–	5,911	28,745
(Unaudited)					
As at 1 January 2016	14,833	5,128	3,186	5,886	29,033
Financing cash flows	7,167	(5,128)	(3,145)	19	(1,087)
As at 31 October 2016 (Unaudited)	22,000	–	41	5,905	27,946

29. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in this report, there are no material subsequent events undertaken by Jade Fountain Group after 31 October 2017.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Jade Fountain or its subsidiaries comprising Jade Fountain Group in respect of any period subsequent to 31 October 2017.

Set out below is the management discussion and analysis of the Media Group for the three years ended 31 December 2014, 2015 and 2016 and the ten months ended 31 October 2017 based on the financial information of the Media Group set out in Appendix II to this circular.

OVERVIEW

The Media Group is principally engaged in the media businesses, including, among others, publishing printed and digital media assets and provision of event management, marketing and communications strategy, digital and creative, custom publishing, digital marketing, customer-relationship management and other related services and solutions, appealing to a client and audience base complementing to the target clients of the Group as well as owning the brand names and maintaining the content archives of, among others, *Express News, Lisa* and *HIM*. Among the media asset titles owned by the Media Group, *JESSICA, JESSICA Dream Wedding, JESSICA Baby, JTV, Marie Claire (Hong Kong edition), JMEN, Whizkids Express Weekly and CarPlus* are currently active.

Launched in 2000, *JESSICA,* which is published in conjunction with its website and social media channels, is the number one circulation women's lifestyle magazine in Hong Kong since 2002 according to the latest available information from Hong Kong Audit Bureau of Circulation. The brand targets at affluent professional women and female executives. It also has two special interest brand extensions targeting at female audience in *JESSICA Dream Wedding*, a yearly print publication, and *JESSICA Baby*, a quarterly print publication, which complement the brand's readership and audience base.

Launched in 1990 and managed by the associates of Mr. Ng since then, *Marie Claire (Hong Kong edition)*, a licensed international title in partnership with Marie Claire Album in France with more internationally driven content and positioning, is published in conjunction with its website and social media channels. It also targets at affluent professional women and female executives.

JMEN, a men's lifestyle title targeting at professionals and senior management and a brand extension of *JESSICA*, was launched in 2009, and is published quarterly in conjunction with its website and digital assets.

CarPlus is a leading automobile magazine published monthly in conjunction with its website and social media channels. It targets at a more male-dominated audience of car owners who are professionals, business owners and senior management.

Whizkids Express Weekly, launched in 1995, is a long established children's media brand, which is well recognized by schools and educational establishments, targeting at parents together with their children. It is now published bi-weekly in conjunction with its website and other digital assets. Prior to June 2017, *Whizkids Express Weekly* was published weekly.

As further discussed below, in the evolvement from traditional media business to a media platform providing integrated and multi-dimensional experience to its consumer audience as well as 360 degree online-to-offline ("O2O") marketing solutions to its advertisers, the Media Group has consolidated, re-positioned or ceased publication of certain titles and allocated resources for the development of its digital business in the period under review. These enabled the Media Group to better address the needs of its audience and clients and enhance its cost efficiency and effectiveness.

FINANCIAL REVIEW

Target Group 1

Set out below is the financial information of Target Group 1 extracted from the accountant's report on the consolidated financial statements thereof:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Revenue	40,940	30,660	14,363	11,094	7,552
Operational costs	(60,083)	(50,849)	(29,717)	(25,255)	(10,135)
Loss before income tax	(19,064)	(19,726)	(15,326)	(14,145)	(2,561)
Loss after income tax	(19,025)	(19,727)	(15,337)	(14,145)	(2,561)

During the period under review, Target Group 1 operated the media businesses, including, among others, publishing printed and digital media assets and provision of event management, marketing and communication strategy, custom publishing, digital marketing, customer-relationship management and other related services and solutions. The titles that were published in the period under review are as follows:

Publishing Title	**2014**	**2015**	**2016**	**10 months ended 31 October 2017**	**Last Publication Period**
JMEN	Standalone title published monthly	Standalone title published monthly	Standalone title published quarterly	Standalone title published quarterly	N/A
CarPlus	Combination package with *HIM* published monthly	Combination package with *HIM* up to November 2015 and a standalone title thereafter published monthly	Standalone title published monthly	Standalone title published monthly	N/A

Publishing Title	2014	2015	2016	10 months ended 31 October 2017	Last Publication Period
HIM	Combination package with *CarPlus* published monthly	Combination package with *CarPlus* published monthly up to November 2015 and the publication of print product thereof ceased since then	N/A	N/A	November 2015
Whizkids Express Weekly	Standalone title published weekly	Standalone title published weekly throughout 2015 and, since August 2015, a combination package with *Three Weekly*, which was published weekly, as well	Standalone title published weekly throughout 2016 and a combination package with *Three Weekly*, which was published weekly, as well up to April 2016	Standalone title published weekly up to mid-June 2017 and bi-weekly since then	N/A
Jessica Weekly	Combination package with *Three Weekly* published weekly	Combination package with *Three Weekly* published weekly up to July 2015 and the publication thereof ceased since then	N/A	N/A	July 2015
Three Weekly	Combination package with *Jessica Weekly* published weekly	Combination package with *Jessica Weekly* up to July 2015 and combination package with *Whizkids Express Weekly* since then, both being published weekly	Combination package with *Whizkids Express Weekly* published weekly up to April 2016 and the publication thereof ceased since then	N/A	April 2016

The publication titles which were in issue at the end of respective years/period in the period under review are as follows:

	2014	2015	2016	10 months ended 31 October 2017
JMEN	✓	✓	✓	✓
CarPlus	✓	✓	✓	✓
HIM	✓	–	–	–
Whizkids Express Weekly	✓	✓	✓	✓
Jessica Weekly	✓	–	–	–
Three Weekly	✓	✓	–	–

Target Group 1 owns all intellectual property and historical content archives of the above-mentioned titles and also holds all the intellectual property and historical content archives of *8 Weekly, Friday Weekly, Cheez!, Kick, Express News Weekly* and *PC Express Weekly*.

As tabulated in the above, the publication of certain titles was ceased in 2015 and 2016 due to the change in market circumstances. In July 2015, the publication of *Jessica Weekly*, a supplemental booklet to the *Three Weekly*, was ceased for cost rationalization in response to the continued decline in the weekly magazines category in the market. In December 2015, the print publication of *HIM* was ceased as the management wanted to concentrate on *JMEN* which was more marketable to the lifestyle and fashion advertisers. While the saving in printing costs followed the cessation of publication of the relevant title immediately, there was time lag between such cessation of publication and the resultant saving in staff costs from gradual redundancies. As such, the full effect of the cost savings from this strategic move was not reflected until 2016.

In April 2016, the publication of *Three Weekly* was ceased as the weekly magazine category continued to lose attractiveness to both the readers and the advertisers. As compared with a monthly title, the manpower requirement and printing costs of running of such an entertainment weekly title was much higher given, among others, the publication frequency, volume and variety of contents of a weekly magazine. However, the circulation revenue was low given the low cover price (i.e. retail price per copy) strategy, the then market trend. Although there was immediate saving in printing costs upon the cessation of publication of *Three Weekly*, it took longer to realize the saving in staff costs as some staff were kept on to wrap up the operations and seek to continue sales to and marketing projects for the then clients of *Three Weekly* in other titles and platforms. Furthermore, indirect administrative costs remained high as some indirect costs could not be reduced, given the set-up of the supporting functions.

As at 31 October 2017, the active publication titles of Target Group 1 comprised *JMEN, CarPlus* and *Whizkids Express Weekly*.

(1) Revenue

In the period under review, revenues reported by Target Group 1 comprised income derived from the media businesses, including, among others, publishing printed and digital media assets and provision of event management, marketing, digital and creative solutions and other related services.

For the three years ended 31 December 2014, 2015 and 2016 and the ten months ended 31 October 2017, Target Group 1 recorded revenue of approximately HK$40.9 million, HK$30.7 million, HK$14.4 million and HK$7.6 million, respectively.

The print titles which were in publication throughout the year ended 31 December 2014 included *JMEN, CarPlus, HIM, Whizkids Express Weekly, Jessica Weekly* and *Three Weekly*.

The print titles which were in publication throughout the year ended 31 December 2015 included *JMEN, CarPlus, Whizkids Express Weekly* and *Three Weekly*. The publication of Jessica Weekly was ceased in July 2015. From August 2015 onwards, *Whizkids Express Weekly*, which was sold as a standalone title only in prior years, was sold as a combination package with *Three Weekly* as well. In December 2015, (1) *JMEN's* product offering was transformed from a monthly print publication to a digital men's lifestyle platform together with a quarterly print publication; and (2) *HIM's* print product as a combination package with *CarPlus* was suspended, while maintaining still its digital product and presence. *CarPlus* was published and sold as a standalone product thereafter.

Revenue decreased by HK$10.3 million or 25.1% from HK$40.9 million in 2014 to HK$30.7 million in 2015. The decrease in revenue for the year ended 31 December 2015 as compared to the year before, which was mainly attributable to the decrease in income derived from the media business of *Three Weekly*, primarily reflected the impact of economic and market factors discussed below and the continued loss in market receptiveness to the weekly entertainment magazine category. During 2015, Hong Kong saw economic slowdown, whereby the city's economy grew a modest 2.4% as compared to 2014[1]. The sluggish global economy, volatile financial markets and slowdown in tourism especially from the mainland exerted pressure on local economic growth, especially in the second half of the year, leading to a slowdown in advertising spend and in the growth of the overall advertising market. According to admanGo, an industry recognized advertising monitoring company that monitors advertisements, together with ad spend, in Hong Kong every day, total advertising spending of all Hong Kong magazines recorded a decline of 6.9%, as compared to 2014.

The print titles which were in publication throughout the year ended 31 December 2016 included *JMEN, CarPlus* and *Whizkids Express Weekly*. Target Group 1 ceased the print publication of *Three Weekly* in April 2016 and *Whizkids Express Weekly*, which was sold in the form of a standalone title and a combination package with *Three Weekly* as well, ceased to be sold as a combination package since then.

[1] "2015 Economic Background and 2016 Prospects" published by the Government of Hong Kong Special Administrative Region

Revenue decreased by HK$16.3 million or 53.2% from HK$30.7 million in 2015 to HK$14.4 million in 2016. The decrease in revenue for the year ended 31 December 2016 as compared to the prior year reflected the decrease in the number of print publications as a result of the cessation of certain titles, including the title publication thereof ceased in 2016 and the full year effect of those ceased in 2015, and the decrease in frequency of the publication of *JMEN* as follows: (i) Three Weekly ceased publication in April 2016 and no longer generated revenue since then; (ii) *HIM* and *Jessica Weekly* did not generate revenue in 2016 after the cessation of the publication thereof in 2015; and (iii) *JMEN* was changed from a monthly print publication to a quarterly print publication starting from 2016 and the number of issues of *JMEN* decreased from 12 in 2015 to 3 in 2016 as the issue for the fourth quarter of 2016 was postponed to the first quarter of 2017 in order to match the timing of *JMEN*'s anniversary event and better suit our clients' needs. Furthermore, 2016 was a challenging year and most media players in Hong Kong were directly affected by the weak local retail market, which saw year-on-year decline each month throughout 2016. According to the Hong Kong Census and Statistics Department, with uncertainties in global economies affecting economic growth in Hong Kong, local retail sales recorded another year of decline of 8.1% in value (2015: 3.7%), resulting in advertisers' further tightening of advertising expenditure. This trend was seen to rebound since March 2017 as the total retail sales in value saw positive growth up till September 2017 according to the latest set of available data from the Hong Kong Census and Statistics Department.

The print titles which were in publication throughout the ten months ended 31 October 2017 included *JMEN, CarPlus* and *Whizkids Express Weekly*. *Whizkids Express Weekly*, which was published weekly up to mid-June 2017, became a bi-weekly publication since then.

Revenue decreased by HK$3.5 million or 31.9% from HK$11.1 million in the ten months ended 31 October 2016 to HK$7.6 million in the ten months ended 31 October 2017. The decrease in revenue for the ten months ended 31 October 2017, as compared to the corresponding period in prior year, was mainly attributable to (a) the decrease in the number of print publications as a result of the cessation of publication of *Three Weekly* in April 2016; (b) the decrease in advertising spend in the automobile sector in print; and (c) the re-positioning of the *Whizkids Express Weekly* media offering as a bi-weekly publication and event marketing solutions provider which turned the print title thereof from a weekly publication to a bi-weekly publication from mid-June onwards.

(2) Operational Costs

Operational costs, mainly comprising printing, staff costs, selling and distribution and other general operating and administrative costs, for each of the years ended 31 December 2014, 2015 and 2016 and each of the ten months ended 31 October 2016 and 2017 amounted to HK$60.1 million, HK$50.8 million, HK$29.7 million, HK$25.3 million and HK$10.1 million, respectively.

Operational costs decreased by HK$9.3 million or 15.4% from HK$60.1 million in 2014 to HK$50.8 million in 2015. The decrease in operational costs for the year ended 31 December 2015 as compared with the prior year was mainly attributable to the saving in direct costs, primarily printing costs and direct staff costs, as a result of the cessation of publication of certain print titles as mentioned in the above as well as the decrease in selling and distribution costs for the year ended 31 December 2015 which was in line with the change in revenue as compared with the prior year. However, the saving in direct costs is less than a proportionate decrease in direct costs in line with the decrease in revenue, and the administrative expenses remained at similar levels in both 2014 and 2015, as the internal restructuring, which followed the said cessation, took a few months to implement and the cessation of publication of *HIM*, a monthly publication, in late 2015 and *Jessica Weekly*, a supplement booklet to

Three Weekly, in mid-2015 did not result in a substantial saving in administrative expenses because supporting functions of similar size was required to support the other titles, including *Three Weekly*, the weekly title which drew more resources than the others. Therefore, it took time to realize the full effect of the cost saving from the cessation of publication of the said titles. As such, the cost saving from such internal restructuring was realized gradually rather than immediately after the cessation of publication of the relevant print titles.

Operational costs decreased by HK$21.1 million or 41.6% from HK$50.8 million in 2015 to HK$29.7 million in 2016. Such year-on-year decrease in operational costs primarily reflected the saving in printing and staff costs as a result of the cessation of publication of *Three Weekly*, a weekly publication, in April 2016 and the full year effect of the saving in operational costs from cessation of publication of *HIM* and *Jessica Weekly* in prior year, which was partially offset by the costs incurred in the internal restructuring to streamline the operating costs after the cessation of publication of *Three Weekly* and for digital transformation and development of the digital platform. As mentioned in the above, the manpower requirement and printing costs of running of an entertainment weekly title was much higher as compared with that of a monthly title. As such, there was more saving in 2016 in which Target Group 1 ceased publication of *Three Weekly*. The one-off costs incurred for restructuring and consolidation of the print operations as well as the resources invested in product and infrastructural developments of the digital platform partially offset the saving in operational costs from the abovementioned cessation of publication of the relevant print titles. Also, the shift of resources previously employed in the titles which had ceased publication to the digital platform rendered the saving from such cessation of publication less than the amount which Target Group 1 could otherwise be able to achieve. Further, in 2016, there was also saving in rental expense attributable to the full year effect of the termination of tenancy agreement in respect of an office unit in August 2015 and the termination of tenancy agreement in respect of another office unit in April 2016 after the cessation of publication of *Three Weekly* in view of the reduction in headcount after the aforesaid internal restructuring. The website of *JMENPLUS* was launched as a joint platform for *JMEN* and *Carplus* in the first quarter of 2016 and investments were made in terms of development costs for the infrastructure of the website as well as the ongoing maintenance costs of the product.

Operational costs decreased by HK$15.2 million or 59.9% from HK$25.3 million in the ten months ended 31 October 2016 to HK$10.1 million in the corresponding period in 2017. Such decrease in operational costs was primarily attributable to the saving in operational costs due to the cessation of publication of *Three Weekly* in April 2016, the savings in printing cost as a result of the change of Whizkids Express Weekly from a weekly publication to a bi-weekly publication in mid-June 2017 and general savings in staff and administrative expenses.

(3) Profit and Loss

Loss before income tax for the three years ended 31 December 2014, 2015 and 2016 and for the ten months ended 31 October 2017 amounted to HK$19.1 million, HK$19.7 million, HK$15.3 million and HK$2.6 million, respectively.

The income and expense components other than revenue and operational costs discussed in the above are insignificant. As such, the loss before and after tax in each year/period in the period under review primarily represent the revenue after deduction of operational costs in respective year/period.

Target Group 2

Set out below is the financial information of Target Group 2 extracted from the accountant's report on the consolidated financial statements thereof:

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Revenue	Nil	Nil	Nil	Nil	Nil
Operational costs	(7)	(7)	Nil	Nil	Nil
Loss before income tax	(7)	(7)	Nil	Nil	Nil
Loss after income tax	(7)	(7)	Nil	Nil	Nil

Target Group 2 remained dormant in the period under review. As such, no revenue was recorded in the said period. Target Group 2 holds all the intellectual property and content archives of *Express News* and *Surprise Weekly*.

Target Group 3

Set out below is the financial information of Target Group 3 extracted from the accountant's report on the consolidated financial statements thereof:

	Year ended 31 December			Ten months ended 31 October	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Revenue	13,136	7,241	805	485	808
Operational costs	(13,043)	(10,347)	(5,070)	(4,168)	(920)
Profit/(loss) before income tax	121	(3,096)	(4,176)	(3,683)	(112)
Profit/(loss) after income tax	121	(3,096)	(4,154)	(3,683)	(112)

During the period from 1 January 2014 to 31 October 2017, Target Group 3 operated the media businesses, including, among others, publishing printed and digital media assets and provision of event management marketing and communication strategy, digital and creative, digital marketing and other related services and solutions. The titles that were published in the period under review are as follows:

Publishing Title	2014	2015	2016	10 months ended 31 October 2017	Last Publication Period
JessicaCode	Standalone title published monthly	Standalone title published monthly up to October 2015 and the publication thereof ceased since then	N/A	N/A	October 2015
Lisa	Standalone title published monthly up to February 2014 and the publication thereof ceased since then	N/A	N/A	N/A	February 2014

The publication titles which were in issue at the end of respective year/period in the period under review are as follows:

	2014	2015	2016	10 months ended 31 October 2017
JessicaCode	✓	–	–	–
Lisa	–	–	–	–

Target Group 3 is the owner of all intellectual property and historical content archives of the above-mentioned titles.

As tabulated in the above, there were two titles in publication in 2014 and the publication thereof were ceased in February 2014 and October 2015, respectively. In 2014 and 2015, the advertisers for *JessicaCode* began to focus their spending on leader and international titles in the category and as such, the Company decided to focus its efforts and resources on its core brand *JESSICA* and its international brand under license, *Marie Claire*. However, given the increasing growth potential of digital media, although the print publication of *JessicaCode* was ceased in October 2015 and saving was made in printing costs and certain direct staff costs, some of the staff were maintained on the team in order to develop a pure digital product targeting the target audiences of *JessicaCode* as well as other youngsters, who were beginning to spend more of the content consumption time on digital platforms. There was no active print publication title since October 2015 and Target Group 3 redirected some of its resources to the development of a pure digital business model which would better suit the lifestyle and content consumption habit of the new generation target audiences, and be attractive to the advertisers targeting such demographic group. Target Group 3 has spent about 9 months in research and development for such pure digital business model since October 2015, and decided to launch a product which was aimed at a youthful audience who enjoyed consuming lifestyle content in the form of videos as a digital television channel. In June 2016, Target Group 3 launched a pure digital media asset, namely *JTV*, whereby it started to collect market data and feedback from its audience in the real-life operation for better understanding of the market needs and build towards a critical mass of audience to arouse the advertisers' interest in the product. At the same time, the *JTV* model also began to provide digital creative content creation services, digital marketing services and other related services to broaden its revenue sources. The act to rejuvenate the product offerings of the women's lifestyle titles aimed at extending the Media Group's product range to cover the younger/new generations so that the other relevant titles can better prepare for their growth and suit their needs, and be ready to serve them as they mature.

