

Company No. OI - 318051

CIRCLE INTERNATIONAL HOLDINGS LIMITED

(Formerly known as Circle International Limited)

(Company No. OI - 318051)

(Incorporated in Cayman Islands)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31

DECEMBER 2017

(In Australian Dollar)

Company No. OI - 318051

CIRCLE INTERNATIONAL HOLDINGS LIMITED
(Formerly known as Circle International Limited)
(Incorporated in Cayman Islands)

FINANCIAL STATEMENTS

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CIRCLE INTERNATIONAL HOLDINGS LIMITED
(Formerly known as CIRCLE INTERNATIONAL LIMITED)
(Incorporated in Cayman Islands)**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **CIRCLE INTERNATIONAL HOLDINGS LIMITED** (formerly known as Circle International Limited) (the Company) and its subsidiaries, (the Group), which comprise the statements of financial position of the Group and of the Company as at 31 December 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including significant accounting policies as set out on pages 6 to 44.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and the financial performance and cash flows of the Group and of the Company for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

(Forward)

Emphasis of Matters

We draw attention to Note 10 and 13 to the financial statements on the nature and carrying amount of the intangible asset and inventories of the Group. Our opinion is not modified in respect of these matters.

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company for the current year. This matter was addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Intangible asset

As disclosed in Note 10 to the financial statements, the Group has an intangible asset in the form of an e-commerce system under development. As at 31 December 2017, the carrying value of the intangible asset was AUD3,238,023 and the additions during the year were AUD1,311,604.

We identified the capitalisation of research and development costs as a key audit matter due to significant management judgement about the future performance and viability of the e-commerce system. The Group has to apply judgement in meeting the criteria for capitalisation under the requirements of accounting standards and to capture accurate cost information for the project.

Our audit focused on this area due to the value of the research and development costs incurred, and the fact there is judgement involved in assessing whether the requirements detailed in the accounting standards for expensing or capitalising these costs have been met.

Significant judgements relevant to the Group for capitalisation of research and development include determining if the research and development spend has met:

- Technical feasibility criteria; and
- Economic feasibility criteria.

Management's conclusion is that all spending in current year on the e-commerce system development meets the criteria for capitalisation on the basis of technical feasibility and economic feasibility.

(Forward)

In responding to the significant judgements involved in determining whether research and development spend has been recognised in accordance with the relevant accounting standard, our audit procedures included:

- updating our understanding of management's process for assessing whether development spend has met all of the IAS 38 recognition criteria;
- testing management's controls over capitalisation of development costs;
- reviewing the detailed analysis prepared by management of the development spend for the year and tested the expenses capitalised to external invoices;
- meeting with management and discussed the nature of work being completed on the e-commerce system and their assessment of the areas of judgement for each, in particular the stage of technical development and economic feasibility; and
- challenging the reasonableness of key assumptions based on our knowledge of the business and industry.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

(Forward)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

(Forward)

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

Other Matter

This report is made solely to the members of the Company, as a body, and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.



ROBERT MENGKWAI & LOO PLT (LLP 0014479-LCA)
Chartered Accountants (AAL 0070)



LOO CHEE CHOU
Partner - 02783/09/2018 J
Chartered Accountant

Petaling Jaya,
6 April 2018

Company No: OI - 318051

CIRCLE INTERNATIONAL HOLDINGS LIMITED

(Formerly known as Circle International Limited)

(Incorporated in Cayman Islands)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

(With comparatives of the Company for the period 12 December 2016 (date of incorporation) to 31 December 2016)

		The Group	The Company	
		2017	2017	2016
		(12 months)	(12 months)	(1 month)
	Note	AUD	AUD	AUD
Revenue		4,068,174	-	-
Cost of sales		(1,705,422)	-	-
Gross profit		2,362,752	-	-
Other income		14,722	-	-
Administrative expenses		(342,635)	(22,619)	-
Other operating expenses		(667,101)	(377,138)	-
Finance costs		(13,837)	-	-
Profit/(Loss) before tax	6	1,353,901	(399,757)	-
Tax expense	7	(311,213)	-	-
Profit/(Loss) for the year/period		1,042,688	(399,757)	-
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences		(104,126)	7,057	-
Other comprehensive (loss)/income, net of tax		(104,126)	7,057	-
Total comprehensive income/(loss)		938,562	(392,700)	-
Earnings per share				
- Basic and fully diluted (cents)	8	6.95		

The accompanying notes form an integral part of the Financial Statements.