(1) Revenue

In the two years ended 31 December 2015, revenues reported by Target Group 3 comprised income derived from the media businesses, including, among others, publishing printed and digital media assets and provision of event management, marketing and other related services. In the year ended 31 December 2016 and the ten months ended 31 October 2017, revenues reported by Target Group 3 comprised income derived from the media business of publishing the digital media asset, including digital creative content, and provision of marketing and other related services.

For the three years ended 31 December 2014, 2015 and 2016 and the ten months ended 31 October 2017, Target Group 3 recorded revenue of approximately HK$13.1 million, HK$7.2 million, HK$0.8 million and HK$0.8 million, respectively.

Revenue of Target Group 3 for the two years ended 31 December 2014 and 2015 represented income derived from the media businesses, including, among others, publishing printed and digital media assets (namely, *JessicaCode* and *Lisa*) and provision of event management, marketing and other related services. The print publication of *Lisa* and *JessicaCode* was ceased in February 2014 and October 2015, respectively.

Revenue decreased by HK$5.9 million or 44.9% from HK$13.1 million in 2014 to HK$7.2 million in 2015. As Target Group 3 ceased to publish *Lisa* in February 2014 (which ceased to generate revenue since then) and *JessicaCode* in October 2015 (and, hence, forwent the revenue for the peak advertising months of November and December in 2015 which it would otherwise have earned as compared with 2014), it recorded such year-on-year decrease in revenue.

Revenue of Target Group 3 for the year ended 31 December 2016 and the ten months ended 31 October 2017 represented income derived from the media business of publishing the digital media asset, namely *JTV*, including digital creative content, and provision of digital marketing and other related services and solutions.

Revenue decreased by HK$6.4 million or 88.9% from HK$7.2 million in 2015 to HK$0.8 million in 2016. There were 10 print issues of *JessicaCode* published in 2015 prior to the cessation of publication thereof and no print publication of the same in 2016. As a strategic move to put more weight on the digital platform, *JTV* was launched as a pure digital product in June 2016, and started to generate revenue as a digital arm since then. Target Group 3 did not generate any revenue in the period in between the cessation of publication of *JessicaCode* and the launch of *JTV*. The revenue recognized in 2016 was generated by *JTV*.

Revenue increased by HK$0.3 million or 66.6% from HK$0.5 million in the ten months ended 31 October 2016 to HK$0.8 million in the corresponding period in 2017. As the print publication of *JessicaCode* was ceased in October 2015 and *JTV* was launched in June 2016, Target Group 3 did not recognize any revenue during the period in between the said months and, hence, the first half of 2016. The revenue recognized in the ten months ended 31 October 2017 was generated from the digital creative agency services of *JTV*, the new business line, as referred to in the above. Although the revenue was relatively low in absolute terms at the start-up stage, *JTV* began to establish its creative agency service knowhow and reputation and build its loyal audience base to an attractive enough volume, commanding critical mass to warrant advertising spending.

(2) Operational Costs

Operational costs, mainly comprising printing, staff costs, selling and distribution and other general operating and administrative costs, for each of the three years ended 31 December 2014, 2015 and 2016 and each of the ten months ended 31 October 2016 and 2017 amounted to HK$13.0 million, HK$10.3 million, HK$5.1 million, HK$4.2 million and HK$0.9 million, respectively.

Operational costs decreased by HK$2.7 million or 20.7% from HK$13.0 million in 2014 to HK$10.3 million in 2015. As compared to 2014, there was saving in printing and staff costs which was mainly attributable to (i) the full year effect of cessation of publication of *Lisa*; (ii) reduction in monthly printing volume and, hence, printing costs of *JessicaCode* in 2015 as a result of the change in circulation strategy; and (iii) the cessation of publication of *JessicaCode* in October 2015. This resulted in the year-on-year decrease in direct expenses in 2015 exceeding the pro-rated decrease in number of issues of *JessicaCode* in 2015.

Operational costs decreased by HK$5.2 million or 51.0% from HK$10.3 million in 2015 to HK$5.1 million in 2016. While there were no printing costs incurred and direct costs in staffing decreased in 2016 as compared with 2015, 2016 was a year in which Target Group 3 incurred research and development costs prior to the launch of *JTV*. Such costs, while being less than that of the running the print publication of *JessicaCode*, were incurred in developing the *JTV* product from concept through product planning, infrastructural development, recruitment of relevant staff to an initial digital product, which became a more marketable product by the end of 2016. *JTV* was soft launched into the market in June 2016, and fine-tuned in the second half of 2016. As such, the saving in printing costs and print-related staff costs was partially offset by the increase in research and development costs for the digital platform, including staff costs, infrastructural, digital development and marketing costs incurred in the development stage of the *JTV* product and services.

The Group went through a series of cost efficiency enhancement and consolidation exercises to reallocate its resources towards digital development with the aims to (i) tap the growth of digital media in the market; and (ii) achieve an overall decrease in operational costs and maintain a light-weight infrastructure in the ever evolving market and media industry.

Operational costs for the ten months ended 31 October 2017 decreased by HK$3.3 million or 77.9% from HK$4.2 million in the ten months ended 31 October 2016 to HK$0.9 million in the corresponding period in 2017. The operational costs in the nine months ended 30 September 2016 was relative high as compared with the corresponding period in 2017 as Target Group 3 incurred research and development costs in the transformation of the business to pure digital mode with creative services capability in such period. The basic running and maintenance costs of the *JTV* in terms of website development and maintenance, content production and staffing are semi-variable or fixed costs in nature. Such costs are recurring, and are expended to continue to grow and develop *JTV* till it attains a critical mass of audiences which is sufficient to attract the advertisers' interest and, hence, generate meaningful revenues under the new business model.

(3) Profit & Loss

Profit before income tax of Target Group 3 for the year ended 31 December 2014 amounted to approximately HK$0.1 million and loss before income tax for the two years ended 31 December 2015 and 2016 and the ten months ended 31 October 2017 were approximately HK$3.1 million, HK$4.2 million and HK$0.1 million, respectively.

The income and expense components other than revenue and operational costs discussed in the above are insignificant. As such, the profit/loss before and after tax in each year/period in the period under review primarily represent the revenue after deduction of operational costs in respective year/period.

Target Group 4

Set out below is the financial information of Target Group 4 extracted from the accountant's report on the consolidated financial statements thereof:

	Year ended 31 December			Ten months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Revenue	77,449	54,641	39,851	30,932	26,146
Operational costs	(72,912)	(54,776)	(45,565)	(34,646)	(29,648)
Profit/(loss) before income tax	6,199	1,107	(4,312)	(2,527)	(2,200)
Profit/(loss) after income tax	5,061	636	(4,274)	(2,527)	(2,230)

During the period from 1 January 2014 to 31 October 2017, Target Group 4 operated the media businesses, including, among others, publishing printed and digital media assets and provision of event management, marketing and communication strategy, custom publishing, digital marketing, customer-relationship management and other related services and solutions. The titles that were published in the period under review are as follows:

Publishing Title	**2014**	**2015**	**2016**	**10 months ended 31 October 2017**	**Last Publication Period**
Jessica	Standalone title published monthly	Standalone title published monthly	Standalone title published monthly	Standalone title published monthly	N/A
JESSICA Dream Wedding	Standalone title published semi-annually	Standalone title published semi-annually	Standalone title published annually	Standalone title published annually	N/A
JESSICA Baby	Standalone title published quarterly	Standalone title published quarterly	Standalone title published quarterly	Standalone title published quarterly	N/A
Marie Claire (Hong Kong edition)	Standalone title published monthly	Standalone title published monthly	Standalone title published monthly	Standalone title published monthly	N/A

The publications titles which were in issue at the end of respective year/period in the period under review are as follows:

	2014	**2015**	**2016**	**10 months ended 31 October 2017**
Jessica	✓	✓	✓	✓
JESSICA Dream Wedding	✓	✓	✓	✓
JESSICA Baby	✓	✓	✓	✓
Marie Claire (Hong Kong edition)	✓	✓	✓	✓

Target Group 4 is the owner of all intellectual property and historical content archives of the above-mentioned titles.

As tabulated in the above, during the three years ended 31 December 2014, 2015 and 2016 and the ten months ended 31 October 2017, the active publication titles of Target Group 4 were *Jessica, JESSICA Dream Wedding, JESSICA Baby* and *Marie Claire (Hong Kong edition)*.

(1) Revenues

In the period under review, revenue reported by Target Group 4 comprised income derived from the media businesses, including, among others, publishing printed and digital media assets and provision of event management, marketing and other related services.

For the three years ended 31 December 2014, 2015 and 2016 and the ten months ended 31 October 2017, Target Group 4 recorded revenue of approximately HK$77.4 million, HK$54.6 million, HK$39.9 million and HK$26.1 million, respectively.

Revenue decreased by HK$22.8 million or 29.4% from HK$77.4 million in 2014 to HK$54.6 million in 2015. Such decrease in revenue was mainly due to the weak local economy (under which the city's economy grew a modest 2.4% as compared to 2014[2]), the decrease in retail expenditure and the slowdown in advertising spend in the market. Advertising spend slowed down in 2015 with the sluggish global economy, volatile financial markets and slowdown in tourism, in particular the decrease in number of tourists from the mainland, which exerted pressure on local economic growth, especially in the second half of the year. According to admanGo, the Hong Kong overall advertising market recorded a year-on-year growth rate of only 3% in 2015, which was the record low since 2000. Given the slow advertising market and the growth in digital channels, which competed for the budgets of the advertisers, the revenue for the year ended 31 December 2015 decreased as compared with that of 2014.

[2] "2015 Economic Background and 2016 Prospects" published by the Government of Hong Kong Special Administrative Region

Revenue decreased by HK$14.8 million or 27.1% from HK$54.6 million in 2015 to HK$39.9 million in 2016. The decrease in revenue was mainly due to the continued sluggish local economy and global economic environment as well as the weak local retail market, which saw year-on-year decline each month throughout 2016. According to the Hong Kong Census and Statistics Department's monthly retail sales report, total retail sales in 2016 were valued at HK$436.6 billion, down 8.1% in value and 7.1% in volume compared with 2015. Sales of jewellery, watches and clocks, and valuable gifts decreased by 17.2% in value and 17.3% in volume in 2016 as compared with 2015. The abovementioned decrease in revenue in 2016 as compared with 2015 is broadly in line with the 33% drop in the magazine advertising market in 2016 as compared to 2015 according to admanGo especially in the segments such as cosmetics, fashion and luxury products, which are the key advertising categories for the publications of Target Group 4.

While revenues generated from print decreased, revenues generated from events and related projects remained stable. Furthermore, Target Group 4 began to generate advertising revenues from its digital assets and services, including revenues from its website, social media platforms such as Facebook, video and other digital content production and native advertising content. As the advertisers were receptive to below the line communication services as well as marketing activities for membership base, fan club base and/or subscriber base through customer relationship management services, in 2016, Target Group 4 started to provide integrated marketing solutions to advertisers, as a package deal, encompassing print, digital, and below the line services offerings such as database management and database marketing, as it developed and strengthened its digital offerings and products, in order to provide the advertisers with a more comprehensive media platform.

Revenue decreased by HK$4.8 million or 15.5% from HK$30.9 million in the ten months ended 2016 to HK$26.1 million in the corresponding period in 2017. The decrease in revenue was largely attributable to the decrease in print-related revenues from the cosmetics and skincare category, a major advertising category for Target Group 4. According to admanGo, advertising spending in Hong Kong market on cosmetic and skincare segment on traditional paper form magazine for the first three quarters of 2017 amounted to approximately HK$210.1 million and decreased by 63.2%, when compared to the corresponding period in prior year while there was significant growth in advertising spending in the mobile media for the same segment. Although the magazine publications of Target Group 4 suffered from the general decrease in print advertising budgets of the advertisers, it has captured some of the digital advertising budget of its key advertisers in the cosmetics and skin care category by providing a fully integrated marketing solution in a bundle package, and built incremental revenues in the high-growth spending categories of digital advertising. The incremental revenues from package-selling and digital advertising solutions, however, were not able to offset the decrease in revenue in print advertising in the relevant period. Nevertheless, the revamped business model, which operated at its early stage, was well received by advertisers and on a continual improving trend, as the digital offerings and products continued to improve.

(2) Operational Costs

Operational costs, mainly comprising printing, staff costs, selling and distribution, royalty, finance and other general operating and administrative costs, for each of the three years ended 31 December 2014, 2015 and 2016 and each of the ten months ended 31 October 2016 and 2017 amounted to HK$72.9 million, HK$54.8 million, HK$45.6 million, HK$34.6 million and HK$29.6 million, respectively. The operational costs decreased from a year/period to another as Target Group 4 has implemented various measures to streamline its print-related operations, such as the restructuring of the editorial and production teams in 2015 and 2016.

Operational costs decreased by HK$18.1 million or 24.9% from HK$72.9 million in 2014 to HK$54.8 million in 2015. Such decrease in operational costs was partly attributable to the saving in printing cost as a result of reduction in print volume and number of pages per issue and partly attributable to the reductions in staff costs and rental costs in 2015 as the company began to reshape its business model and operations to match the changing media environment, by merging job functions, in order to produce both digital and print products with a smaller but more productive team.

Operational costs decreased by HK$9.2 million or 16.8% from HK$54.8 million in 2015 to HK$45.6 million in 2016. Such decrease in operational costs was mainly due to the reduction in direct expenses, including printing costs (which were lowered with fewer pages in the magazines), marketing budget for on-pack premium gifts (which was reduced), and staff costs. Saving in staff costs were achieved by further redefining the jobs as the company streamlined its print-related operations during the period, such that the editorial production team produced content suitable for both print and digital channels. There was also saving in rental cost from the termination of a tenancy agreement of an office unit in the second half of 2016 along with the aforesaid restructuring.

Target Group 4 underwent internal restructuring for digital transformation and redirected resources to digital product development, staff development, recruitment and infrastructural improvements in 2016, while reducing such expenses in the production of print, in order to cope with the evolving media scene and better meet the consumer needs. In line with the company's strategy to develop competitive digital products for its media brands in order to strengthen its total product offering, expenses were incurred by the digital development team responsible for the infrastructural development and digital marketing planning for Target Group 4's media brands in 2016. As such, the administrative expenses recorded by Target Group 4 in 2016 were slightly higher than that recorded in 2015.

Operational costs decreased by HK$5.0 million or 14.4% from HK$34.6 million in the ten months ended 31 October 2016 to HK$29.6 million in the corresponding period in 2017. Such decrease was mainly due to the reduction of printing costs (which were lowered with fewer pages in the magazines) and the reduction of overheads and administrative expenses of the back office functions (which were further streamlined after the first quarter of 2016 in various tranches in subsequent quarters of 2016 till the end of the first quarter of 2017), including rental expenses, staff costs and the other administrative expenses of the back office functions, following the consolidation thereof as well as the saving from the re-organization of the general development team such that it became part of the content production team, as the websites and digital assets matured. Direct expenses decreased marginally as the company reduced its print-related staffing but continued to redirect its resources into digital-related staff and digital-development.

(3) Profit & Loss

Profit before income tax of Target Group 4 for the two years ended 31 December 2014, and 2015 amounted to approximately HK$6.2 million, and HK$1.1 million, respectively. Loss before income tax of Target Group 4 for the year ended 31 December 2016 and the ten months ended 31 October 2017 amounted to approximately HK$4.3 million and HK$2.2 million, respectively.

Target Group 4 recorded other gains and losses ranging from approximately HK$1.2 million to HK$1.7 million in each of the three years ended 31 December 2014, 2015 and 2016 as well as each of the ten months ended 31 October 2016 and 2017 with insignificant year-on-year or period-on-period variances thereof. The profit/loss before tax in each year/period under review represents revenue and other gains and losses after deduction of the operational costs recognized for the respective year/period. As profit before tax decreased in 2015 as compared with 2014, profits tax decreased in 2015 as well. Target Group 4 reported loss before tax in the year ended 31 December 2016 and each of the ten months ended 31 October 2016 and 2017 and no provision for profits tax was required for such year/periods.

LIQUIDITY, FINANCIAL RESOURCE AND FUNDING

Except for Target Group 4, which had bank borrowings as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017 of approximately HK$44.2 million, HK$31.6 million, HK$35.3 million and HK$31.6 million, respectively, the operations of the Media Group was funded by a fellow subsidiary and (for Target Group 1 only) the immediate holding company of Target Company 1, both being companies indirectly owned by Mr. Ng in entirety. As such, gearing ratio was not considered to be of relevance to Target Group 1, Target Group 2 and Target Group 3. The gearing ratios of Target Group 4 as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 October 2017, which represent the ratios of consolidated net bank borrowings (i.e. consolidated bank borrowings net of consolidated cash and cash equivalents) to total equity as at the respective dates, amounted to 69.7%, 43.8%, 66.8% and 61.4%, respectively.

The amounts due to the fellow subsidiary and the immediate holding company of Target Company 1 as referred to in the preceding paragraph, which were interest-free and repayable on demand, net of the amounts due from the same (if any) determined based on the accountant's reports on the consolidated financial statements of the Media Target Companies are as follows:

Net amount due from/(to) the said fellow subsidiary and the immediate holding company of Target Company 1

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Target Group 1	(449,504)	(471,096)	(490,604)	(499,502)
Target Group 2	(19)	(26)	(26)	(26)
Target Group 3	1,735	(1,826)	(7,294)	(8,855)
Target Group 4*	105,156	97,038	104,761	89,773

* As at 31 December 2014, 2015 and 2016 and 31 October 2017, the amount due from a fellow subsidiary of Target Group 4 of approximately HK$16,000,000, HK$16,000,000, HK$25,297,000 and HK$23,587,000 carried interest at fixed rate of 6.42% per annum, 6.36% per annum, 5.42% per annum and 5.65% per annum, respectively, and the remaining balances were interest-free.

As extracted from the accountant's report on the consolidated financial statements of the Target Company 4, the maturity profile of the outstanding bank loans of Target Group 4, which were denominated in HK$, is as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Audited)
On demand or within one year	42,372	31,576	28,797	26,753
More than one year but not exceeding two years	1,833	–	2,000	2,000
More than two years but not exceeding five years	–	–	4,500	2,834
	44,205	31,576	35,297	31,587

None of the above bank loans carried interest at fixed rate.

It is the Media Group's policy to monitor its current and expected liquidity requirements with a view to maintaining sufficient funds to meet its debts.

The table below summarizes the financial positions of the Media Group as extracted from the accountant's reports on the consolidated financial statements of the Media Target Companies:

Consolidated Net Assets/(Liabilities)

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Target Group 1	(471,286)	(491,013)	(506,350)	(508,911)
Target Group 2	(19)	(26)	(26)	(26)
Target Group 3	(5,407)	(8,503)	(12,657)	(12,769)
Target Group 4	48,818	49,454	45,180	42,950

The year-on-year changes in the above consolidated net assets/(liabilities) are attributable to the net profit or loss of the relevant target groups in respective years/period.

FOREIGN CURRENCY MANAGEMENT

The Media Group has minimal exposure to foreign currency risks as all of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars. As such, it does not currently have a foreign currency hedging policy, and will consider to formulate such policy where necessary should there be a change in the abovementioned circumstance.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARY, ASSOCIATE OR JOINT VENTURE AND FUTURE PLAN FOR MATERIAL INVESTMENT OR CAPITAL ASSET

During the years/period under review, the Media Group did not have any significant investment or material acquisition or disposal of subsidiary, associate or joint venture.

As at the date hereof, there is no future plan for material investment or capital asset in the coming year.

CHARGE ON ASSETS

Set out below is the summary of the deposits pledged to banks as security for banking facilities in respect of receivable financing and bank overdraft as at the end of respective years/period as reported by the Media Group:

Pledged bank deposit

	As at 31 December			**As at 31 October**
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Target Group 1	–	–	–	–
Target Group 2	–	–	–	–
Target Group 3	–	–	–	–
Target Group 4	4,509	4,509	4,901	4,900

Save for the pledged deposits tabulated in the above, there was no charge over any asset of the Media Group.

CONTINGENT LIABILITIES

As at 31 December 2014, 2015 and 2016 and 31 October 2017, the Media Group did not have any significant contingent liability.

CAPITAL COMMITMENT

As at 31 December 2014, 2015 and 2016 and 31 October 2017, the Media Group did not have any material capital commitment.

EMPLOYMENT AND REMUNERATION POLICIES

Set out below are the amounts of employee remuneration of the target groups in respective years/period under review and the numbers of their employees as at the end of such years/period as reported by such target groups:

Employee Remuneration

	2014	**2015**	**2016**	**10 months ended 31 October 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Target Group 1**	29,398	24,374	14,873	4,029
Target Group 2**	–	–	–	–
Target Group 3**	5,866	6,827	2,749	408
Target Group 4**	28,637	22,546	19,532	10,678

** including the share of staff costs of certain centralized administrative and support functions allocated and charged by a fellow subsidiary of Target Company 1

Number of Employees

	As at 31 December			**10 months ended 31 October**
	2014	**2015**	**2016**	**2017**
Target Group 1	83	52	18	12
Target Group 2	–	–	–	–
Target Group 3	13	1	9	3
Target Group 4	50	52	42	29

The employees' salaries are determined from time to time with reference to the duties and responsibilities of their roles, business performance and market conditions. In addition to salaries and contributions to mandatory provident fund schemes, the Media Group also takes out medical insurance policy for its employees. The performance of the employees is normally reviewed on an annual basis with adjustment compatible to market.

REASONS FOR AND BENEFITS OF THE NEW ACQUISITION

Business plan of the Group

As disclosed in the announcements and circular of the Company dated 3 November 2016, 29 December 2016, 31 March 2017 and 14 July 2017, respectively, in relation to the Previous Acquisition, it has been the Company's business strategy to make investments that create synergy with its existing operations and diversify its revenue streams as well as implements a consumer-oriented e-commerce model in the future.

With the ever changing and competitive environment of the financial services market, both in local and global markets, the Company aims to continue to develop new business models and business platforms, to define and expand its competitive edge vis-à-vis other market players. The New Acquisition is a move to build a platform which fully integrates the online and offline service and product offerings starting from the theme of lifestyle, a wide reaching topic, and financial services with existing set-up providing services both online and offline to tap into the digital world, which has demonstrated strong growth potential, with solid support from the offline operations at the back end. Financial services have been the core operation of the Group since it commenced business while an established media business is in possession of readership, subscribers, contents, content production capability as well as existing networks with the advertisers and the suppliers and service providers in the relevant industries. It is a target of the Group to build an integrated platform, which is able to provide non-depletable opportunities for not only growth in its existing business but also rooms for expansion into new business lines, to provide a full range of value added services to its end clients in Hong Kong as well as the Chinese language community. The digital world offers such an environment in the enlarged business ecosystem as the customer or audience base of an operator grows.

The Directors considered that the media industry is a feasible entry point to the digital world and an established media business would be a desirable vehicle to start the journey. On top of the features of an established media business mentioned in the preceding paragraph, well established brands have the capability to engage or mobilize target audience in multiple media forms or channels, both online and offline, including digital websites, mobile apps, print publications, social media, as well as via events and real-life tangible experiences. The Media Group has a loyal audience base which attaches great weight to the content published by the Media Group's brands. Its editorial connections in different industries, social and influential circles also means that the Media Group is networked to engage key-opinion-leaders ("KOL") in the market.

The Media Group has over the last three years evolved its business model from that of a print publication and related marketing services provider to that of a multi-faceted media platform encompassing print, digital and social media, which enabled it to engage its audience and consumers both online and offline through events or otherwise, in order to provide a seamless and personalised experience for consumers in their consumer journey in the digital and physical world.

To build a platform which integrates the online and offline service and product offerings and better serves the clients of the Enlarged Group, it is a plan of the Company to pursue development in (i) big data; (ii) social media model; and (iii) corporate and business-to-business ("**B2B**") event services of the Enlarged Group.

Big data

To better utilise the Media Group's capability to engage or mobilise, and better serve, its audience base, big data management will be of help.

The Company planned to upgrade the back end of the e-commerce platforms of the Group and the Media Group after Completion in 2018 to enable migration among the systems and eventual integration thereof. As a part of the exercise, the Enlarged Group will also (a) upgrade its existing user and/or membership systems to capture the behaviour and other relevant big data of the users, members and/or clients with a view to improving user experience and user engagement by providing more relevant contents and services to facilitate an integrated user journey across the various business units and their platforms; and (b) add the regular targeted e-mail and/or newsletter feature to its systems to further engage the consumers in the digital world in the array of lifestyle and financial themed topics. The system development and enhancement costs for the above was expected to be not more than HK$2 million. From the big data generated, the Enlarged Group can then explore e-commerce partnership models in businesses in lifestyle and/or financial services and beyond, based on its ability to target consumers through big data to grow and expand existing business lines.

The gradual integration of the existing platforms across the various business units will keep generating big data for continuing improvement in user experience and journey across such platforms. Based on the big data captured and, hence, better understanding of the consumer needs and behaviour and riding on the then relevant target consumer engagement capability through big data or otherwise, the Enlarged Group will commence to seek opportunities to develop online to offline/offline to online ("O2O") programs in 2019, exploring e-commerce business alliance/partnership possibilities in the lifestyle and/or financial services related businesses. It was a target of the Company that the Enlarged Group will identify suitable business partner(s) and put the e-commerce business alliance/partnership model into operation by the end of 2020. The system upgrade cost was expected to be not more than HK$1 million. The on-going operating costs of such e-commerce business alliance/partnership model will commensurate with scale of the project which the Enlarged Group may undertake, and is not anticipated to be substantial sum relative to the existing operation costs of the Enlarged Group.

Social media model

Backed by the knowhow and experience of the Group's financial services team and the Media Group, the Company will study the possibility of a social media model, an "open-sharing" digital platform linking up KOLs, specialists and service providers in the market, which facilitates integrated user journey across the various platforms of the business units of the Enlarged Group.

The Company will pursue continuing enhancement of the social media model with a view to serving the Chinese language communities better and seek to explore possibilities in fintech business from 2019 onwards.

The development costs of the said social media digital platform was expected to be around HK$1 million.

Corporate and B2B event services

Building on the Group's experience in FPR and the audience engagement and event hosting capability of the Media Group, the Company will seek to develop corporate and B2B event services in the coming years after Completion, targeting the clients of the financial services arm of the Group as well as the Media Group, existing and prospective, as the starting point, to complement its offline service offerings on the B2B side. The joint effort of the FPR arm of the Group and the Media Group aims at enhancing their client's multi-facet exposure to both financial and non-financial sectors and their image. Also, the service offerings of the financial services arm of the Group may add value to the clients of the Enlarged Group in various stages of their growth.

The Company will formulate and finalise the business model taking into account the results of the market research, which it will conduct in 2018, and targeted to set up a new business unit specialised in the provision of corporate and B2B event services in 2019 by both internal transfer and external hiring. At the start-up stage, the new business unit will focus on the corporate events of the corporations in Hong Kong, the Greater Bay Area and other major cities in China, for instance, conferences, summits and forums for corporate identity promotion, corporate training, networking or otherwise.

In the longer term, the Company aims at providing fully integrated financial and marketing communications and event planning and advisory services to its clients in Greater China *(Note: Greater China includes Hong Kong, the Macau Special Administrative Region of the PRC, mainland China and Taiwan)* and better addressing the B2C and B2B needs of the corporate clients with support of the big data generated from the Enlarged Group's digital platforms.

The initial set up cost and the operating costs at the infant stage of the corporate and B2B event services operation, which would mainly comprise staff costs, were expected to be insignificant relative to the operating costs of the Enlarged Group.

The costs of development of the big data management system, social media model and corporate and B2B event services were expected to be financed by the Enlarged Group's internal resources.

The Directors have considered, among others, the market status of the media brands owned by the Media Group and the current infrastructure thereof, and was of the view that the Media Group is a suitable vehicle for the Group to enter the digital world with both online operations and offline business substance at the back end.

The Media Group owns well recognized and established media brands, wide range of titles as well as substantial content archives. Such media brands are leaders or in the forefront in their respective categories with long established presence in the Hong Kong market as well as brand recognition in the PRC. According to the latest available data from the Hong Kong Audit Bureau of Circulation, JESSICA, the only locally-originating brand in the women's glossy monthly magazine sector, is the number 1 circulation women's magazine. Marie Claire, a well-established international brand well recognized by the international advertisers, has over 30 sister editions globally and almost 27 years of history in Hong Kong. Carplus, the longest established locally-originated motor-interests publication in Hong Kong, is a leader in the automobile category. Whizkids Express is the only children's title with over 26 years of publishing history in Hong Kong.

Given the strong brands and the presence in market for more than 25 years, the Media Group has a well established network of advertisers, especially in the categories of luxury retail and fast moving consumer goods ("FMCG"), an area which the existing media business of the Group does not cover effectively, such as cosmetics and beauty brands, fashion, jewelry and watches, motor brands, gadgets and electronics, pharmaceuticals, toiletries and a wide range of FMCG products. The strong relationship with the advertisers from different sectors spans spending in multiple media platforms and related marketing services, and will be of help, which is otherwise not available to a start-up business, for the digital operations of the Media Group to secure jobs and, hence, generate revenue in its early stage of operations. This will facilitate the growth of the digital operations.

As a well-established local media group, the Media Group has extensive editorial networks, which allows it to connect with interviewees (corporates or individuals), contributors, KOLs and other content providers, and the ability to produce premium quality editorial contents. Furthermore, the Media Group has developed the content creation ability not only in print form but also for digital platforms, social media, video channels, as well as client-servicing abilities in terms of digital creative services.

As discussed above, the media brands owned by the Media Group are long established brands and, therefore, the circulation and readership base have strong extensive foundations. Such brands primarily target at affluent men and women between the ages of 25-35 years with a wider catchment age range of 20 – 50 years. In particular, the subscription base of the media brands is broad, with specific corporate channels that allow the Media Group to command a wide but high quality profile readership base. The Media Group also commands a loyal social media fanbase and membership base. Given the combined reach of the Media Group's print readership, digital audience base, and membership base, it is well positioned to engage and mobilise such end-consumer base for different marketing activities and campaigns.

As the Media Group went through a transformation in its business model by investing in the development of a new integrated media platform, its revenue model and revenue mix also progressed, with digital representing a more significant proportion of revenues as compared to the beginning of the period under review. The Media Group is ready, and has started, to provide fully integrated services, which combine the services rendered by both the traditional and digital media, to its advertisers and fully integrated experience to its target audience and readers.

It was disclosed in the valuation report in Appendix VI to this circular that, before taking into account the input from the Company after Completion, Whizkids was expected to generate negative cash flows throughout the forecast period and, therefore, assigned a nominal value. The Company intended to seek/bridge business alliances/partnerships with not only the educational institutes but also the corporations in commercial sector (through the Company's own corporate client network) to explore other business opportunities by Whizkids' ability to produce relevant contents and engage such target audience through its platform, both online and offline, and, where possible, enhance the contents of the platform. Among others, digital business, events and projects would benefit from a broader network. Also, the abovementioned business alliances may help to improve the total combined offering of Whizkids and, hence, the Media Group. Other alternatives, which the Company may pursue, include, but not limited to, merging or assimilating Whizkids or the digital assets thereof with/into JESSICA Baby and/or JTV if the efforts to implement the above turns out to be not satisfactory. The demographic groups at which Whizkids currently targets are different from that of the other titles. All in all, it is the Company's present intention to ride on Whizkids' existing access to such demographic groups and its contents, archives and business contacts to pursue business opportunities in the relevant areas.

Given that the forecasted loss for each of the years in the period from 2018 to 2022 is not significant and the actions which the Company will take after Completion are expected to improve the situation, the Company's plans for the future development of Whizkids was not expected to have significant impact on the other businesses of the Group and the Media Group. Should the attempts to turn around the business be unsuccessful, the Company does not rule out the possibility of ceasing or disposing of the business of Whizkids.

As mentioned in the above, the New Acquisition is a move to pursue a fully integrated business model, which encompasses financial services and media, providing a full range of value added services to its end clients in Hong Kong and ultimately in China to tap into the digital market. The Media Group through its digital assets will seek to expand its presence and brand awareness in the China market and other Chinese-language markets. In addition to the role of an entrance to the digital market, where the Group proceeds with the New Acquisition, the Media Group will also play an active role in promoting the corporate identity of the financial services, financial media and FPR arms of the Group through the various channels on its integrated platform, which will help in the modernization thereof. Further, after the Completion, the Enlarged Group will be in a better position to offer more comprehensive customized service packages to its clients, which better suit their needs in terms of channel coverage, pricing or otherwise, as a one-stop-shop. Also, the accumulation of the readership, audience and membership bases as well as the fanbase over time, which will further strengthen the Enlarged Group's ability to engage and mobilize target audience, and possible collaborations with the various business partners as the Enlarged Group rolls out its operations in the digital market may give rise to new business opportunities in future.

Outlook of the Media Group business

The Media Group went through extensive restructuring process to become a light-weight operation while refocusing resources and efforts towards digitalization of the business in terms of product and service set in order to better position itself in the competitive media industry. During the ten months ended 31 October 2017, the overall operations of the Media Group saw its operational loss gap close when comparing the business of the active titles during the same period only. It is expected that the Media Group will continue in improving its revenues generated from the uptrending digital media and its integrated-marketing services (the total marketing solutions provided to advertisers including digital, print, events, customer-relationship management services and other marketing services such as contract publishing, creative agency services, etc.) such that the business will turn profitable, and at the same time continue to expand its audience base and revenue sources.

While the business previously focused on print products, the product and service offering now is a multi-touchpoint media platform, in print, digital, events, marketing communications strategy, thereby providing a 360 degree solution to the advertisers and corporate clients, while meeting the interests and needs of the target audience.

The Media Group is well positioned to develop other media products and platforms, which complement existing products, based on the established media brands to further fortify the reach and influence of its media brands. Among the Chinese language communities, the Greater China market, which is far bigger than the local market, is a key target of the Media Group (and also for the financial services business), in which it intended to capture the eyeballs and consumers. Notwithstanding the competition from the digital channels, the print media operations, which has strong brand equity and the ability to produce high quality content and serves as a potent springboard for the future growth of its digital platforms and, hence, the revenue therefrom, will continue to be at the core of the media target Group in the foreseeable future. Although the forms in which the content take have expanded, the market recognition of the media brand and the ability to produce high quality content remain the key to success of a media brand. With more media platforms to disseminate contents, the Media Group has more opportunities to promote its brands and tap into both the younger and more mature audience markets through various digital channels.

With a strong database, big data its own ecosystem developed, the Media Group is well positioned to engage and mobilize the relevant user bases from online to offline and command a wide spectrum of advertising support in different markets, and further down the road, explore other business opportunities riding on this consumer knowledge and direct database.

The advertisers have become more confident about investing in online and mobile marketing. The spending on digital advertising in Hong Kong is projected to surpass expenditure on traditional media campaigns for the first time in 2017*[1]. The latest annual survey conducted by the Hong Kong Advertisers Association and Nielsen[2] found that Hong Kong's 100 major marketers plan to spend, on average, about 51 per cent of their budget on digital advertising and 49 per cent on traditional media campaigns, as compared to 42 per cent, and 58 per cent in the same survey in the previous year. Weighed down by the weak local economy, total advertising spending in Hong Kong fell 9 per cent in 2016 to HK$41.6 billion, as compared to HK$45.8 billion in 2015[3]. However, we saw a sign of rebound in the local retail market from March 2017 onwards. This may echo to the local advertising market. However, digital campaigns are forecasted to make up 20.4 per cent, worth US$616.8 million, of total advertising expenditure in Hong Kong this year[4], as compared to 18.4 per cent share, estimated at US$560.8 million in 2016.

With data-driven technology, where the Group proceeds with the New Acquisition, the Media Group together with the Group's financial media businesses, will be able to offer a complete one-on-one user experience to each individual consumer and audience from online to offline. Such targeting ability provides a platform for an enhanced ecosystem to capture all audiences, not just in Hong Kong, but also including all Chinese-language markets, providing a springboard platform for future business development opportunities. The ability to target and engage target customers is a highly important leveraging factor in the world of e-commerce.

In line with the Company's business strategy as referred to in the sub-section headed "Business plan of the Group" of this section above, the Board believes that considering the popularity and widespread reach of the media assets produced by the Media Group, the New Acquisition may create various business opportunities for the Group including relationship-building across various business lines and also enable it to provide value-added services to its existing clients. Through the media platform and by utilizing the significant audience and readership base (i.e. unique users and page views) and circulation reach, broad customer base database, as well as big data of the Media Group, the Group will also be able to broaden and better customize its scope of product and services offerings.

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1 Source: South China Morning Post http://www.scmp.com/tech/enterprises/article/2071134/hong-kong-digital-ad-spending-top-traditional-media-first-time-2017

2 Nielsen, http://www.nielsen.com/hk/en/press-room/2017/online-advertising-spend-is-expected-to-surpass-offline-advertising-for-the-first-time-ever.html

3 admango an industry recognized advertising monitoring company that monitors advertisements, together with ad spend, in Hong Kong every day

4 eMarketer: https://www.emarketer.com/Article/Advertisers-Expect-Hong-Kong-Digital-Ad-Spending-Surpass-Offline-2017/1015295

Besides the future possible business opportunities in the digital world which the Group may explore in the long-run riding on the digital platform developed by the Media Group (if the Group proceeds with the New Acquisition), one of the short to medium term objectives of the New Acquisition is to combine the respective strengths of the Group, which is currently engaged in financial services and financial media business, and the Media Group, in order to capture the mutually beneficial aspects of each business and share resources for the common functions of the same. In this way both the Group and Media Group can leverage a wider client audience and apply better resourced solutions as well as create and maximize synergies.

The Media Group's corporate clients (i.e. the advertisers) are largely different but highly complementary to that of the Group's financial media business, and the Board believes that this will create opportunities for upselling across the different media platforms for more comprehensive service set to the existing clients of the financial media business of the Group and the Media Group, as well as broaden the business opportunities with potential corporate clients which, if standing alone, neither would be able to achieve. Such potential corporate clients of the media business would, in turn, become the potential clients of the FPR and other related services as such corporate clients grow and develop in their life cycles.