Company No: OI - 318051

CIRCLE INTERNATIONAL HOLDINGS LIMITED

(Formerly known as Circle International Limited)

(Incorporated in Cayman Islands)

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		The Group	The Company	
	Note	2017	2017	2016
		AUD	AUD	AUD
ASSETS				
Non Current Assets				
Property, plant and equipment	9	367,122	-	-
Intangible asset	10	3,238,023	-	-
Investment in subsidiaries	11	-	57,656,091	-
Other investment	12	5,053	-	-
Total Non Current Assets		3,610,198	57,656,091	-
Current Assets				
Inventories	13	839,722	-	-
Trade and other receivables	14	4,042,396	-	-
Fixed deposits with licensed bank		32,590	-	-
Cash and bank balances		434,949	138	138
Total Current Assets		5,349,657	138	138
TOTAL ASSETS		8,959,855	57,656,229	138
EQUITY AND LIABILITIES				
Equity				
Share capital	15	57,656,229	57,656,229	138
Reserves	16	(55,221,726)	(392,700)	-
Total Equity		2,434,503	57,263,529	138
Non Current Liabilities				
Term loan	17	247,306	-	-
Trade and other payables	18	943,149	104,227	-
Total Non Current Liabilities		1,190,455	104,227	-

(Forward)

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		The Group	The Company	
		2017	2017	2016
	Note	AUD	AUD	AUD
Current Liabilities				
Trade and other payables	18	4,711,169	288,473	-
Term loan	17	10,753	-	-
Bank overdraft	19	60,971	-	-
Tax payable		552,004	-	-
		<hr/>	<hr/>	<hr/>
Total Current Liabilities		5,334,897	288,473	-
		<hr/>	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		8,959,855	57,656,229	138
		<hr/>	<hr/>	<hr/>

The accompanying notes form an integral part of the Financial Statements.

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CIRCLE INTERNATIONAL HOLDINGS LIMITED
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

(With comparatives of the Company for the period 12 December 2016 (date of incorporation) to 31 December 2016)

The Group	Share Capital AUD	Merger Reserve AUD	Foreign currency Translation Reserve AUD	Retained Earnings AUD	Total AUD
As of 1 January 2017	138	-	-	-	138
Transactions with owners:					
Acquisition of subsidiaries in business combination under common control	57,656,091	(57,388,344)	-	1,228,056	1,495,803
Total transactions with owners	57,656,091	(57,388,344)	-	1,228,056	1,495,803
Profit for the year	-	-	-	1,042,688	1,042,688
Other comprehensive income, net of tax	-	-	(104,126)	-	(104,126)
Total comprehensive (loss)/income	-	-	(104,126)	1,042,688	938,562
Balance as of 31 December 2017	<u>57,656,229</u>	<u>(57,388,344)</u>	<u>(104,126)</u>	<u>2,270,744</u>	<u>2,434,503</u>

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The Company	Share Capital AUD	Foreign currency Translation Reserve AUD	Accumulated Losses AUD	Total AUD
As of 12 December 2016	138	-	-	138
Profit for the period	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	-	-
Balance as of 31 December 2016	138	-	-	138
Issue of shares	57,656,091	-	-	57,656,091
Loss for the year	-	-	(399,757)	(399,757)
Other comprehensive income, net of tax	-	7,057	-	7,057
Total comprehensive loss	-	7,057	(399,757)	(392,700)
Balance as of 31 December 2017	<u>57,656,229</u>	<u>7,057</u>	<u>(399,757)</u>	<u>57,263,529</u>

The accompanying Notes form an integral part of the Financial Statements.