The combination of the Group's FPR and financial media businesses and the services provided by the Media Group distinguishes the positioning of the Group as a full-fledged corporate marketing and financial public relations consultancy service supplier and creates a comprehensive and competitive service set to its existing and potential clients, widening the Group's revenue sources.

As a result of the New Acquisition (subject to the Independent Shareholders' approval), the new entity would be able to serve both sets of clients and offer more holistic solutions and strengthen and enhance the cost efficiency in the functions common to both the existing financial media and FPR business of the Group and the operations of the Media Group and improve the management structure of the Enlarged Group. The Enlarged Group would be able to offer a greater range of products and services, capturing a greater consumer base than it would as individual entities. Internally, the Enlarged Group would also benefit from the sharing of resources and knowledge in dealing with the advertisers or other clients focusing on different sectors.

Prospects of the Group

In 2016, the Group expanded new business teams including asset management and money-lending, to further develop our market and business horizons, broadening the scope of our financial services offerings. In line with the Group's overall mission as a distinctive "one-stop services" financial institution, the recent acquisition of the companies engaged in the publication of "Capital" series magazines is expected to create synergy to the FPR businesses and current businesses of the Group by offering tailor-made marketing communication solutions to existing and potential customers with the renowned media platform.

After the completion of the Previous Acquisition in January 2017, the Group has commenced its integration plan with the companies so acquired in the Previous Acquisition (the "Previous Acquisition Group") by drawing the strengths of the Group and the Previous Acquisition Group together to, amongst others, make use of the platform of the Previous Acquisition Group via the Previous Acquisition Group's publication of magazines, event management and marketing services to build and develop the FPR business leading the Group to be an one-stop shop financial services provider. A notable remark is the launch of the Capital website in August 2017 utilizing the synergy created between the Group and the Previous Acquisition Group and leveraging their respective strengths for consumers to subscribe the publication of Capital magazines on-line on economies of scale.

Such integration activities will not only allow the Group to diversify its revenue streams but also enhance further synergy on the asset management business of financial services by allowing the Group to be in contact with the high-net-worth individuals for their obtaining financial services of the Group. The Group will continue to enhance its publicity and brand awareness to capture potential business opportunities.

The New Acquisition will allow both the Group and the Media Group reduce their costs and overheads through shared marketing budgets, increased purchasing power and lower costs as well as cost optimization through the sharing of resources in common functions.

The Group aims to bridge the services provided by its FPR business with the companies acquired under the New Acquisition in order to expand its scope of services to corporate clients as a whole after Completion. The ability to produce branded content, the content archives as well as the audience and readership of the financial media business and the business of the Media Group combined, will, through data-driven technology, enable the Group to develop customized products which meet the needs of consumers more precisely, and target desired client groups more precisely. The combined services of the FPR, the financial media business and the business of the Media Group would further enhance and distinguish the positioning of the Group, as enlarged by the Media Group, as a full-fledged corporate marketing and financial public relations consultancy service supplier, and create a more comprehensive and competitive service set.

The acquisition of Media Group is aimed at enhancing the Group's ability to target retail clients, which now are highly driven by pricing, technology, service set and brand loyalty. We believe that the Media Group will be able to support the service set and enhance brand loyalty towards this target group of customers, and in themselves already have strong retail market audience base, which the Group aims to convert into its retail clients on its e-commerce/e-trading platform, introducing all of its range of retail-client oriented financial services, including brokerage services, wealth management services, asset management services, etc.,

More importantly, the consumer-oriented audience base and readership of the print and digital assets of the Media Group would enable the Group to target a wider retail-market audience as compared to the financial media business which is targeted at corporate clients and high net worth individuals. The ability to target and engage retail-market audience through the use of data-driven technology, will enable the Group to further develop its consumer-oriented e-commerce strategy via the existing membership, subscription and other databases.

With an asset-light business and growth opportunities in terms of digital advertising, customer relationship management value-added services, targeted marketing, as well as being able to leverage on business opportunities with the financial services division and the finance media business division, the Media Group are well in the position to assist the Group in achieving its long term goal of delivering a consumer-oriented e-commerce model in the future.

Furthermore, with more in depth knowledge of the media and a professional knowledge of the financial services industry's products and processes, we would be able to apply our talent for editorial, tone and relevance to our products and ensure the maximum impact and positioning is achieved for clients' communications. In the medium to long term, the Group would therefore be better positioned to provide holistic services to clients on their investments and to create long lasting business relationships with them.

It is of our view that the intangible influence of having a media voice and multi-media platform to communicate with and connect to corporations and consumers are invaluable, and shall provide multi-faceted opportunities to the Group in creating more business opportunities and expanding the Group's revenue sources going forward.

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2017 (the "**Unaudited Pro Forma Financial Information**") of South China Financial Holdings Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") and Perfect Riches Limited (the "**Target Company 1**"), Super Bellax Ltd. (the "**Target Company 2**"), Great Ready Assets Limited (the "**Target Company 3**") and Jade Fountain Limited (the "**Target Company 4**") (collectively refer to as the "**Target Companies**") (together with the Group hereinafter collectively referred to as the "**Enlarged Group**") which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of the entire issued share capital of the Target Companies (the "**New Acquisition**") as if it had taken place on 30 June 2017.

The Unaudited Pro Forma Financial Information are prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as set out in the Group's published interim report dated 31 August 2017, the audited consolidated statement of financial position of each of the Target Companies and their respective subsidiaries (collectively refer to as the "**Media Group**") as at 31 October 2017 as set out in the Accountants' Report on each of the Media Group set out in the Appendix II to this Circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes. A narrative description of the pro forma adjustments of the New Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained has the New Acquisition been completed on 30 June 2017, nor purport to predict the Enlarged Group's future financial position of operations.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months period ended 30 June 2017, the Accountants' Report on each of the Media Group as set out in the Appendix II to this Circular, and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the New Acquisition been completed as at 30 June 2017 or at any future date.

Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

	The Group as at 30 June 2017 (Unaudited)	Target Group 1 as at 31 October 2017 (Audited)	Target Group 2 as at 31 October 2017 (Audited)	Target Group 3 as at 31 October 2017 (Audited)	Target Group 4 as at 31 October 2017 (Audited)	Media Group as at 31 October 2017	Sub subtotal	Pro Forma Adjustments (Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	Enlarged group as at 30 June 2017 (Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*			*(Note 3(i))*	*(Note 3(ii))*	*(Note 3(i) & 3(iii))*	*(Note 3(ii))*	*(Note 4)*	
NON-CURRENT ASSETS													
Property, plant and equipment	2,599	631	–	1	14	646	3,245						3,245
Investment properties	440,000	–	–	–	–	–	440,000						440,000
Intangible assets	6,764	–	–	–	–	–	6,764						6,764
Goodwill- Capital	14,065	–	–	–	–	–	14,065						14,065
Goodwill- Media	–	–	–	–	–	–	–				84,000		84,000
Available-for-sale investments	35,949	–	–	–	–	–	35,949						35,949
Other assets	9,175	–	–	–	–	–	9,175						9,175
Investments in subsidiaries	–	–	–	–	–	–	–	15,000			(15,000)		–
Investments in associates	–	–	–	–	–	–	–						–
Long terms loans receivable	11,405	–	–	–	–	–	11,405						11,405
Long term prepayment and deposits	1,223	–	–	–	–	–	1,223						1,223
Total non-current assets	521,180	631	–	1	14	646	521,826						605,826
CURRENT ASSETS													
Financial assets at fair value through profit or loss	489,961	–	–	–	–	–	489,961						489,961
Loans receivable	283,315	–	–	–	–	–	283,315						283,315
Trade receivables	229,819	1,920	–	343	5,971	8,234	238,053						238,053
Other receivables, prepayments and deposits	46,508	201	–	171	667	1,039	47,547	(15,000)					32,547
Derivative financial instruments	422	–	–	–	–	–	422						422
Due from Related Party	–	11,689	–	855	95,684	108,228	108,228			(108,228)			–
Pledged time deposits	500	–	–	–	4,900	4,900	5,400						5,400
Cash held on behalf of clients	577,470	–	–	–	–	–	577,470						577,470
Cash and bank balances	218,370	15	–	1	339	355	218,725				(8,889)		209,836
Tax recoverable	2,165	–	–	–	199	199	2,364						2,364
Total current assets	1,848,530	13,825	–	1,370	107,760	122,955	1,971,485						1,839,368

	The Group as at 30 June 2017 (Unaudited) HK$'000 (Note 1)	Target Group 1 as at 31 October 2017 (Audited) HK$'000 (Note 2)	Target Group 2 as at 31 October 2017 (Audited) HK$'000 (Note 2)	Target Group 3 as at 31 October 2017 (Audited) HK$'000 (Note 2)	Target Group 4 as at 31 October 2017 (Audited) HK$'000 (Note 2)	Media Group as at 31 October 2017 HK$'000	Sub subtotal HK$'000	Pro Forma Adjustments (Unaudited) HK$'000 (Note 3(i))	(Unaudited) HK$'000 (Note 3(ii))	(Unaudited) HK$'000 (Note 3(i) & 3(iii))	(Unaudited) HK$'000 (Note 3(ii))	(Unaudited) HK$'000 (Note 4)	Enlarged group as at 30 June 2017 (Unaudited) HK$'000
CURRENT LIABILITIES													
Client deposits	620,996	–	–	–	–	–	620,996						620,996
Trade payables	48,085	9,080	–	2,929	22,618	34,627	82,712		(8)				82,704
Other payables and accruals	18,763	3,084	–	1,501	4,708	9,293	28,056		(27)			3,100	31,129
Derivative financial instruments	20,456	–	–	–	–	–	20,456						20,456
Interest-bearing bank borrowings	390,547	–	–	–	31,587	31,587	422,134						422,134
Due to Related Party	–	511,191	26	9,710	5,911	526,838	526,838		(5,780)	(521,058)			–
Tax payables	4,115	12	–	–	–	12	4,127						4,127
Total current liabilities	1,102,962	523,367	26	14,140	64,824	602,357	1,705,319						1,181,546
NET CURRENT ASSETS/(LIABILITIES)	745,568	(509,542)	(26)	(12,770)	42,936	(479,402)	266,166						657,822
TOTAL ASSETS LESS CURRENT LIABILITIES	1,266,748	(508,911)	(26)	(12,769)	42,950	(478,756)	787,992						1,263,648
NON-CURRENT LIABILITIES													
Interest-bearing bank borrowings	131,169	–	–	–	–	–	131,169						131,169
Deposits received and other payables	3,516	–	–	–	–	–	3,516						3,516
Deferred tax liabilities	30,339	–	–	–	–	–	30,339						30,339
Total non-current liabilities	165,024	–	–	–	–	–	165,024						165,024
Net assets/(liabilities)	1,101,724	(508,911)	(26)	(12,769)	42,950	(478,756)	622,968						1,098,624

Notes

(1) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as set out in the Groups' published interim report dated 31 August 2017.

(2) The amounts are extracted from the Accountants' Reports on the Media Group as set out in the Appendix II to this Circular.

(3) The adjustment represents:

(i) The investment cost for the acquisition is equivalent to the cash consideration of the New Acquisition amounting to HK$15,000,000 subject to cash adjustment provided in Clause 8 "Adjustment to Consideration" of the Sale and Purchase Agreement executed on 14 July 2017 (the "**New Agreement**"). The cash consideration was satisfied by cash in full and the deposit and partial payment of HK$10,000,000 settled and paid on 31 March 2017 and the second payment of HK$5,000,000 of the Media Consideration on 31 May 2017, totaling HK$15,000,000, as contemplated in the Original Agreement, which would otherwise be refundable pursuant to the Original Agreement upon termination thereof according to the Termination Agreement dated 14 July 2017, shall immediately be applied to settle and regarded as payment for the Consideration (before adjustment thereto pursuant to the New Agreement, if any) in full pursuant to the New Agreement. For the purpose of this Unaudited Pro Forma Financial Information, the Vendors of the Target Companies are presumed to be able to deliver the Media Group with the Media Consolidated Net Liabilities in the amount same as the Undertaking Amount of HK$69,000,000 as contemplated in the above Clause or otherwise shall trigger a cash adjustment to the Consideration. The aggregate amount of net liabilities of the Media Group according to the Accountants' Reports before putting through pro forma adjustments in *Notes 3(ii) and 3(iii)* are HK$478,756,000.

For the purpose of preparing this Unaudited Pro Forma Financial Information, the Related Party Loans are assumed to be settled on 30 June 2017 for the New Acquisition purposes. The aggregate amounts due to a fellow subsidiary, parent company and related companies as at 31 October 2017 amounted to approximately HK$526.8 million, of which approximately HK$5.8 million would be transferred out upon disposal of Jessica Foundation and the balance would be further reduced by offsetting against the aggregate amounts due from a fellow subsidiary and a related company of approximately HK$108.2 million. This results in the remaining balance of the aggregate amounts due to a fellow subsidiary, parent company and related companies of approximately HK$412.8 million, which as procured by the Media Vendors, would be waived by the relevant parties. As a result, the Media Consolidated Net liabilities would thereby be adjusted down to net liabilities of HK$60.1 million on Completion, thereby triggering a cash adjustment to the Consideration in view of Media Combined Net Surplus. Pursuant to the Clause "Adjustment to the Consideration" of the New Agreement, the cash adjustment to the Consideration would amount to approximately HK$8.9 million, representing the difference between the Media Consolidated Net Liabilities and the Undertaking Amount of HK$69 million.

	HK$'000
Media Consolidated Net Liabilities as per Accountants' Reports	**478,756**
Less:	
Gain on disposal of Jessica Foundation *(Note 3(ii))*	**(5,815)**
Waive of the loans owing by any member of the Media Group to Related Party	**(412,830)**
Media Consolidated Net Liabilities as per Unaudited Pro Forma Financial Information	**60,111**

In consideration of the foregoing analysis and the financial effects of the unaudited pro forma adjustments, the Media Consolidated Net Liabilities on the Completion would be estimated to be HK$60,111,000, cash adjustment to the Consideration of HK$8,889,000 would thereby be expected to be made. Since the Media Consolidated Net Liabilities on the Completion may be different from the amount of the Media Consolidated Net Liabilities based on the accountants' reports on the Media Group as at 31 October 2017, the amount of cash adjustment to the Consideration to be settled may be materially different from this Unaudited Pro Forma Financial Information analysis;

(ii) Jessica Foundation Limited ("**Jessica Foundation**") and Jessica Charitable Foundation Limited ("**JCF**") (collectively refer to as the "**Disposed Entities**") are the wholly owned subsidiaries of Target Company 4, Jade Fountain Limited. Pursuant to the New Agreement, the Media Group shall undergo the Reorganisation in 2 phases. Target Company 4, under phase (1) of the Reorganisation, will complete the disposal of the entire issued share capital of Jessica Foundation at cost to party(ies) as Vendor 4 may designate prior to the

Completion and, under phase (2), will take all actions to cease and withdraw as member of JCF (a company incorporated in Hong Kong with limited by guarantee of which Target Company 4 is the sole member as at 31 October 2017), if the withdrawal and cessation have not been completed upon the Completion, on and before 31 December 2017 or any other date as the Purchaser and Vendor 4 may mutually agree in writing. For the purpose of this Unaudited Pro Forma Financial Information, the disposal of the Disposed Entities have assumedly completed as at 31 October 2017. The statements of the Disposed Entities as at 31 October 2017 are analysed as follows:

	HK$'000
Assets and Liabilities	
Cash and bank balances	–
Trade payables	(8)
Other payables	(27)
Amount due from/(to) Related Party	(5,780)
Net liabilities	**(5,815)**
Equity	
Share Capital	–#
Reserves	(5,815)
Total equity	**(5,815)**

\# Represents the amount less than HK$1,000

Disposal of Jessica Foundation at cost would result in a gain on disposal of HK$5,815,000 to the Media Group. Withdrawal and cessation of membership from JCF would pose no financial effect to the Media Group.

(iii) Pursuant to one of the Conditions Precedent contemplated under the New Agreement, the Completion is conditional upon, among others, settlement of all the loans owing by any member of the Media Group to the Related Party by any means, such as by cash, assignment, capitalisation, wavier or otherwise. For the purpose of this Unaudited Pro Forma Financial Information, the loans owing by any member of the Media Group to Related Party are assumed to be waived via the Vendors of Target Companies as shareholder's contribution to each of the Target Companies, if any; and

(iv) The identifiable assets and liabilities of the Media Group acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value by acquisition method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business combinations" issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of the Unaudited Pro Forma Financial Information, the fair values of the identifiable tangible assets and liabilities of the Media Group as at 30 June 2017 were determined on the assumption that the fair values of the identifiable tangible assets and liabilities of the Target Companies and their subsidiaries approximated to their carrying amounts as at 31 October 2017. The Media Consolidated Net Liabilities, which represent the combined consolidated tangible assets less consolidated liabilities of the Target Companies and their subsidiaries, after the adjustment to Consideration will effectively be a constant of HK$69 million, which amount will not change by the lapse of time. The Media Consolidated Net Liabilities will remain HK$69 million effectively whenever the completion of the New Acquisition takes place. Depending on the then market conditions and available information, the fair values of the separately identifiable intangible assets as at the completion date of the New Acquisition may be different from their fair values as at 30 June 2017. This, however, has no impact on with the Media Consolidated Net Liabilities.

For the purpose of this Unaudited Pro Forma Financial Information and for illustration purpose, the recognition of goodwill arising from the Acquisition is analysed as follows:

	HK$'000
Consideration and adjustment to the Consideration *(Note 3(i))*	23,889
Less:	
Fair value of the identifiable net liabilities to be assumed *(Note 3(ii))*	(60,111)
Goodwill	84,000

Separately identifiable intangible asset (if any) was treated as goodwill and not accounted for separately in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as the maximum possible amount so treated as goodwill in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, which is the same as the amount of goodwill carried in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, was considered to be immaterial as compared with the pro forma consolidated total assets of the Enlarged Group. Notwithstanding the above, after completion of the New Acquisition, the Company should ascertain (i) whether the media assets of the Target Companies and their subsidiaries, which mainly comprise contents, data files and archives, constitute separately identifiable intangible asset; and (ii) whether the Target Companies and their subsidiaries have any other separately identifiable intangible asset and, where applicable, determine the fair value(s) of the separately identifiable intangible asset(s) so identified for initial recognition purposes. Upon completion of the New Acquisition, such separately identifiable intangible asset(s) (if any) will be recognized under the appropriate intangible asset category(ies) rather than goodwill and, accordingly, the amount of goodwill, which the Enlarged Group will recognize upon completion of the New Acquisition, may be different.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had performed an impairment assessment of the goodwill in accordance with HKAS 36 "Impairment of Assets". Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss will be recognised. An impairment loss recognised for goodwill will not be reversed in a subsequent period. The Directors consider it is fair and reasonable to make the assessment with reference to the valuation report issued by Ascent Partners in Appendix VI and the underlying bases and assumptions adopted. Based on the latest information available to us when preparing the Unaudited Pro Forma Financial Information, the directors are not aware of any goodwill impairment indicator.

After completion of the New Acquisition, the Company will:

(i) subject to compliance with the then applicable accounting standards, apply consistent accounting policies and valuation method; and

(ii) depending on the then circumstances and market conditions, adopt consistent principal assumptions to assess the impairment of goodwill in subsequent reporting periods in accordance with the HKAS 36. The Company's auditor will perform all necessary procedures, which may include the review of the above, in accordance with Hong Kong Standards of Auditing and the then applicable accounting standards when assessing the impairment of goodwill of the Enlarged Group in the future.