Company No: OI - 318051

CIRCLE INTERNATIONAL HOLDINGS LIMITED

(Formerly known as Circle International Limited)

(Incorporated in Cayman Islands)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

(With comparatives for the period 12 December 2016 (date of incorporation) to 31 December 2016)

The Group

	2017 AUD
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	1,471,126
Payments to suppliers and employees	(1,193,181)
Interest paid	(12,292)
Interest received	1,370
Income tax paid	<u>(11,147)</u>
Net Cash From Operating Activities	<u>255,876</u>
CASH FLOWS USED IN INVESTING ACTIVITIES	
Cash acquired as a result of business combination	331,219
Payment of development costs for intangible asset	<u>(545,955)</u>
Net Cash Used In Investing Activities	<u>(214,736)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment of term loan facilities	(9,381)
Drawdown of overdraft facilities	5,182
Advances from related parties	<u>347,893</u>
Net Cash From Financing Activities	<u>343,694</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	384,834
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(32,601)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>54,335</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 20)	<u><u>406,568</u></u>

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The Company

	2017 (12 months) AUD	2016 (1 month) AUD
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	-
Payments to suppliers and employees	-	-
	<hr/>	<hr/>
Net Cash From Operating Activities	-	-
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/DATE OF INCORPORATION	138	138
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD (NOTE 20)	138	138
	<hr/>	<hr/>

The accompanying notes form an integral part of the Financial Statements.

Company No: OI - 318051

CIRCLE INTERNATIONAL HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is incorporated in Cayman Islands, under the Companies Law.

The principal activity of the Company is investment holding.

The Company's registered office and principal place of business is located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands.

The Company was incorporated on 12 December 2016 for the sole purpose of acquiring Circle Corporation International Limited, a Company incorporated in Hong Kong, Circle Corporation Mediatech Sdn Bhd and Inno Mind Works Sdn Bhd, both companies incorporated in Malaysia. The merger with its subsidiaries was completed on 30 November 2017, and the Company was listed on the National Stock Exchange of Australia (NSX) on 7 December 2017.

Each of the entities within the Group prepares their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the Company is United States Dollars (USD), while the presentation currency of the Group and of the Company are Australian Dollars (AUD).

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 6 April 2018.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in compliance with International Financial Reporting Standards.

3. ADOPTION OF NEW IFRS AND AMENDMENTS TO IFRS

New IFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the IFRS Framework that were issued by the International Accounting Standards Board ('IASB') during the financial year.

Title	Effective Date
Amendments to IAS 7: <i>Disclosure Initiative</i>	1 January 2017
Amendments to IAS 12: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Annual Improvements to IFRS Standards 2014 – 2016 Cycles:	
• Amendments to IFRS 12: <i>Clarification of the Scope of Standard</i>	1 January 2017

There is no material effect upon the adoption of the above Standards during the financial year.

New IFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the IFRS Framework that have been issued by the International Accounting Standards Board ('IASB') but have not been early adopted by the Group and the Company.

Title	Effective Date
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to IFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to IAS 40: <i>Transfers of Investment Property</i>	1 January 2018
Annual Improvements to IFRS Standards 2014 – 2016 Cycles:	
• Amendments to IFRS 1: <i>Deletion of Short-term Exemptions for First-time Adopters</i>	
• Amendments to IAS 28: <i>Measuring an Associate or Joint Venture at Fair Value</i>	1 January 2018
Amendments to IFRS 15 <i>Effective date of IFRS 15</i>	1 January 2018
Amendments to IFRS 15 <i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Annual Improvements to IFRS Standards 2015 – 2017 Cycles:	
• Amendments to IFRS 3: <i>Business Combinations</i>	
• Amendments to IFRS 11: <i>Joint Arrangements</i>	
• Amendments to IAS 12: <i>Income Taxes</i>	
• Amendments to IAS 23: <i>Borrowing Costs</i>	1 January 2019
IFRS 16 <i>Leases</i>	1 January 2019
Amendments to IFRS 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to IAS 19: <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to IAS 28: <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
IFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to IFRS 10 and IAS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred until further notice

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group and the Company's operations except as follows:

IFRS 9: Financial Instruments

IFRS 9 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- (a) All recognised financial assets that are within the scope of IFRS 9 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- (b) With regards to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value through profit or loss is presented in profit or loss.
- (c) In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- (d) The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- (a) Step 1: Identify the contract(s) with a customer.
- (b) Step 2: Identify the performance obligations in the contract.
- (c) Step 3: Determine the transaction price.
- (d) Step 4: Allocate the transaction price to the performance obligations in the contract.
- (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 16: Leases

IFRS 16 replaces the guidance in IAS 17, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company have already commenced assessments of impact of IFRS 9, 15 and 16 but is not yet in a position to state whether they would significantly impact on the results of operations and financial position of the Group and of the Company.

4. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity of IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

Basis of consolidation

The combined financial statements incorporate the financial statements of the combining entities as disclosed in Note 11 of this Report. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee;
- (b) Exposure, or right, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual agreements; and
- (c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated in the combined financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment. The combined financial statements reflect external transactions only.

The financial statements of the combining entities are prepared for the same reporting period, using consistent accounting policies. The accounting policies of the combining entities are changed to ensure consistency with the policies adopted by the other entities in the combining entities, where necessary.

Non-controlling interests represent equity in the combining entities that are not attributable, directly or indirectly, to the common controlling shareholders, and is presented separately in the combined statement of profit or loss and other comprehensive income and within equity in the combined statement of financial position, separately from equity attributable to the common controlling shareholders. Profit or loss and each component of other comprehensive income are attributed to the common controlling shareholders and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary disposed of during the financial year are included in the combined statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the common controlling shareholders' interest in a combining entity that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the combining entity. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to the common controlling shareholders of the combining entities.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (i) Aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) Previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the combining entities are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former combining entities at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

Business combinations not under common control

Business combinations not under common control are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- (b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- (c) Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

- (a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

- (b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of IAS 39 are recognised either in profit or loss or in other comprehensive income in accordance with IAS 39. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interest at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquire (if any), and the fair value of the previously held equity interest of the Group in the acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the combined statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Business combination under common control

Business combinations under common control in the form of equity instrument exchanges are accounted for by applying the merger method of accounting. Assets, liabilities, income and expenses of the merger entities are reflected at their carrying amounts reported in the individual financial statements for the full financial year, irrespective of the date of the merger. Any difference between the consideration paid and the share capital of the merger entity are reflected within equity as merger reserve.

Financial Instruments

Financial instruments are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents include bank balance which have an insignificant risk of changes in value.

Provisions

Provisions are recognised when the Group and the Company has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

Employee Benefits

The Group recognises a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Group consumes the economic benefits arising from service provided by an employee in exchange for employee benefits.

(a) Short-Term Employee Benefits

Wages and salaries are accrued and paid on a monthly basis and are recognised as an expense, unless they relate to cost of producing inventories or other assets.

Paid absences (annual leave, maternity leave, paternity leave, sick leave, etc.) are accrued in each period if the accumulating paid absences that can be carried forward, or in the case of non-accumulating paid absences, recognised as and when the absences occur.

Profit sharing and bonus payments are recognised when, and only when, the Group has a present legal or constructive obligation to make such payments as a results of past events and a reliable estimate of the obligation can be made.

(b) Post-Employment Benefits – Defined Contribution Plans

Entities in the Group makes statutory contributions to approved provident funds and the contributions made are charged to profit or loss in the period to which they relate. When the contributions have been paid, the Group has no further payment obligations.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

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

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

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

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

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

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Statement of Cash Flows

The Group and the Company adopts the direct method in the preparation of the statements of cash flows.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Change in estimates

Estimates 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 Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

Critical judgements made to applying accounting policies

In the selection of accounting policies for the Group and the Company, the areas that require significant judgements and assumptions are:

Classification of finance and operating leases

The Group and the Company classifies a lease as a finance lease or an operating lease based on the criterion of the extent to which significant risks and rewards incidental to ownership of the underlying asset lie. As a lessee, the Group and the Company recognises a lease as a finance lease if it is exposed to significant risks and rewards incidental to the ownership of the underlying asset. In applying judgements, the Group and the Company considers whether there is significant economic incentive to exercise a purchase option and any optional renewal periods. A lease is classified as a finance lease if the lease term is for at least 75% the economic life of the underlying asset, the present value of lease payments is at least 90% of the fair value of the underlying asset, or the identified asset in the lease is a specialised asset which can only be used substantially by the lessee. All other leases do not result in a significant transfer of risks and rewards are classified as operating leases.

Key sources of estimation uncertainty

The measurement of some assets and liabilities requires management to use estimates based on various observable inputs and other assumptions. The areas or items that are subject to significant estimation uncertainties of the Group and the Company are in measuring:

Loss allowances of financial assets

The Group and the Company recognises impairment losses for loans and receivables using the incurred loss model. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All other loans and receivables are categorised into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experiences of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowances made and these may affect the Group's and the Company's financial position and results.