(4) The adjustments represented the estimated direct expenses of HK$3,100,000 for the Acquisition and for the purpose of preparation of the Unaudited Pro forma Information of the Enlarged Group.

(5) Apart from the Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions to the Enlarged Group entered into subsequent to 30 June 2017 for the Group and 31 October 2017 for the Media Group.

安永

The Board of Directors
South China Financial Holdings Limited
28th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

Dear Sirs

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of South China Financial Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") and Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited and Jade Fountain Limited (the "**Target Companies**") and their subsidiaries (the "**Media Group**") (together with the Group hereinafter collectively referred to as the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2017 and related notes as set out on pages IV-1 to IV-6 of the circular of the Company dated 9 March 2018 (the "**Circular**") (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the entire issued share capital of the Target Companies (the "**New Acquisition**") on the Group's assets and liabilities as at 30 June 2017 as if the New Acquisition had taken place at 30 June 2017. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017. Information about the Media Group's assets and liabilities has been extracted by the Directors from historical financial information included in the Accountants' Report of the Target Companies as set out in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 ("**AG 7**") *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the New Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the New Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the New Acquisition, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
9 March 2018

EY 安永

The Board of Directors

South China Financial Holdings Limited
28th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

Dear Sirs

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF PERFECT RICHES LIMITED, SUPER BELLAX LTD., GREAT READY ASSETS LIMITED AND JADE FOUNTAIN LIMITED AND THEIR SUBSIDIARIES

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the valuation dated 9 March 2018 prepared by Ascent Partners Valuation Service Limited in respect of Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited and Jade Fountain Limited and their subsidiaries (the "**Media Group**") as at 31 December 2016 is based. The valuation is set out in the circular of South China Financial Holdings Limited (the "Company") dated 9 March 2018 (the "**Circular**") in connection with the acquisition of the Media Group. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

DIRECTORS' RESPONSIBILITIES

The directors of the Company (the "**Directors**") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed "Assumptions and Notes to Valuation'' included in Appendix VI – Valuation Report to the Circular.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Media Group. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

OPINION

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculation of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

9 March 2018

Grande Capital Limited
均富融資有限公司

9 March 2018

South China Financial Holdings Limited
28/F., Bank of China Tower
1 Garden Road
Central, Hong Kong

Attention: The Board of Directors

Dear Sirs,

We refer to the discounted cash flow forecasts underlying the business valuation (the "**Valuation**") prepared by Ascent Partners Valuation Service Limited (the "**Valuer**") in relation to the appraisal of the valuation of Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited and Jade Fountain Limited and their subsidiaries as at 31 December 2016. The Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The details of the Valuation are set out in Appendix VI to the circular of the Company dated 9 March 2018 (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have reviewed the forecasts upon which the Valuation has been made and have discussed with you and the Valuer the information and documents provided by you which formed part of the basis and assumptions upon which the forecasts have been prepared. We have also considered the letter from Ernst & Young dated 9 March 2018 addressed to you as set out in Appendix V to the Circular regarding the calculations upon which the forecasts have been made. We have noted that no accounting policies of the Company have been adopted in the preparation of the Valuation as the Valuation relates only to cash flows.

On the basis of the foregoing, we are satisfied that the forecasts underlying the Valuation, for which you as the Directors of the Company are solely responsible, have been made by you after due and careful enquiry.

Yours faithfully,
For and on behalf of
Grande Capital Limited
Leung Kit Ming
Managing Director

9 March 2018

The Board of Directors
South China Financial Holdings Limited
28/F, Bank of China Tower,
1 Garden Road, Central,
Hong Kong

Dear Sirs,

RE: Valuation of 100% Equity Interest in the Media Target Companies

In accordance with the instruction of South China Financial Holdings Limited (the "**Company**"), we have undertaken a valuation to determine the fair value of 100% equity interest in Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited, and Jade Fountain Limited (collectively known as the "**Media Target Companies**"), as at 31 December 2016 (the "**Valuation Date**").

This report outlines the factors considered, valuation methodology, basis and assumptions employed in formulating our opinion and our conclusion of value.

Ascent Partners Valuation Service Limited ("**Ascent Partners**") is an independent firm providing full range of valuation and advisory services. This report is prepared independently. Neither Ascent Partners nor any authors of this report hold any interest in the Company or its related parties. The fee for providing this report is based on Ascent Partners' normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusions drawn in this report.

1. PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the fair value of the Media Target Companies as at the Valuation Date. This report outlines our latest findings and valuation conclusion, and is prepared solely for the management of the Company for public disclosure purpose.

2. SCOPE OF WORK

In conducting this valuation exercise, we have:

- co-ordinated with the Company representatives to obtain the required information and documents for our valuation;

- gathered the relevant information of the Media Target Companies, including the legal documents, licenses, financial statements, projections, etc. made available to us;

- discussed with the senior management of the Media Target Companies (the "**Management**") and the Company to understand the history, business model, operations, customer base, business development plan and profit forecast, etc. of the business enterprises for valuation purpose;

- carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;

- investigated into the information of the Media Target Companies and their subsidiaries (collectively, the "Media Group") made available to us, assessed the fairness and reasonableness of the assumptions adopted in the preparation of the profit forecast and considered the basis of our conclusion of value;

- designed an appropriate valuation model to analyze the market data and derived the estimated value of the Media Target Companies; and

- compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should be provided to us. We relied on such data, records and documents in arriving at our opinion of value and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Media Target Companies and its authorized representatives.

3. BACKGROUND OF THE MEDIA TARGET COMPANIES

All holding companies under the Media Target Companies are incorporated in British Virgin Island (BVI) with limited liability and wholly-owned by vendors. The operating companies of the Media Group principally engage in media businesses including publication of the print and digital titles (namely, Jessica, Marie Claire (Hong Kong edition), JMen, Whiz Kids Express Weekly, CarPlus and JTV), of which:

- Perfect Riches Limited owns JMen Limited, Car Plus Limited and Whiz Kids Express Weekly Limited, which engage in the publication business of "JMen", "CarPlus" and "Whiz Kids Express Weekly", respectively;
- Jade Fountain Limited owns Jessica Limited and ZYC Holding No. 1 Limited, which engages in the publication business of "Jessica" and "Marie Claire (Hong Kong edition)";
- Great Ready Assets Limited owns Jessicacode Limited, which engages in the business operation of "JTV"; and
- Super Bellax Limited owns a few dormant companies.

Jessica, Marie Claire (Hong Kong edition), and JMen websites were re-launched in late 2015 and early 2016. Since then, the Media Target Companies have extended digital product to capture share from the fast-growing market in digital advertising.

JTV is a video and multi-media focus channel that extends from Jessica brand to capture younger and broader audiences group online. The service launched in late 2016 was providing digital contents to consumer as well as providing digital creative service to advertisers including contents sponsorship, video production, content marketing solutions, and display advertising.

JTV consists a team of creative and production staff to serve video content production and offer creative digital solution to the Media Group and outside potential customers. Product development roadmap of four stages in four years is expected to create a unique digital product to differentiate their positioning from competitors:

- Website re-launching and content reforming was completed in 2016 - building with content open to the public, and providing video content production;
- Content-Lead-to-eCommerce platform was completed in 2017 - building a shopping guide that links user to styling inspiration, product research and purchase referral;
- eCommerce community - building community platform in fashion and beauty that link with eRetails partners in 2018; and
- Mobile engagement - building mobile native app to further strengthen user engagement in 2019 to 2020 and loyalty with the Media Group's production in editorial contents, video broadcast, style shopping, and social community.

4. INDUSTRY OVERVIEW

Publishing Industry in Hong Kong

Hong Kong is a regional publishing centre, backed by a highly developed printing industry. Freedom of expression and a liberal attitude towards the press are important factors attracting a concentration of prestigious international publications in Hong Kong. Many major international publishers of newspapers, magazines and books have their regional offices here. The publishing industry benefits from Hong Kong's excellent communication network. For example, satellite communications enable international publishers to transmit texts and high-quality images to Hong Kong for producing their Asian editions. Hong Kong's publishing industry is adapting to the digitalisation trend, while the electronic book frenzy is sweeping the globe. In 2013, an e-book distribution platform called "Super Book City" was established in Hong Kong.

Hong Kong people are kept well informed by a vigorous media. They have a vast appetite for news and this demand has given rise to a healthy and outward-looking press, radio and television industry that enjoy complete freedom of expression. As at 31 August 2016, there were 52 daily newspapers and 644 periodicals (including a number of electronic newspapers), 3 domestic free television programme service licensees, 3 domestic pay television programme service licensees, 17 non-domestic television programme service licensees, 1 government-funded public service broadcaster, and 3 sound broadcasting licensees.

The availability of the latest telecommunications technology and keen interest in Hong Kong's affairs have attracted many international news agencies, newspapers with international readership and overseas broadcasting corporations to establish regional headquarters or representative offices in Hong Kong. The successful regional publications produced underline its important position as a financial, industrial, trading and communication centre.

The number of Hong Kong registered newspapers as at 31 August 2016 included 25 Chinese-language dailies, 12 English-language dailies (including one in Braille), 10 bilingual dailies and 5 Japanese dailies. Among the Chinese-language dailies, 19 of them cover mainly local and overseas general news; 4 of them specialise in finance; and the rest cover horse racing. The larger papers include overseas Chinese communities in their distribution networks, and some have editions printed outside Hong Kong, in particular in the United States, Canada, the United Kingdom and Australia.

The Chinese mainland's market opening measures after WTO accession are restricted to the formation of Sino-foreign joint-ventures in the publishing business and distribution of publications. Meanwhile, setting up wholly-owned publishing or importing companies on the Chinese mainland remains off-limit to foreign companies, including Hong Kong companies. Hong Kong companies' participation is now mainly focused on entering the market through copyright trade and establishing ties with mainland publishing companies in the importation and distribution fields. The huge potential of the Chinese mainland market is the focus of the world. Hong Kong publishers are at an advantageous position to market China studies to the world. There are growing opportunities for publishers to market trade journals to Western companies which want to establish or expand their presence in the mainland market. However, Hong Kong publishers have been facing challenges such as inadequate talents and difficulty in operating bookstores amid mounting rents.

Hong Kong's publishing industry is adapting to the digitalisation trend, while the electronic book frenzy is sweeping the globe. In 2013, Chinese publishers in Hong Kong including Sino United Electronic Publishing, Commercial Press, Joint Publishing and Chung Hwa Book joined hands to launch an e-book distribution platform "Super Book City", allowing readers to buy e-books and printed books online through mobile applications and web using personal computer. Responding to the growing popularity of electronic reading, the Hong Kong Book Fair 2016 continued to feature a theme zone on e-Books and e-Learning Resources with 16 exhibitors.

Internet Advertising Market

Accompanied by the increasing penetration rate of Internet and mobile device, Internet and digital media are anticipated to grow rapidly. Internet based advertisement has a number of advantages over traditional forms of advertisements, as the former are more accurate, versatile, comprehensive and cost efficient. By using Internet, advertisers may deliver its promotion materials to a specific group of target audience. Moreover, through the implementation of Internet websites and platforms, it is much easier to achieve an outstanding coverage rate regionally, nationally or even internationally. The effectiveness of Internet advertising can also be monitored by information technology tools.

Native advertising, a form of online advertising in which the advertisement is placed with the same form and outline as the platform on which it appears, is gaining popularity among advertisers. This new form of advertising is expected to achieve a greater effectiveness and acceptance among audience.

Internet advertising may take a variety of forms to suit a marketer's purpose. Common forms of Internet advertising include display of advertisement (graphic or video) on websites and social media platforms, search engine marketing as well as e-mail marketing.

In the future, the growth of the Internet advertising market will be driven by an increasing global Internet population, developments in new forms of advertising and emergence of advertising measurement tools that allows advertisers to monitor the effectiveness of a marketing campaign. A part of investments previously made in traditional advertising channels are expected to be gradually extracted and shifted into Internet based advertising channels. As a pioneering advertising market in the world, new and more innovated and diversified forms of advertisements are expected to be developed and implemented in the advertising market. Some of the advertising companies have already started to upgrade their advertisements, especially for online advertisements. For instance, static images have been replaced by video clips and general advertisements in websites have been replaced by dedicated advertisements on social networking mobile apps.

5. ECONOMIC OVERVIEW

Overview of Hong Kong Economy

According to Census and Statistics Department of the Government of the Hong Kong Special Administrative Region (HKSAR), Hong Kong economy picked up slightly to a 1.9% growth in real terms in the third quarter of 2016 over a year earlier, following a 1.7% growth in the preceding quarter. Domestic demand gathered further pace, while external demand also saw relative improvements. On a seasonally adjusted quarter-to-quarter comparison, real GDP expanded further by 0.6% in the third quarter of 2016, following the 1.5% growth in the preceding quarter.

Global economic growth remained modest in the third quarter of 2016, though with the earlier acute risks waning somewhat. With Asia's exports generally stabilising, Hong Kong's total exports of goods made further growth of 1.9% in real terms in the third quarter of 2016 over a year earlier. Meanwhile, exports of services staged a visible improvement, with the year-on-year decline tapering distinctly to 1.8% in the third quarter of 2016, thanks to the stabilisation in regional trade and cargo flows as well as a revival in initial public offering (IPO) activities. On a seasonally adjusted quarter-to-quarter basis, services exports leapt by 1.8% in the third quarter of 2016 after declining for five consecutive quarters.

Domestic demand strengthened visibly in tandem. Supported by favourable employment and earnings conditions, private consumption expenditure regained momentum in the third quarter of 2016, rising by 1.2% in real terms over a year earlier. According to a research report compiled by Hong Kong Trade Development Council issued on 3 July 2017, the value of retail sales, in nominal terms, dropped by 0.7% year-on-year in January to May 2017 but the decline has evidently slowed after a notable decline of 3.7% in 2015 and 8.1% in 2016. Investment expenditure rebounded strongly by 6.0% over a year earlier, after having declined successively for four quarters. Machinery and equipment acquisition reverted to notable growth in the quarter, while overall building and construction works expanded steadily further.

The labour market remained in a state of full employment, displaying remarkable resilience. The seasonally adjusted unemployment rate stayed low at 3.4% in the third quarter of 2016. Employment earnings continued to improve. Total employment grew further in the third quarter of 2016, though with still-weak labour demand in the trade- and consumption-related sectors.

The local stock market was largely buoyant during the third quarter of 2016 alongside the rally in major overseas markets. The Hang Seng Index in early September of 2016 rose to the highest level so far this year, though with some corrections subsequently. The residential property market showed renewed signs of exuberance in the third quarter of 2016, marked by visible increases in both flat prices and trading activities. The increase in flat price was mainly led by mass market flats. The housing affordability ratio also worsened again. The HKSAR Government announced the latest round of demand-side management measure in early November of 2016 to forestall a further build-up in the risk of housing market bubble.

Hong Kong is not only getting richer but also growing in number, with the number of ultra-high net worth people in the city rising to 1,800 or by 14.7%, from a year ago. According to the latest global wealth report published by Credit Suisse, mainland China was ranked second after the US in the number of ultra-high net worth individuals, with their ranks rising by 6.2% to 11,000 individuals so far in 2016. Household wealth in Hong Kong grew by an estimated 8.1% in the same period to US$1.2 trillion, partially thanks to the strengthening of the Hong Kong dollar which is pegged to the US dollar.

Hong Kong has the largest concentration of wealthy population in Asia and is the world's third most popular place to buy a property and live for ultra-wealthy individuals, says a report from Knight Frank. Its wealth report, now in its eleventh year, has re-evaluated its criteria and created its own city wealth index in 2017.

Forecast of Hong Kong Economy

Looking ahead, the global economy, having stabilised from the acute start of the 2017, is expected to remain on a modest growth track in the near term. The USA economy has gathered pace in recent quarters and the PRC economy is firmly on track to achieve solid growth in the rest of 2017. The relative stabilisation in global demand should render some support to Asia's trade and Hong Kong exports. Services exports would also benefit in tandem. Should the recent relative improvement in inbound tourism gain more traction, the recovery in services exports would hopefully be on an even firmer footing.

Domestic demand has remained resilient thus far and should continue to provide support to the economy in the rest of 2017. Full employment and favourable income conditions would provide the key positive factors underpinning consumption growth. Meanwhile, hectic infrastructure works, coupled with solid growth in private construction activity, should also render impetus to overall economic growth. Moreover, the latest survey indicated that overall business sentiment among large enterprises has improved somewhat of late, though the small and medium-sized enterprises remained somewhat cautious.

Solid economic foundation in the city, coupled with the cyclical upturn in China's economy and uptick in overall economic sentiment will play a key role in supporting growth in retail and consumer products sector, propelling buying spree for branded fashion, apparel and accessories, beauty and personal care and luxury merchandise. Beyond these cyclical factors, more structural policies implemented by Hong Kong Government, such as policies to promote tourism by diversifying the tourist base from the countries other than mainland China as well as infrastructure projects to further develop airport and cruise port facilities and other nearby development, will help to broaden the demand base for the retail and consumer products sector in Hong Kong. PwC in their 2016 report on retail and consumer products sector forecast a CAGR of 2.1% in Hong Kong's retail and consumer products sector from 2016-2020. Despite expected uneven and volatile growth, total retail sales were forecast to rebound starting in 2017 after declines in two consecutive years in 2015-2016, reaching year-on-year growth of 4.6% in 2019.

6. BASIS OF VALUATION

Our valuation was carried out on a fair value basis. Hong Kong Financial Reporting Standard (HKFRS) 13 Fair Value Measurement defines fair value as *"the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date"*.

7. BASIS OF OPINION

We have conducted our valuation with reference to International Valuation Standards issued by International Valuation Standards Council ("IVSC").[1] The valuation procedure includes review of the financial and economic conditions of the subject businesses, an assessment of key assumptions, estimates, and representations made by the Media Target Companies. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartial, independent, and unbiased.

The following factors also form a considerable part of our basis of opinion:

- assumptions on the market and on the subject businesses that are considered to be fair and reasonable;
- financial performance that shows a consistent trend of the operation of the subject businesses;
- consideration and analysis on the micro- and macro-economic factors; and
- analytical review of the subject businesses.

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

[1] The IVSC has been in existence for more than 25 years. Its origins were in the need identified by a number of professional bodies from around the world for uniformity in the valuation approaches used in financial markets. Over the past decade it has evolved and expanded and now produces standards for many types of assets, including plant and equipment, intangible assets and businesses. The International Valuation Standards are already recognised and accepted by a wide range of organisations including the UK Financial Services Authority, the Hong Kong Securities and Futures Commission, the Securities and Exchange Board of India and the European Public Real Estate Association amongst others. IVSC has also worked in liaison with the International Accounting Standards Board (IASB) in producing guidance on valuations required under IFRS, an increasingly important need as IFRS is adopted in more a states.

8. SOURCES OF INFORMATION

In conducting our valuation of the subject asset, we have considered, reviewed and relied upon the following key information provided by the instructing party and from public.

- Overview of the business nature of the Media Target Companies and its subsidiaries;
- Discussions with the Management;
- Historical financial reports of the Media Target Companies;
- Financial projection provided by the Media Target Companies;
- Publications and private research reports regarding the industries; and
- Bloomberg database, Hong Kong Stock Exchange, Hong Kong Monetary Authority and other reliable sources of market data.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this valuation. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company.

We also conducted research using various sources including government statistical releases and other publications to verify the reasonableness and fairness of information provided and we believe that the information is reasonable and reliable.