Depreciation of property, plant and equipment

The cost of an item of property, plant and equipment is depreciated on the straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and this may lead to gain or loss on an eventual disposal of an item of property, plant and equipment.

Impairment of tangible and intangible asset

At each reporting date, the Group and the Company reviews the carrying amounts of its tangible and intangible assets (other than goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The carrying amount of intangible asset at the reporting date was AUD3,238,023.

Income taxes

The Group is subject to income taxes in the jurisdictions that it operates. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

6. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at:

	The Group	The Company	
	2017	2017	2016
	(12 months)	(12 months)	(1 month)
	AUD	AUD	AUD
After charging:			
Audit fee	15,914	6,000	-
Depreciation of property, plant and equipment	12,083	-	-
Remuneration of key management personnel	122,250	-	-
Unrealised loss on foreign exchange	2,129	-	-
Rental of premise	6,673	-	-
Rental of office equipment	1,260	-	-
Rental of billboard	20,176	-	-
Staff costs	124,604	-	-
Term loan interest	13,837	-	-
After crediting:			
Interest income	<u>(1,318)</u>	<u>-</u>	<u>-</u>

Staff costs and remuneration of key management personnel:

	The Group	The Company	
	2017	2017	2016
	(12 months)	(12 months)	(1 month)
	AUD	AUD	AUD
Staff costs:			
Salaries, allowances and bonus	113,158	-	-
EPF contribution	10,184	-	-
SOCSO contribution	1,262	-	-
	<u>124,604</u>	<u>-</u>	<u>-</u>

	The Group	The Company	
	2017	2017	2016
	(12 months)	(12 months)	(1 month)
	AUD	AUD	AUD
Remuneration of key management personnel:			
Director's fee	122,250	-	-
Directors' EPF contribution	-	-	-
Directors' SOCSO contribution	-	-	-
	<u>122,250</u>	<u>-</u>	<u>-</u>

7. TAX EXPENSE

	The Group	The Company	
	2017	2017	2016
	(12 months)	(12 months)	(1 month)
	AUD	AUD	AUD
Tax expense	<u>311,213</u>	<u>-</u>	<u>-</u>

The numerical reconciliation between the tax expenses and the product of accounting profit multiplied by the applicable tax rate are as follows:

	The Group 2017 (12 months) AUD	The Company 2017 (12 months) AUD	2016 (1 month) AUD
Profit/(Loss) before tax	<u>1,353,901</u>	<u>(399,757)</u>	<u>-</u>
Tax at statutory tax rate	292,792	(399,757)	-
Tax effects of: Non-deductible expenses	<u>18,421</u>	<u>399,757</u>	<u>-</u>
Income tax expense for the financial year	<u>311,213</u>	<u>-</u>	<u>-</u>

8. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the Group's profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. The weighted average number of ordinary shares in issue is calculated as follows:

	The Group 2017
Profit for the year, attributable to the owners of the Company (AUD)	<u>1,042,688</u>
Number of ordinary shares at beginning of the year	400
Effect of shares issued pursuant to: - business combination	<u>15,000,000</u>
Weighted-average number of ordinary shares at 31 December	<u>15,000,400</u>
Basic earnings per share (cents)	<u>6.95</u>

(b) Diluted earnings per share

Diluted earnings per ordinary share equals basic earnings per ordinary share.

9. **PROPERTY, PLANT AND EQUIPMENT**

The Group	Furniture and fittings AUD	Renovation AUD	Office equipment AUD	Computers AUD	Signboard AUD	Billboard AUD	Freehold land and buildings AUD	Total AUD
Cost								
At 1 January 2017	12,833	8,671	14,562	10,483	262	6,730	356,021	409,562
Additions	-	-	-	-	-	-	-	-
Translation reserve	293	198	333	240	6	154	8,133	9,357
At 31 December 2017	13,126	8,869	14,895	10,723	268	6,884	364,154	418,919
Accumulated depreciation								
At 1 January 2017	7,536	722	8,883	9,544	72	1,514	10,087	38,358
Charge for the year	1,263	853	1,433	841	26	662	7,006	12,084
Translation reserve	222	51	259	251	3	61	508	1,355
At 31 December 2017	9,021	1,626	10,575	10,636	101	2,237	17,601	51,797
Net carrying amount								
At 31 December 2017	4,105	7,243	4,320	87	167	4,647	346,553	367,122

Freehold building of the Group have been charged as security for bank borrowings as stated in Note 17.