Our opinion is based upon existing economic, market, financial and other conditions which can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

9. VALUATION APPROACH AND METHODOLOGY CONSIDERED

In carrying out this valuation exercise, we have considered the following approaches and methodologies:

Cost Approach – The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Unlike market and income approaches which incorporate either market sentiments or future earnings capacity of an asset as a function to determine its current value, cost approach considers the fundamental cost that takes to form the asset. In our opinion, this method is inapplicable to the current analysis as there is no convincing association of the market value of the subject asset with its cost.

Market Approach – In this approach, the value of an asset is appraised with reference to market prices of similar assets. A general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect differences in terms, conditions, etc. relative to the market comparative. Assets for which there is an established market may be appraised by this approach.

There are two methods to implement the market approach:

The Guideline Transaction Method – In the first market approach, transaction data for private and public companies is used to compute the value. In this method, a database of buy and sale records of enterprises with financial fundamentals on companies similar to the subject company is used as basis for transaction prices.

The Guideline Public Company Method – In the second market approach, the valuation multiples derived from the market prices and financial data of listed companies in a similar business is used to appraise the subject company.

Income Approach – In the income approach, the value of an asset is the present worth of the expected future economic benefits of ownership. The value of the asset to be valued is developed through the application of the discounted cash flow method to devolve the values of expected future income generated by the asset into a present value.

In this valuation exercise, we believed that the Income Approach would be appropriate and reasonable in the appraisal for determining the fair value of the Media Target Companies, because it eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to its business operation. The fair value of the Media Target Companies has been developed through the application of the weighted average cost of capital (WACC) to discount the free cash flows to the firm (FCFFs).

10. ASSUMPTIONS AND NOTES TO VALUATION

The following assumptions considered, having significant sensitivity effects in this valuation, have been evaluated and validated in arriving at our assessed value.

Other Assumptions and Notes

(a) We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the businesses of the Media Target Companies.

(b) The Media Target Companies currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Media Target Companies, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Media Target Companies.

(c) The senior management of the Media Target Companies has sufficient knowledge and experience in respect of the operation of the Media Target Companies, and the turnover of any director, management or key person will not affect the operation of the Media Target Companies.

(d) The senior management of the Media Target Companies has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Media Target Companies.

(e) The terminal growth rate of 3.00% is derived with reference to the historical average of Hong Kong consumer price index.

(f) The Media Target Companies will be subject to 16.5% of Hong Kong corporate tax according to Inland Revenue Department, which is assumed to remain unchanged throughout the forecast period.

(g) The working capital projection was estimated with reference to the actual working capital turnover days as at the Valuation Date.

(h) The core operation of the Media Target Companies will not differ materially from those of present or expected.

(i) Due to the Media Target Companies is a closely held company which is not marketable, a discount for lack of marketability (DLOM) of 16.11% is applied, with reference to "A Companion Guide to The FMV Restricted Stock Study 2016 Edition" by FMV Opinions, Inc.

Other Assumptions and Notes

(a) Considering the business nature of the Media Target Companies, unlike manufacturing and construction industry, legally binding contracts covering a long period of time are rare. As such, it is impracticable for the Media Group to gather all legally-binding contracts as at the valuation date to fully reflect the future revenue in the forecast period as projected. However, as a result of lapse of time, short-term contracts were accessible to reflect a significant portion of the revenue projection for 2017 (please also refer to (g) below).

(b) It is our common practice to assign a nominal value, is equivalent to zero, to the companies without a positive operating value. Given that (a) the Media Consolidated Net Liabilities (as defined in the letter from the board) will effectively be the Undertaking Amount (as defined in the letter from the board) after the adjustment to the Consideration (as defined in the letter from the board), if any, pursuant to the New Agreement (as defined in the letter from the board); (b) the net liabilities of the company, which fair value was assessed to be nominal, form part of the Media Consolidated Net Liabilities; (c) the future direction of such company is at the discretion of the Purchaser (as defined in the letter from the board) after Completion (as defined in the letter from the board); and (d) it was the intention of the parties to the New Agreement to purchase and sell all the businesses of the Media Group, the valuation was considered to be fair and reasonable. Further, given the assumption that the net assets/liabilities of Media Target Companies as at 31 December 2016 be zero, the company without a positive operating value will have a zero value to the Media Target Companies had it ceased operation on the valuation date and realized its assets and liabilities. From such perspective, the negative values have been taken into account in determining the fair value of the Media Target Companies. Therefore, the fair value of the Media Group on the aforesaid assumption has accounted for the value of the company with negative operating value and the net liabilities of such company as at 31 December 2016 have been dealt with by the undertaking that the Media Consolidated Net Liabilities immediately before Completion shall be the Undertaking Amount.

(c) The business plans were prepared and assumptions for the preparation thereof were adopted with reference to the relevant information of the historical financial statements, in particular those for the recent periods which better reflect the latest business trends as well as cost structure. Such information served as the baseline for growth and trend analysis. The Medea Group has ceased the publication of certain print titles and undertaken a number of internal restructurings in recent years for transformation to an integrated platform with digital service offerings, cost efficiency or otherwise. These have contributed to the improvement in operating results. Given the above, the consolidated financial statements of respective Media Target Companies for the year ended 31 December 2016 or any period prior thereto may not be a good indicator of the current circumstances or the future trends. As such, reference was made to the management accounts of the relevant titles after the aforesaid changes, which better reflect the latest trends. We noted the improvement in operating results in the ten months ended 31 October 2017 as compared with the corresponding period in 2016 from the management accounts of the Media Group operating entities and the accountant's report on the consolidated financial statements of the Media Target Companies. Such improvement in operating results reflects, among others, the full year effect of the cost saving from the cessation of publication of a weekly entertainment title in April 2016, the cost saving from the change of Whizkids Express Weekly from a weekly publication to a bi-weekly publication, the absence of non-recurring pre-operating expenses for the development of JTV and certain digital features as well as the saving from the internal restructurings. The forecasted improvement in operating results in the forecast period as compared with that of the years ended 31 December 2014, 2015 and 2016 and the 10 months ended 31 October 2017 mainly represents the combined effect of the forecasted growth in advertising revenue from projects and events and in digital revenue, the lowered cost base after the internal restructurings as well as the consolidation and rationalization of the titles of the Media Group. We have assessed the business plans, and were of the view that they are reasonable and within the capacity of the Media Group in terms of manpower, experience and industry knowledge to achieve. In addition, we have assessed the guideline listed companies (refer to Appendix II to this valuation report for details) to verify the fairness and reasonableness of the forecasted revenue growth.

(d) The forecasts of the Media Group were compiled based on the business plans and assumptions, which were formulated and prepared by the Media Group, and provided by the Company after its review of the same with due care. We have assessed the fairness and reasonableness of those assumptions including, among others, the following:

Revenue Source	**Assumptions**	**Assessments**
Circulation	Remain constant for the forecast years and a 3% long term growth rate, which represents inflationary adjustment, and was determined with reference to the historical average of Hong Kong consumer price index, thereafter for all titles for terminal value estimation.	For the guideline listed companies, the average of circulation revenue compound annual growth rate (CAGR) from 2011 to 2016 is -3.86%, which is close to the management expectation of remain constant for circulation income.

		3% long term growth rate is close to the average historical growth of Hong Kong consumer price index in 2007-2016.
Advertising	Please refer to Appendix IV of this report for the breakdown of the forecasted advertising revenue.	The average historical revenue growth of advertising segment of the guideline listed companies from 2011 to 2016 is 15.75%. The approximately 4% - 9% aggregate annual growth rate of advertising revenue including run-of-page ("ROP"), cover, project/event of the Media Group operating entities is moderate and prudent when compared to the guideline listed companies' historical revenue growth rate. 3% long term growth rate is close to the average historical growth of Hong Kong consumer price index in 2007-2016.
Digital	Higher revenue growth rate is assumed from 2017 and gradually drop to around 16% in 2022 and then further to 3% as a long term growth rate thereafter to estimate the terminal value for all titles.	For the digital media segment of publishing media guideline listed companies, the median of revenue CAGR from 2011 to 2016 is approximately 22.95%. For the digital media guideline listed companies, the median of revenue CAGR from 2011 to 2016 is approximately 17.74%. Considering the start up stage and existing small revenue base, applying higher growth rates in the first forecast year and the gradual drop in such revenue growth rates to 16% is reasonable and in line with the range of revenue CAGR of guideline listed companies. 3% long term growth rate is close to the average historical growth of Hong Kong consumer price index in 2007-2016.

(e) The forecast was prepared by the Media Group taking into account of its actual results up to October 2017. We have reviewed the figures of that period of time and the forecasts were projected reasonably based on that.

(f) The Media Group has undergone certain phases of internal restructuring and implemented certain cost saving measures since early 2017. We noted from the management accounts for the ten months ended 31 October 2017 the saving in various costs and improvement in operating results as compared with the corresponding period in 2016. In view of the above, we consider that both the cost saving and forecasted revenue growth contribute to the forecasted turnaround in the operating results of the Media Group.

(g) We have assessed the fairness and reasonableness of the assumptions adopted in the preparation of the profit forecast. Owing to the inherent nature of the business, legally binding contracts covering a long period of time are rare. As such, the forecasted revenue were projected based on the performance in the ten months ended 31 October 2017, which better reflects the latest business trends, as well as the business plans of the Media Group rather than legally binding contracts for the relevant services or sales. Although we considered the business plans, assumptions and the forecast to be reasonable, as stated in section 12 headed "Valuation Comments", they are inherently subject to significant business, economic and competitive uncertainties and contingencies, which are beyond the control of the Company, the Media Target Companies and us. Any changes in global political, economic and social conditions, laws, regulations and policies may have significant impacts on the projections of the future income of the Media Target Companies as disclosed in (a) under section 13. The same applies to the other assumptions adopted in the valuation. In addition, the possibility of severe operational incidence, whether it is exogenous or endogenous, cannot be precluded as disclosed in (c) under section 13. In case the actual revenue which the Media Group will record in respective years deviates from the forecast thereof, the fair value of the relevant businesses may be significantly different from the amount stated in section 14.

(h) Given the assumption of zero assets and liabilities as at 31 December 2016, the change in net working capital in 2017 represents the working capital as at 31 December 2017. Therefore, there is a significant change in net working capital in the first year in the forecast period and the use of actual turnover days to determine the estimated net working capital as at 31 December of respective years in the forecast period is fair and reasonable.

(i) As mentioned in the Letter from the Board, the valuation of the Media Group shall be the value of the Media Group as at 31 December 2016 before taking into account the Media Consolidated Net Liabilities as at that date given that the Media Consolidated Net Liabilities is separately dealt with by means of adjustment to Consideration with reference to the difference between the Media Consolidated Net Liabilities as at the Completion Date (as defined in the letter from the Board) and the Undertaking Amount.

(j) In view of the undertaking that the Media Consolidated Net Liabilities immediately before Completion shall not exceed HK$69.0 million, the fair value of the companies derived from the valuation model using the net liabilities of the respective companies as at 31 December 2016 as the opening financial position is not relevant. Had the calculation been done in such manner, which is a relatively common approach, the cash flow effect of the said opening financial position so accounted for in the present value of free cash flow after the discount for lack of marketability would need to be reversed and replaced by the Undertaking Amount attributable to respective entities or, alternatively, there would be assumptions for the Completion Date on which the Media Consolidated Net Liabilities are reduced to the Undertaking Amount and for the manner to reduce the then Media Consolidated Net Liabilities to the Undertaking Amount (e.g. the specific debts to settle) if the net liabilities as at 31 December 2016 were adopted as the opening financial position in the cash flow forecast. These were considered to be judgmental. To minimize the exercise of judgment to the extent practicable, avoid unnecessary complications and better fit into the context of this transaction, the opening financial positions of the respective companies were assumed to be zero and the Media Consolidated Net Liabilities immediately before Completion, which was assumed to be the Undertaking Amount of HK$69.0 million, were deducted from the fair value of HK$106.0 million so derived to assess the fairness and reasonableness of the Consideration. The amount of HK$37.0 million so came up exceeds the Consideration of HK$15.0 million. This implies that the Consideration is less than the fair value of the equity interests of the Media Group. As opposed to treating the Undertaking Amount as the opening financial position and, hence, accounting for the discounted value of the underlying net liabilities, which is less than the face value of the same, in the fair value of the businesses, the Undertaking Amount was deducted from the said fair value in the approach adopted in the valuation and the above comparison. In view of the above, we considered that the approach adopted in the valuation of the Media Group and the assumption of zero opening financial positions, although not being common, and the abovementioned comparison for the assessment of the fairness and reasonableness of the Consideration are reasonable and suitable.

11. ANALYSIS AND VALUATION

As part of our analysis, we have reviewed the information related to this valuation, which is made available to us. We have no reason to doubt the accuracy and fairness of such information on which we have relied to a considerable extent in arriving at our opinion of value.

The income approach is employed, based on the financial projections provided primarily by the Media Target Companies and the Company, to estimate the equity interest in the Media Target Companies. The fair value of the Media Target Companies is developed through the application of the weighted-average-cost-of-capital (WACC) to discount the free cash flows to the firm (FCFFs). The WACC is calculated by taking into account the relative weights of each component of the capital structure. It is computed using the formula below:

$$WACC = W_e \times R_e + W_d \times R_d \times (1 - t)$$

where:
R_e = Cost of Equity
R_d = Cost of Debt
W_e = Weight of Equity Value to Enterprise Value
W_d = Weight of Debt Value to Enterprise Value
t = Statutory Corporate Tax Rate

(a) The WACC is derived from the market data of the following guideline public companies adopted.

For publishing media:

Stock Code	**Company Name**
18 HK	Oriental Press Group Limited
282 HK	Next Digital Limited
423 HK	Hong Kong Economic Times Holdings Limited
426 HK	One Media Group Limited
550 HK	Cinderella Media Group Limited
1105 HK	Sing Tao News Corporation Limited

For digital media:

Stock Code	**Company Name**
543 HK	Pacific Online Limited
603000 CH	People.cn Co Limited
3130 TT	104 Corporation
FENG US	Phoenix New Media Limited
SINA US	SINA Corporation/China
SOHU US	Sohu.com Incorporation

Details of screening process and criteria of these guideline public companies can be found in Appendix II.

(b) As at the Valuation Date, the debt-to-equity ratio is 5.75% for publishing industry and 7.25% for digital media which represents the average debt-to-equity ratio of the guideline public companies extracted from Bloomberg.

(c) The cost of equity, according to the Capital Asset Pricing Model (CAPM), is given by:

Cost of Equity = Risk-free Rate + β_l x Market Risk Premium + Size Premium + Company Specific Risk Premium

where:

- β_l is a measure of the sensitivity of return on equity of the firm to the market risk premium; and
- Market risk premium is the difference between the expected market return, i.e. the expected rate of return on the market portfolio, and the risk-free rate.

(d) The value of β_l is given by:

$$\beta_l = \beta_u + \beta_u \,(1\text{-}t)\,\frac{D}{E}$$

where:

- β_u is a measure of the unlevered sensitivity of return on equity of the firm to the market risk premium;
- t is the statutory corporate tax rate of Hong Kong, which is 16.50%; and
- D/E is 5.75% for publishing industry and 7.25% for digital media, please refer to Section 11 (b).

(e) The resulting costs of equity applied are 14.52% for publishing media and 18.65% for digital media. Respective costs of equity calculation are as follow:

	Publishing Media	**Digital Media**
Risk-free Rate(1)	1.97%	1.97%
Levered Beta (β_l)(2)	0.531	1.085
Market Risk Premium(3)	7.46%	7.46%
Size Premium(4)	3.58%	3.58%
Company Specific Risk Premium(5)	5.00%	5.00%
Cost of Equity	**14.52%**	**18.65%**

Notes:

(1) The 10-years Hong Kong Sovereign Bond Yield as at the Valuation Date is employed as the risk-free rate of Hong Kong because government bonds are regarded as risk-free. This rate, as obtained from Bloomberg, is 1.97%.

(2) 0.531 is the levered beta derived from the average of unlevered beta of 6 guideline public companies in publishing media industries extracted from Bloomberg.

Guideline Public Companies	**Unlevered Beta (β_u)**
18 HK Equity	0.538
282 HK Equity	0.671
423 HK Equity	0.487
426 HK Equity	0.459
550 HK Equity	0.438
1105 HK Equity	0.448
Average of β_u	0.507

1.085 is the levered beta derived from the average of unlevered beta of 6 guideline public companies in digital media industries extracted from Bloomberg.

Guideline Public Companies	**Unlevered Beta (β_u)**
543 HK Equity	0.944
603000 CH Equity	1.083
3130 TT Equity	0.625
FENG US Equity	1.163
SINA US Equity	1.163
SOHU US Equity	1.162
Average of β_u	1.023

(3) The market risk premium of Hong Kong is estimated as 7.46%, using the sum of the market risk premium of the US of 6.90% from Duff & Phelps Valuation Handbook 2016[2] and the country risk premium of Hong Kong of 0.56% from Prof. Damodaran Estimate of Country Risk Premium[3].

(4) A small company risk premium of 3.58% suggested by Duff & Phelps Valuation Handbook 2016, is applied to compensate for the relatively small size of the Media Target Companies.

(5) A company specific risk premium of 5.00% is applied to the computation of cost of equity for the risky factors specific to the Media Target Companies. According to our internal practice, a range of 0%-1% is employed for less risky factor, range of 2%-3% is employed for moderate risky factor and range for 4%-5% is employed for high risky factor. For publishing media, it faces the challenge of turning around from the revenue decreasing trend, and moving into a new business of digital sector, and hence lead to higher uncertainty. High risky factor is therefore adopted for publishing media. For digital media, it is still in its start up stage, and faces huge challenges to establish its market share in the competitive environment. Therefore, high risky factor is adopted for digital media.

(f) The estimated lending rate of 4.18% is adopted as the after-tax cost of debt from 5.00% Hong Kong Prime Rate of HSBC extracted from Bloomberg.

(g) The resulting WACC is found to be 13.96% for publishing media and 17.68% for digital media.

12. VALUATION COMMENTS

As part of our analysis, we have reviewed the financial and business information, such as project documents and other pertinent data concerning the Media Target Companies, provided to us by the Media Target Companies and the Company. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries, and have obtained such further information as is considered necessary for the purpose of this valuation.

The conclusion of value is based on generally accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are regarded by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Media Target Companies, the Company, and Ascent Partners.

[2] Duff & Phelps is a premier independent advisor with expertise in the areas of valuation, corporate finance, disputes and investigations, compliance and regulatory matters, and other governance-related issues. Its clients include publicly traded and privately held companies, law firms, government entities and investment organizations such as private equity firms and hedge funds. Duff & Phelps' nearly 2,500 professionals are located in over 70 offices in 20 countries around the world. In addition, there are quite a number of circulars quoted the Valuation Handbook in the last three years.

[3] Aswath Damodaran is a Professor of Finance at the Stern School of Business at New York University (Kerschner Family Chair in Finance Education), where he teaches corporate finance and equity valuation. He is best known and famous as author of several widely used academic and practitioner texts on Valuation, Corporate Finance and Investment Management. Damodaran is widely quoted on the subject of valuation, with a great reputation as a teacher and authority. He has written several books on equity valuation, as well on corporate finance and investments. He is also widely published in leading journals of finance, including The Journal of Financial and Quantitative Analysis, The Journal of Finance, The Journal of Financial Economics and the Review of Financial Studies. In addition, there are quite a number of circulars quoted the Damodaran Estimation in the last three years.