10. INTANGIBLE ASSET

The intangible asset represents in e-commerce system under development.

	The Group	The Company	
	2017	2017	2016
	AUD	AUD	AUD
At 1 January	2,104,000	-	-
Additions	1,311,604	-	-
Translation reserve	(177,581)	-	-
At 31 December	<u>3,238,023</u>	<u>-</u>	<u>-</u>

The directors of the Company have engaged a professional valuer to value the e-commerce system under development and based on the valuation performed, are of the opinion that no impairment of intangible asset is required.

11. INVESTMENT IN SUBSIDIARIES

	The Company	
	2017	2016
	AUD	AUD
Unquoted shares at cost	<u>57,656,091</u>	<u>-</u>

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective equity interest (%)		Principal activities
		2017	2016	
Circle Corporation International Limited ^	Hong Kong	100	-	Advertising, branding, e-media services and creative marketing solution
Circle Corp Mediatech Sdn. Bhd. ^	Malaysia	100	-	Advertising, publication, entertainment, events, business circle mobile app and related services
Inno Mind Works Sdn. Bhd.	Malaysia	100	-	Event organiser, advertisement and media industries

^ Audited by another firms of accountants.

12. OTHER INVESTMENT

	The Group	The Company	
	2017	2017	2016
	AUD	AUD	AUD
Investment in Agro Growers Scheme, at fair value	<u>5,053</u>	<u>-</u>	<u>-</u>

13. INVENTORIES

	The Group	The Company	
	2017	2017	2016
	AUD	AUD	AUD
Unused advertising air-time	<u>839,722</u>	<u>-</u>	<u>-</u>
Inventories recognised as expenses	<u>303,234</u>	<u>-</u>	<u>-</u>

The Group's inventories relate to unused advertising air-time bought and carried at a value of AUD839,722 (HKD5,121,802) in the Group's statement of financial position.

14. TRADE AND OTHER RECEIVABLES

	The Group	The Company	
	2017	2017	2016
	AUD	AUD	AUD
Trade receivables	2,197,455	-	-
Other receivables	31,272	-	-
Deposits	7,529	-	-
Prepaid expenses	6,941	-	-
Amount owing from related party	<u>1,799,199</u>		
	<u>4,042,396</u>	<u>-</u>	<u>-</u>

	The Group	The Company	
	2017	2017	2016
	AUD	AUD	AUD
Receivables not yet due	1,484,999	-	-
Past due for:			
1 – 3 months	436,739	-	-
3 – 6 months	-	-	-
6 – 9 months	-	-	-
9 – 12 months	19,664	-	-
12 months and above	<u>256,053</u>	<u>-</u>	<u>-</u>
	<u>2,197,455</u>	<u>-</u>	<u>-</u>

Amount owing from related party is unsecured, interest free and with no fixed terms of repayment.

Information on financial risk of amount owing from related party is disclosed in Note 21.

Related party include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and entity that provides key management personnel services to the Company. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

15. SHARE CAPITAL

Share capital is represented by:

	2017	2016
	AUD	AUD
Issued and fully paid:		
Ordinary shares		
As of 1 January/12 December	138	138
Issued during the year	<u>57,656,091</u>	<u>-</u>
As of 31 December	<u>57,656,229</u>	<u>138</u>

During the financial year, the Company issued 180,000,000 shares for the acquisition of subsidiaries.

16. **RESERVES**

	The Group	The Company	
	2017	2017	2016
	AUD	AUD	AUD
Retained earnings/(Accumulated losses)	2,270,744	(399,757)	-
Exchange translation reserve	(104,126)	7,057	-
Merger reserve	<u>(57,388,344)</u>	<u>-</u>	<u>-</u>
	<u>(55,221,726)</u>	<u>(392,700)</u>	<u>-</u>

Exchange translation reserve

The foreign currency translation reserve arises from the translation of the financial statements from its functional currency in United States Dollar (USD), Hong Kong Dollar (HKD) and Malaysian Ringgit (RM) to presentation currency in Australian Dollar (AUD).