13. RISK FACTORS

(a) General economic, political and social considerations

Due to the uncertainties in economic situation, there is no guarantee that the expected financial performance will materialize. Any changes in global political, economic and social conditions, laws, regulations and policies may have significant impacts on the projections of the future income of the Media Target Companies. None of these changes can be foreseen with certainty.

(b) Inflation

The concurrent loosening of monetary policies by the central banks in many developed and developing countries pose a significant risk of inflation, which will erode the profitability of the Media Target Companies.

(c) Company specific risk

The performance of the Media Target Companies may be better or worse than the expectation, and the resulting earnings and cash flows can be very different from the Management's estimates. The possibility of severe operational incidence, whether it is exogenous or endogenous, cannot be precluded.

(d) Technological changes

Any changes in the technological developments and advancements may have significant impacts on the projections of the future income of the Media Target Companies. To remain competitive in the industry, the Media Target Companies may be required to make substantial capital expenditures to keep up with technological changes.

(e) Concentration risk

The revenue of the Media Target Companies is heavily dependent on a single business segment. There is no guarantee that this business relationship can be maintained and that the products of the Media Target Companies will remain popular.

14. OPINION OF VALUE

The enterprise value of the Media Group is developed through the application of the weighted average cost of capital (WACC) to discount the free cash flows to firm (FCFF). The enterprise value of the Media Group is then adjusted for operating debts, excess cash and cash equivalents, non-operating assets, and non-operating debts and liabilities to derive the fair value of the equity interest in the Media Group.

Based on our investigation and analysis outlined in this report, we are of the opinion that, at a basis of zero financial position, assuming all assets and liabilities of the relevant companies be zero as at 31 December 2016, the fair value of 100% equity interest in the Media Target Companies is HKD106,000,000 (HONG KONG DOLLARS ONE HUNDRED AND SIX MILLION ONLY) as at 31 December 2016, representing the sum of the corresponding enterprise values of the Media Group disclosed in Appendix III.

Yours faithfully,

For and on behalf of
Ascent Partners Valuation Service Limited

Willam Yuen	**Paul Wu**
Director	Principal
CFA, FRM	*MSc, CMA (Aust.)*

Notes:

1. Mr. Willam Yuen is a Chartered Financial Analyst® charterholder and Financial Risk Manager - Certified by the Global Association of Risk Professionals. He also holds a Master degree of Science in Finance. Mr. Yuen has over 10 years' experience in valuation of business entitles, tangible and intangible assets and financial instruments for private and public companies in various industries.

2. Mr. Paul Wu is a Certified Management Accountant. He also holds a Master degree of Science. He has extensive experience in corporate advisory and valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries. Prior to working in the financial service industry, Mr. Wu had worked as a senior management in world class technology companies.

3. This valuation report is authored by Mr. Raymond Ngan.

APPENDIX I LIMITING CONDITIONS

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation and other pertinent data concerning this valuation made available to us. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper documentation is maintained, and the financial statements and other information give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

3. Ascent Partners shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation unless prior arrangements have been made.

4. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

5. Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the valuation subject.

6. We assume that there are no hidden or unexpected conditions associated with valuation subject that might adversely affect the reported value(s). Further, we assume no responsibility for changes in market conditions after the date of this report.

7. This valuation report has been prepared solely for the use of the designated party. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any other party without Ascent Partners' prior written consent.

8. This report is confidential to the client for the specific purpose to which it refers and is for the use only of the party to whom it is addressed. No responsibility is accepted with respect to any third party for the whole or any part of its contents.

APPENDIX II GUIDELINE PUBLIC COMPANIES

Publishing Media

The Bloomberg database is searched exhaustively for all listed companies in the publishing media business. The business model and product profiles of the short-listed companies are examined in further screening, with the information obtained from the companies' web-sites and/or other reliable sources, if needed. Companies satisfying the following criteria, pertinent to the business operations of the Media Group, are adopted as guideline public companies for the valuation:

a. The companies are principally engaged in the provision of publishing media;

b. the principal business of the companies is located in Hong Kong;

c. shares of the companies are listing on a major stock exchange and have been actively trading for a reasonable period of time; and

d. detailed financial and operational information in respect of the companies are available at Bloomberg Terminal or other publicly available sources.

By studying the Media Group's operations in detail, 6 guideline public companies are adopted:

Guideline Public Company 1: Oriental Press Group Limited (18 HK Equity)

Oriental Press Group Limited, through its subsidiaries, publishes newspapers and magazines. The company also invests in properties and provides building management, finance services, and human resources services.

Guideline Public Company 2: Next Digital Limited (282 HK Equity)

Next Digital Limited is a media company. The company provides newspaper, magazines, and web and mobile content. Next Digital predominately serves customers in Hong Kong and Taiwan.

Guideline Public Company 3: Hong Kong Economic Times Holdings Limited (423 HK Equity)

Hong Kong Economic Times Holdings Limited, through its subsidiaries, publishes the Hong Kong Economic Times, magazines, books, and other publications. The company also provides real time financial information, and operates recruitment advertising and training businesses.

Guideline Public Company 4: One Media Group Limited (426 HK Equity)

One Media Group Limited is a Chinese-language lifestyle media group. The group publishes, markets, and distributes through third-party distributors, Chinese-language lifestyle magazines.

Guideline Public Company 5: Cinderella Media Group Limited (550 HK Equity)

Cinderella Media Group Limited operates media advertising businesses. The company sells advertising in in-flight magazines published by Chinese airlines and recruitment magazines. Through a subsidiary, Cinderella prints books for export.

Guideline Public Company 6: Sing Tao News Corp Limited (1105 HK Equity)

Sing Tao News Corp Limited, through its subsidiaries, publishes newspapers, magazines, books, recruitment media and multimedia contents, and provides print media distribution, media and content services. The company also provides corporate training, broadband content and distribution, E-learning and operates trading.

Digital Media

The Bloomberg database is searched exhaustively for all listed companies in the digital media business. The business model and product profiles of the short-listed companies are examined in further screening, with the information obtained from the companies' web-sites and/or other reliable sources, if needed. Companies satisfying the following criteria, pertinent to the business operations of the Media Group, are adopted as guideline public companies for the valuation:

a. the companies are principally engaged in the provision of digital media;

b. The principal business of the companies is located in Greater China region as a result of a lack of sufficient listed digital media companies located in Hong Kong and the enlargement of geographical location of the companies engaged in relevant businesses is able to provide a broader and meaningful base of guideline public companies for valuation;

c. shares of the companies are listing in a major stock exchange and have been actively trading for a reasonable period of time; and

d. detailed financial and operational information in respect of the companies are available at Bloomberg Terminal or other publicly available sources.

By studying the Media Group's operations in detail, 6 guideline public companies are adopted:

Guideline Public Company 1: Pacific Online Limited (543 HK Equity)

Pacific Online Limited provides Internet content in the PRC. The company operates multiple portal sites that offers content that includes information technology product related content and automobile related content, personal computer games, women lifestyle related topics, and parenting related issues.

Guideline Public Company 2: People.cn Company Limited (603000 CH Equity)

People.cn Company Limited mainly engages in internet advertising, information services, mobile value-added and technical services. The company's main products include original messages, government information services, public opinion research and consulting, mobile news, and ISP services.

Guideline Public Company 3: 104 Corporation (3130 TT Equity)

104 Corporation operates as a job search website. The company offers a forum of job seekers and job providers to advertise and search for job openings in Taiwan.

Guideline Public Company 4: Phoenix New Media Limited (FENG US Equity)

Phoenix New Media Limited is a new media company the provides premium content on an integrated platform across Internet, mobile and TV channels in the PRC. The company enables consumers to access professional news and other information and share user-generated content on the Internet and through their mobile devices.

Guideline Public Company 5: SINA Corporation (SINA US Equity)

SINA Corporation is a global Internet media company operating Chinese-language destination sites. The company offers a network of branded content and services targeting people of Chinese descent worldwide. SINA.com offers online news, entertainment, community, and commerce through web sites that are produced and updated by local teams in the PRC, Hong Kong, Taiwan, and North America.

Guideline Public Company 6: Sohu.com Incorporation (SOHU US Equity)

Sohu.com Incorporation is an online media search and game service group providing comprehensive online products and services on PCs and mobile devices in the PRC.

APPENDIX III BUSINESS MODEL

Profit and Loss Forecast

Perfect Riches Limited

Whiz Kids Express Weekly

Year Ended 31 December	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Circulation Revenue	627	627	627	627	627	627
Advertising Revenue	1,056	1,365	1,547	1,655	1,781	1,925
Digital Revenue	50	240	305	378	457	530
Total Revenue	1,733	2,232	2,478	2,660	2,865	3,082
Circulation Cost	(1,091)	(759)	(797)	(837)	(878)	(922)
Print Cost	(1,913)	(1,755)	(1,842)	(1,934)	(2,031)	(2,133)
Digital Cost	(1)	(2)	(2)	(2)	(2)	(2)
Direct Cost	(3,004)	(2,515)	(2,641)	(2,773)	(2,912)	(3,057)
Indirect Cost	(576)	(605)	(636)	(667)	(701)	(736)
Total Cost	(3,581)	(3,120)	(3,277)	(3,440)	(3,612)	(3,793)
Operating Loss	(1,848)	(889)	(798)	(780)	(747)	(711)
Corporate Tax	–	–	–	–	–	–
Net Operating Loss	**(1,848)**	**(889)**	**(798)**	**(780)**	**(747)**	**(711)**
Tax Loss b/f	21,588	23,437	24,325	25,124	25,904	26,651
Addition in the Year	1,848	889	798	780	747	711
Tax Loss c/f	23,437	24,325	25,124	25,904	26,651	27,361

CarPlus

Year Ended 31 December	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Circulation Revenue	1,471	1,471	1,471	1,471	1,471	1,471
Advertising Revenue	4,881	5,148	5,456	5,809	6,215	6,587
Digital Revenue	520	676	859	1,065	1,288	1,494
Total Revenue	6,873	7,296	7,785	8,344	8,974	9,553
Circulation Cost	(1,208)	(1,268)	(1,332)	(1,398)	(1,468)	(1,542)
Print Cost	(3,739)	(3,926)	(4,122)	(4,328)	(4,544)	(4,772)
Digital Cost	(19)	(20)	(21)	(22)	(24)	(25)
Direct Cost	(4,966)	(5,214)	(5,475)	(5,749)	(6,036)	(6,338)
Indirect Cost	(934)	(979)	(996)	(1,046)	(1,099)	(1,153)
Total Cost	(5,900)	(6,193)	(6,472)	(6,795)	(7,135)	(7,492)
Depreciation	(2)	(18)	(26)	(34)	(36)	(32)
Earnings Before Tax	971	1,084	1,288	1,515	1,803	2,029
Corporate Tax	–	–	–	–	–	–
Net Operating Profit After Tax	**971**	**1,084**	**1,288**	**1,515**	**1,803**	**2,029**
Tax Loss b/f	11,183	10,211	9,127	7,839	6,324	4,521
Utilised in the Year	(971)	(1,084)	(1,288)	(1,515)	(1,803)	(2,029)
Tax Loss c/f	10,211	9,127	7,839	6,324	4,521	2,492

JMen

Year Ended 31 December	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Circulation Revenue	38	38	38	38	38	38
Advertising Revenue	889	911	936	966	1,000	1,038
Digital Revenue	337	438	556	690	835	968
Total Revenue	1,264	1,387	1,531	1,694	1,872	2,045
Circulation Cost	(117)	(123)	(129)	(135)	(142)	(149)
Print Cost	(467)	(491)	(515)	(541)	(568)	(596)
Digital Cost	–	–	–	–	–	–
Direct Cost	(584)	(613)	(644)	(676)	(710)	(745)
Indirect Cost	(69)	(71)	(43)	(45)	(47)	(49)
Total Cost	(652)	(684)	(686)	(721)	(757)	(794)
Depreciation	(2)	(18)	(26)	(34)	(36)	(32)
Earnings Before Tax	610	686	819	939	1,080	1,218
Corporate Tax	–	–	–	–	–	–
Net Operating Profit After Tax	**610**	**686**	**819**	**939**	**1,080**	**1,218**
Tax Loss b/f	8,744	8,135	7,449	6,630	5,691	4,611
Utilised in the Year	(610)	(686)	(819)	(939)	(1,080)	(1,218)
Tax Loss c/f	8,135	7,449	6,630	5,691	4,611	3,393

Jade Fountain Limited

Jessica

Year Ended 31 December	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Circulation Revenue	2,092	2,092	2,092	2,092	2,092	2,092
Advertising Revenue	11,607	12,425	13,362	15,120	14,697	15,256
Digital Revenue	2,804	3,645	4,629	5,740	6,945	8,056
Total Revenue	16,503	18,162	20,083	22,952	23,735	25,404
Circulation Cost	(5,283)	(5,576)	(5,855)	(6,148)	(6,455)	(6,778)
Print Cost	(7,780)	(8,169)	(8,577)	(9,006)	(9,456)	(9,929)
Digital Cost	(324)	(341)	(358)	(375)	(394)	(414)
Direct Cost	(13,387)	(14,085)	(14,790)	(15,529)	(16,306)	(17,121)
Indirect Cost	(1,946)	(2,038)	(2,095)	(2,197)	(2,304)	(2,416)
Total Cost	(15,333)	(16,124)	(16,885)	(17,726)	(18,609)	(19,537)
Depreciation	(42)	(55)	(84)	(116)	(120)	(106)
Earnings Before Tax	1,128	1,983	3,115	5,111	5,005	5,762
Corporate Tax	–	–	(492)	(843)	(826)	(951)
Net Operating Profit After Tax	**1,128**	**1,983**	**2,623**	**4,267**	**4,179**	**4,811**
Tax Loss b/f	3,245	2,116	133	–	–	–
Utilised in the Year	(1,128)	(1,983)	(133)	–	–	–
Tax Loss c/f	2,116	133	–	–	–	–

Marie Claire (Hong Kong edition)

Year Ended 31 December	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Circulation Revenue	1,768	1,768	1,768	1,768	1,768	1,768
Advertising Revenue	13,505	14,143	14,878	16,163	16,259	17,112
Digital Revenue	1,863	2,422	3,076	3,815	4,616	5,354
Total Revenue	17,136	18,334	19,722	21,746	22,643	24,234
Circulation Cost	(3,800)	(3,170)	(3,329)	(3,495)	(3,670)	(3,853)
Print Cost	(9,987)	(10,486)	(11,010)	(11,561)	(12,139)	(12,746)
Digital Cost	(253)	(266)	(279)	(293)	(308)	(323)
Direct Cost	(14,040)	(13,922)	(14,618)	(15,349)	(16,116)	(16,922)
Indirect Cost	(1,497)	(1,567)	(1,600)	(1,677)	(1,758)	(1,843)
Total Cost	(15,536)	(15,488)	(16,218)	(17,026)	(17,874)	(18,765)
Depreciation	(6)	(49)	(83)	(114)	(120)	(106)
Earnings Before Tax	1,594	2,797	3,422	4,606	4,649	5,364
Corporate Tax	(90)	(462)	(565)	(760)	(767)	(885)
Net Operating Profit After Tax	**1,504**	**2,336**	**2,857**	**3,846**	**3,882**	**4,479**
Tax Loss b/f	1,049	–	–	–	–	–
Utilised in the Year	(1,049)	–	–	–	–	–
Tax Loss c/f	–	–	–	–	–	–

Great Ready Assets Limited

JTV

Year Ended 31 December	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Circulation Revenue	23	–	–	–	–	–
Digital Revenue	1,064	1,530	1,943	2,409	2,915	3,382
Total Revenue	1,087	1,530	1,943	2,409	2,915	3,382
Direct Cost	(845)	(828)	(870)	(913)	(959)	(1,007)
Indirect Cost	(232)	(244)	(256)	(269)	(282)	(296)
Total Cost	(1,077)	(1,072)	(1,125)	(1,182)	(1,241)	(1,303)
Depreciation	(14)	(75)	(104)	(141)	(147)	(128)
Earnings Before Tax	(5)	383	713	1,086	1,528	1,951
Corporate Tax	–	–	–	–	–	–
Net Operating Profit/Loss	**(5)**	**383**	**713**	**1,086**	**1,528**	**1,951**
Tax Loss b/f	9,127	9,131	8,748	8,035	6,948	5,421
Utilised in the Year	5	(383)	(713)	(1,086)	(1,528)	(1,951)
Tax Loss c/f	9,131	8,748	8,035	6,948	5,421	3,469

Net Working Capital

The net working capital was estimated based on the actual turnover days of the trade receivables and trade payables as of FY2016. The change in net working capital was then arrived by subtracting the net working capital as at the year end date of the preceding year from that in the current year for each period.

Perfect Riches Limited

Whiz Kids Express Weekly

	2017	2018	2019	2020	2021	2022
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Trade receivables	208	268	298	320	345	371
Prepayments	174	146	153	161	169	177
Trade payables	(1,148)	(961)	(1,009)	(1,060)	(1,113)	(1,168)
Other payables and accruals	(96)	(101)	(106)	(111)	(117)	(123)
Receipt in advance	(400)	(515)	(572)	(614)	(661)	(712)
Net Working Capital	(1,262)	(1,163)	(1,236)	(1,304)	(1,377)	(1,454)

CarPlus

	2017	2018	2019	2020	2021	2022
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Trade receivables	1,134	1,204	1,285	1,377	1,481	1,576
Prepayments	386	405	426	447	469	493
Trade payables	(1,474)	(1,547)	(1,625)	(1,706)	(1,791)	(1,881)
Other payables and accruals	(334)	(350)	(356)	(374)	(393)	(412)
Receipt in advance	(254)	(270)	(288)	(308)	(332)	(353)
Net Working Capital	(541)	(558)	(558)	(564)	(565)	(577)

JMen

	2017	2018	2019	2020	2021	2022
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Trade receivables	8	8	9	10	11	12
Prepayments	58	61	64	67	70	74
Trade payables	(151)	(158)	(166)	(175)	(183)	(193)
Other payables and accruals	(31)	(32)	(19)	(20)	(21)	(22)
Net Working Capital	(117)	(121)	(113)	(118)	(123)	(129)

Jade Fountain Limited

Jessica

	2017	2018	2019	2020	2021	2022
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Trade receivables	3,682	4,052	4,481	5,121	5,295	5,668
Prepayments	709	746	783	822	863	906
Trade payables	(14,156)	(14,895)	(15,640)	(16,422)	(17,243)	(18,105)
Other payables and accruals	(748)	(783)	(805)	(844)	(885)	(928)
Net Working Capital	(10,513)	(10,880)	(11,181)	(11,323)	(11,969)	(12,459)

Marie Claire (Hong Kong edition)

	2017	2018	2019	2020	2021	2022
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Trade receivables	2,110	2,258	2,429	2,678	2,788	2,984
Prepayments	282	280	294	308	324	340
Trade payables	(8,589)	(8,517)	(8,943)	(9,390)	(9,859)	(10,352)
Other payables and accruals	(1,792)	(1,877)	(1,916)	(2,008)	(2,105)	(2,207)
Net Working Capital	(7,989)	(7,856)	(8,136)	(8,412)	(8,852)	(9,235)

Great Ready Assets Limited

JTV

	2017	2018	2019	2020	2021	2022
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Trade receivables	53	74	94	117	141	164
Prepayments	87	86	91	95	100	105
Trade payables	(652)	(649)	(682)	(716)	(751)	(789)
Other payables and accruals	(11)	(11)	(12)	(13)	(13)	(14)
Receipt in advance	(679)	(956)	(1,214)	(1,505)	(1,821)	(2,112)
Net Working Capital	(1,203)	(1,456)	(1,723)	(2,022)	(2,345)	(2,647)

Free Cash Flow

Perfect Riches Limited

Whiz Kids Express Weekly

Year Ended 31 December	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Net Operating Loss	(1,848)	(889)	(798)	(780)	(747)	(711)
Less: Change in Net Working Capital	1,262	(99)	73	68	73	77
Free Cash Flow	(586)	(988)	(725)	(712)	(674)	(634)
Discount Year	0.5	1.5	2.5	3.5	4.5	5.5
Discount Rate						13.96%
Present Value of Free Cash Flow	(550)	(812)	(523)	(451)	(375)	(309)
Terminal Growth Rate						3.00%
Terminal Value						Nominal
Present Value of Terminal Value						Nominal
Sum of Present Value of Free Cash Flow						Nominal
Less: Discount for Lack of Marketability (16.11%)						Nominal
Enterprise Value						**Nominal**

CarPlus

Year Ended 31 December	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Net Operating Profit After Tax	971	1,084	1,288	1,515	1,803	2,029
Less: Change in Net Working Capital	541	17	–	6	1	12
Add: Depreciation	2	18	26	34	36	32
Less: Capital Expenditure	(30)	(60)	(40)	(40)	(10)	(10)
Free Cash Flow	1,484	1,059	1,274	1,515	1,830	2,063
Discount Year	0.5	1.5	2.5	3.5	4.5	5.5
Discount Rate						13.96%
Present Value of Free Cash Flow	1,390	870	919	959	1,017	1,006
Terminal Growth Rate						3.00%
Terminal Value						19,392
Present Value of Terminal Value						9,455
Sum of Present Value of Free Cash Flow						15,617
Less: Discount for Lack of Marketability (16.11%)						(2,516)
Enterprise Value						**13,101**

JMen

Year Ended 31 December	2017	2018	2019	2020	2021	2022
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Net Operating Profit After Tax	610	686	819	939	1,080	1,218
Less: Change in Net Working Capital	117	4	(8)	5	5	6
Add: Depreciation	2	18	26	34	36	32
Less: Capital Expenditure	(30)	(60)	(40)	(40)	(10)	(10)
Free Cash Flow	699	648	797	938	1,111	1,246
Discount Year	0.5	1.5	2.5	3.5	4.5	5.5
Discount Rate						13.96%
Present Value of Free Cash Flow	654	533	574	594	617	608
Terminal Growth Rate						3.00%
Terminal Value						11,715
Present Value of Terminal Value						5,712
Sum of Present Value of Free Cash Flow						9,292
Less: Discount for Lack of Marketability (16.11%)						(1,497)
Enterprise Value						**7,795**

Jade Fountain Limited

Jessica

Year Ended 31 December	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Net Operating Profit After Tax	1,128	1,983	2,623	4,267	4,179	4,811
Less: Change in Net Working Capital	10,513	367	301	142	646	490
Add: Depreciation	42	55	84	116	120	106
Less: Capital Expenditure	(100)	(140)	(170)	(160)	(30)	(30)
Free Cash Flow	11,583	2,265	2,838	4,365	4,915	5,377
Discount Year	0.5	1.5	2.5	3.5	4.5	5.5
Discount Rate						13.96%
Present Value of Free Cash Flow	10,851	1,862	2,047	2,764	2,731	2,621
Terminal Growth Rate						3.00%
Terminal Value						50,543
Present Value of Terminal Value						24,644
Sum of Present Value of Free Cash Flow						47,521
Less: Discount for Lack of Marketability (16.11%)						7,656
Enterprise Value						**39,865**

Marie Claire (Hong Kong edition)

Year Ended 31 December	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Net Operating Profit After Tax	1,504	2,336	2,857	3,846	3,882	4,479
Less: Change in Net Working Capital	7,989	(133)	280	276	440	383
Add: Depreciation	6	49	83	114	120	106
Less: Capital Expenditure	(100)	(140)	(170)	(160)	(30)	(30)
Free Cash Flow	9,399	2,112	3,050	4,076	4,412	4,938
Discount Year	0.5	1.5	2.5	3.5	4.5	5.5
Discount Rate						13.96%
Present Value of Free Cash Flow	8,805	1,735	2,201	2,581	2,452	2,407
Terminal Growth Rate						3.00%
Terminal Value						46,414
Present Value of Terminal Value						22,630
Sum of Present Value of Free Cash Flow						42,811
Less: Discount for Lack of Marketability (16.11%)						6,897
Enterprise Value						**35,914**

Great Ready Assets Limited

JTV

Year Ended 31 December	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Net Operating Profit/Loss	(5)	383	713	1,086	1,528	1,951
Less: Change in Net Working Capital	1,203	253	267	299	323	302
Add: Depreciation	14	75	104	141	147	128
Less: Capital Expenditure	(125)	(220)	(170)	(190)	(30)	(30)
Free Cash Flow	1,087	491	914	1,336	1,968	2,351
Discount Year	0.5	1.5	2.5	3.5	4.5	5.5
Discount Rate						17.68%
Present Value of Free Cash Flow	1,002	385	609	756	946	961
Terminal Growth Rate						3.00%
Terminal Value						16,501
Present Value of Terminal Value						6,743
Sum of Present Value of Free Cash Flow						11,403
Less: Discount for Lack of Marketability (16.11%)						1,837
Enterprise Value						**9,566**

APPENDIX IV ADVERTISING REVENUE BREAKDOWN

(HKD'000)

Whiz Kids Express Weekly

	2016	2017	2018	2019	2020	2021	2022
ROP	707	550	583	670	670	670	670
Cover	80	56	150	150	150	150	150
Project & Event	340	450	632	726	835	960	1,104
Total	1,127	1,056	1,365	1,547	1,655	1,781	1,925

CarPlus

	2016	2017	2018	2019	2020	2021	2022
ROP	2,907	2,441	2,441	2,441	2,441	2,441	2,441
Cover	530	660	660	660	660	660	660
Project & Event	2,043	1,780	2,046	2,353	2,708	3,113	3,486
Total	5,480	4,881	5,148	5,456	5,809	6,215	6,587

JMen

	2016	2017	2018	2019	2020	2021	2022
ROP	343	441	441	441	441	441	441
Cover	286	300	300	300	300	300	300
Project & Event	–	148	170	196	225	259	298
Total	629	889	911	936	966	1,000	1,038

Jessica

	2016	2017	2018	2019	2020	2021	2022
ROP	9,686	5,120	5,120	5,120	5,120	5,120	5,120
Cover	2,131	2,130	2,130	2,130	2,130	2,130	2,130
Project & Event	5,053	4,357	5,175	6,112	7,870	7,447	8,006
Total	16,870	11,607	12,425	13,362	15,120	14,697	15,256

Marie Claire (Hong Kong edition)

	2016	2017	2018	2019	2020	2021	2022
ROP	10,108	6,976	6,976	6,976	6,976	6,976	6,976
Cover	2,200	2,270	2,270	2,270	2,270	2,270	2,270
Project & Event	4,884	4,258	4,897	5,631	6,916	7,012	7,865
Total	17,192	13,505	14,143	14,878	16,163	16,259	17,112

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprises 15,063,853,500 Shares, totalling HK$1,085.5 million. The Company has no authorised share capital.

As at the Latest Practicable Date, the Company has 31,076,924 outstanding share options which in aggregate entitle the holders thereof to subscribe for 31,076,924 ordinary shares in the Company. Save for such share options, the Company had no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors, the chief executives of the Company and their associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors (the "**Model Code**") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in Shares and underlying shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Mr. Ng	Interests of controlled corporation	3,866,417,184 *(Note)*	25.66%
	Beneficial owner	556,663,200	3.70%
Ms. Cheung Choi Ngor ("**Ms. Cheung**")	Beneficial owner	615,015,578	4.08%
Hon. Raymond Arthur William Sears, Q.C.	Interest of spouse	2,650,000	0.02%

Note:

The 3,866,417,184 Shares held by Mr. Ng through controlled corporations included 1,176,301,512 Shares held by Fung Shing, 2,231,184,000 Shares held by Parkfield, 99,993,600 Shares held by Ronastar and 358,938,072 Shares held by Uni-spark. All the abovementioned companies were wholly-owned by Mr. Ng. Except for Uni-spark, which was indirectly held by Mr. Ng, all such companies were held by Mr. Ng directly.

Save as disclosed herein, as at the Latest Practicable Date to the knowledge of the Company, none of the Directors or chief executive of the Company had any interest or short position in any Share, underlying share or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, entered in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders and other persons' interests in Shares and underlying shares

As at the Latest Practicable Date, substantial Shareholders and other persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in Shares and underlying shares

Name of Person	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Ms. Ng Lai King Pamela	Interest of spouse *(Note 1)*	4,423,080,384	29.36%
Fung Shing	Beneficial owner *(Note 2)*	1,176,301,512	7.80%
Parkfield	Beneficial owner *(Note 3)*	2,231,184,000	14.81%

Notes:

1. Ms. Ng Lai King Pamela is the spouse of Mr. Ng. By virtue of the SFO, Ms. Ng Lai King Pamela is deemed to be interested in the 4,423,080,384 Shares which Mr. Ng is interested in.

2. Fung Shing is wholly-owned by Mr. Ng.

3. Parkfield is wholly-owned by Mr. Ng.

As at the Latest Practicable Date, save as Mr. Ng, the director of Fung Shing and Parkfield, none of the Directors was a director or an employee of a company who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, the Company was not notified by any person (other than the Directors or chief executive of the Company as disclosed in the above) who had interests or short positions in the Shares or underlying shares of the Company as at the Latest Practicable Date 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.

3. COMPETING INTEREST

The Company and South China Assets Holdings Limited ("**SCAH**"), a company listed on GEM of the Stock Exchange, (stock code: 08155) have certain common directors. The principal activities of SCAH include property investment and development in the PRC, money lending, provision of investment advisory and asset management services and dealing in securities.

Mr. Ng, Ms. Cheung and Ms. Ng Yuk Mui Jessica, all being executive Directors, are also the executive directors of SCAH.

Mr. Ng is also the chairman of the board and the controlling shareholder of SCAH. As at the Latest Practicable Date, Mr. Ng and his associates collectively held 64.92% interest in SCAH. Ms. Cheung is one of the directors and substantial shareholders of a controlled corporation of Mr. Ng which held 10.29% direct interest and, through its wholly owned subsidiary 9.74% indirect interest in SCAH as at the Latest Practicable Date.

The Group undertakes a wide range of financial services businesses of sizable operation with solid client portfolio while SCAH is in the course of diversifying into the financial services businesses.

As far as transaction in relation to competing business is concerned, the above-mentioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCAH compete or is likely to compete with each other and, therefore, do not control the Board. As such, the Board is independent from the board of SCAH, which consists of nine members. To the best of the knowledge of the Directors, the Group is capable of carrying on its businesses independently and at arm's length from the businesses of SCAH.

Save as disclosed above and other than being appointed as directors to represent the interests of the Company, the Group and/or SCAH, none of the Directors or their respective associates had interest in any business which compete or is likely to compete, either directly or indirectly, with the businesses of the Group as at the Latest Practicable Date.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries or associated companies had any service contract, existing and proposed, with any Director which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS OR ASSETS

As at the Latest Practicable Date, save for the New Agreement and the agreement under the Previous Acquisition,

(i) there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group; and

(ii) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2016 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPANIES ACQUIRED AFTER THE DATE TO WHICH THE LATEST PUBLISHED AUDITED ACCOUNTS WERE MADE UP

Details of the companies acquired after 31 December 2016 (the date to which the latest published audited accounts of the Group were made up), which were expected to have material contribution to the figures in the next published accounts of the Company, were set out in the circular of the Company dated 29 December 2016. As disclosed in the said circular, on 3 November 2016, the Purchaser (as purchaser) entered into the sale and purchase agreement in respect of the entire issued share capital of Golden Ways Limited and Media Bonus Limited with Vendor 3 (as vendor) and Surge Fast Assets Limited, a company wholly-owned by Mr. Ng beneficially, (as vendor) whereby the Purchaser agreed to acquire and the vendors agreed to sell the entire issued share capital of Golden Ways Limited and Media Bonus Limited at cash consideration of HK$20.0 million (subject to adjustment determined with reference to the aggregate of the net assets/liabilities of Golden Ways Limited and the consolidated net assets/liabilities of Media Bonus Limited as stated in their respective completion accounts provided that the said aggregate net assets/liabilities exceeds HK$100,000). The consideration so adjusted amounted to approximately HK$22.0 million. The abovementioned sale and purchase agreement and the transactions contemplated thereunder were approved by the independent shareholders of the Company at the extraordinary general meeting held on 17 January 2017 and the relevant acquisition was completed in January 2017.

Media Bonus Limited, together with its subsidiaries, and Golden Ways Limited are principally engaged in financial media businesses including publication of the magazines (namely, Capital Weekly (資本壹週), Capital Money (資本創富), Capital Entrepreneur (資本企業家), Capital CEO (資本才俊) and Capital (資本雜誌)), event management, marketing services and other related businesses. The principal establishments of such financial media businesses are situated and the abovementioned magazines are circulated in Hong Kong.

There will be no variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring company in consequence of such acquisition.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up.

8. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operations or financial conditions of the Group.

9. QUALIFICATIONS AND CONSENTS OF EXPERTS

(a) The following sets out the qualifications of the experts who have given their opinions or advice or statements as contained in this circular:

Name	Qualification
Ascent Partners Valuation Service Limited	Independent valuer
Grande Capital Limited	A corporation licenced to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified public accountants
BDO Limited	Certified public accountants
Crescendo Capital Limited	A corporation licenced to carry out type 6 (advising on corporate finance) regulated activity under the SFO

(b) As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) As at the Latest Practicable Date, none of the above experts had any direct or indirect interests in any asset which had been, since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or was proposed to be so acquired, disposed of or leased to any member of the Group.

(d) As at the Latest Practicable Date, each of the above experts had given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their reports or letters or their name and logo in the form and context in which they respectively appear.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or its subsidiaries within two years immediately preceding the Latest Practicable Date, and are or may be material:

(a) the underwriting agreement dated 20 April 2016 entered into between the Company and Uni-spark, the underwriter and a company wholly-owned by Mr. Ng beneficially, whereby, subject to (among others) the relevant independent shareholders' approvals, Uni-spark agreed to underwrite 5,202,547,805 rights shares at subscription price of HK$0.066 each issuable upon the rights issue of the Company for the underwriting commission at 2% of the aggregate subscription price of such underwritten shares (please refer to the circular of the Company issued on 14 June 2016 for details);

(b) the sale and purchase agreement dated 3 November 2016 entered into among the Purchaser (as purchaser), Vendor 3 (as vendor) and Surge Fast Assets Limited, a company wholly-owned by Mr. Ng beneficially, (as vendor) whereby the Purchaser agreed to purchase and the vendors agreed to sell the entire issued share capital of Golden Ways Limited and Media Bonus Limited, both being engaged in financial media businesses, at the consideration of HK$20.0 million (subject to adjustment determined with reference to the aggregate of the net assets/liabilities of Golden Ways Limited and the consolidated net assets/liabilities of Media Bonus Limited as stated in their respective completion accounts provided that the said aggregate net assets/liabilities exceeds HK$100,000) (please refer to the circular of the Company issued on 29 December 2016 for details);

(c) the Original Agreement;

(d) the Termination Agreement; and

(e) the New Agreement (as amended and supplemented by the supplemental agreements dated 11 September 2017, 11 December 2017 and 15 February 2018).

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any Business Days from the date of this circular up to and including 14 days (except public holidays) at the Company's principal place of business in Hong Kong situated at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong:

(a) the articles of association of the Company;

(b) the annual reports of the Company for two financial years ended 31 December 2015 and 2016;

(c) the letter from the Board, the text of which is set out from pages 8 to 38 of this circular;

(d) the letter from the Independent Board Committee, the text of which is set out on pages 39 to 40 of this circular;

(e) the letter from Independent Financial Adviser, the text of which is set out on pages 41 to 72 of this circular;

(f) the written consents given by Ascent Partners Valuation Service Limited, Grande Capital Limited, BDO Limited, Ernst & Young and Crescendo as referred to in the paragraph 9 of this appendix;

(g) the accountants' report on the Media Group as set out in Appendix II to this circular;

(h) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(i) the comfort letter from Grande Capital Limited and Ernst & Young in relation to profit forecast;

(j) the Valuation Report;

(k) the material contracts referred to in paragraph 10 of this appendix; and

(l) this circular.

12. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Watt Ka Po James who is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

(b) The registered office of the Company is situated at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

(c) The English text of this circular and the accompanying form of proxy shall prevail over its Chinese text for the purpose of interpretation.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED
南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00619)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of South China Financial Holdings Limited (the "**Company**") will be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Wednesday, 28 March 2018 at 10:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the sale and purchase agreement dated 14 July 2017 (as amended by the supplemental agreements dated 11 September 2017, 11 December 2017 and 15 February 2018) (the "**Agreement**") (a copy of which is marked "A" and produced to this meeting) entered into among Perfect Mind Ventures Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, and the companies wholly-owned by Mr. Ng Hung Sang (an executive director, the Chairman of the board of directors and a substantial shareholder of the Company), namely Nicemate Investments Limited ("**Vendor 1**"), Jessica Publication (BVI) Limited ("**Vendor 2**"), Win Gain Investments Limited ("**Vendor 3**") and Ace Market Investments Limited ("**Vendor 4**") in respect of the sale of the entire issued share capital of Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited and Jade Fountain Limited by Vendor 1, Vendor 2, Vendor 3 and Vendor 4, respectively, and purchase of such issued share capital by the Purchaser at the consideration of HK$15,000,000 in aggregate (as adjusted pursuant to the Agreement) and all the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed; and

(b) the directors of the Company (the "**Directors**") be and are hereby authorised on behalf of the Company to do all such acts and things, to sign, seal and execute all such further documents and to take such steps as they consider necessary, appropriate, desirable or expedient for implementation of and giving effect to the Agreement, or any of the transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto as are, in their opinion, in the interests of the Company and its shareholders as a whole."

Yours faithfully,
By order of the Board
South China Financial Holdings Limited
南華金融控股有限公司
Ng Yuk Mui Jessica
Executive Director

Hong Kong, 9 March 2018

Notes:

1. The record date of determining the entitlement of the Shareholders to attended and vote to the EGM will be Friday, 23 March 2018. All transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Friday, 23 March 2018.

2. A member of the Company ("**Shareholder**") entitled to attend and vote at the EGM is entitled to appoint one or, if such Shareholder is a holder of more than one share, more proxies to attend and vote in his stead. A proxy need not be a Shareholder.

3. In order to be valid, the form of proxy must be deposited at Union Registrars Limited, the share registrar of the Company, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong together with a power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney (whichever being applicable) not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (no later than 10:00 a.m. on 26 March 2018 (Hong Kong time)).

4. Completion and delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM if the Shareholder so desires and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.

5. Where there are joint registered holders of any share of the Company, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto but, if more than one of such holders be present at the EGM personally or by proxy, the holder so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

6. If Typhoon Signal No. 8 or above, or a "black" rain storm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.sctrade.com and on the website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.

7. Voting of the resolutions as set out in this notice will be by poll.

As at the date of this notice, the Directors are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Ms. Ng Yuk Mui Jessica and Dr. Wang Wei Hsin as executive Directors; and (2) Mrs. Tse Wong Siu Yin Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric as independent non-executive Directors.