Merger reserve

The merger reserve arose as a result of the deficit of the consideration paid over the share capital and reserves of the subsidiaries.

17. **TERM LOAN**

	The Group	The Company	
	2017	2017	2016
	AUD	AUD	AUD
Payable within 12 months	10,753	-	-
Payable after 12 months	<u>247,306</u>	<u>-</u>	<u>-</u>
	<u>258,059</u>	<u>-</u>	<u>-</u>

The term loans, which are under the name of a director, are repayable over a period of 84 months to 360 months commencing August 2015 and November 2015 with effective interest rate of 4.75% to 4.85%. The term loans are secured by legal charge over the freehold building of the Group.

18. TRADE AND OTHER PAYABLES

	The Group	The Company	
	2017	2017	2016
	AUD	AUD	AUD
Non-current			
Amount owing to directors	149,421	-	-
Amount owing to related party	793,728	104,227	-
Current			
Trade payables	3,760,604	-	-
Other payables	522,262	242,281	-
Accrued expenses	161,704	23,340	-
Amount owing to directors	266,599	-	-
Amount owing to subsidiaries	-	22,852	-
	<u>5,654,318</u>	<u>392,700</u>	<u>-</u>

- (i) Amount owing to directors, related party and subsidiaries are unsecured, interest free and payable upon demand in cash and cash equivalents.
- (ii) Information on financial risk of amount owing to directors, related party and subsidiaries are disclosed in Note 21.
- (iii) The related party is a company in which certain directors of the Company have financial interest.

19. BANK OVERDRAFT

The bank overdraft facilities of a subsidiary company of AUD60,971 (RM200,000) is guarantee by the directors and bear interest of 2.50% per annum above Bank Negara Malaysia's Funding Rate.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

	The Group	The Company	
	2017	2017	2016
	AUD	AUD	AUD
Fixed deposits with licensed bank	32,590	-	-
Cash and bank balances	434,949	138	-
Bank overdraft	<u>(60,971)</u>	<u>-</u>	<u>-</u>
	<u>406,568</u>	<u>138</u>	<u>-</u>

21. FINANCIAL INSTRUMENTS

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and of the Company's business whilst managing its market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies in respect of the major areas of treasury activity are as follow:

Financial Risk Management Policies

(a) Market Risk

(i) Foreign currency risk

Currency risk sensitivity analysis

A 5 percent strengthening of Australian Dollar against US Dollar (USD), Hong Kong Dollar (HKD) and Malaysian Ringgit (RM) at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant.

The Group

	Equity 2017 AUD	Profit 2017 AUD
USD	(6,765)	(19,688)
HKD	135,770	70,908
RM	<u>6,107</u>	<u>1,214</u>

The Company

	Equity 2017 AUD	Profit 2017 AUD
USD	<u>2,863,471</u>	<u>(19,688)</u>

The 5 percent weakening of the currencies against Australian Dollar at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(ii) Interest rate risk

Interest rate risk that changes in interest rates will affect the Group's and the Company's financial position and cash flows.

The Group's and the Company's significant interest-bearing liability is in respect of term loans and bank overdraft. The Group and the Company monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates.

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The following tables set out the carrying amounts, the weighted average effective interest rate as at the end of each reporting date and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

<u>Group</u>		Weighted average effective interest rate %	Within 1 year AUD	1-2 years AUD	2-3 years AUD	3-4 years AUD	4-5 years AUD	More than 5 years AUD	Total AUD
As of 31 December 2017									
Fixed rates									
Term loan	17	4.75	10,753	10,753	10,753	10,753	10,753	204,294	258,059
Floating rates									
Bank overdraft	19	9.35	60,971	-	-	-	-	-	60,971

Sensitivity analysis for interest rate risk

The following table details the sensitivity analysis of the Group and of the Company if interest rates at the end of each reporting period changed by 50 basis points with all variables held constant:

	The Group	The Company	
	2017	2017	2016
	AUD	AUD	AUD
Profit/(Loss) after tax			
- Increase by 0.5%	1,595	-	-
- Decrease by 0.5%	<u>(1,595)</u>	<u>-</u>	<u>-</u>

(b) Credit Risk

The Group's and the Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group and the Company manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

The Group and the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Credit risk concentration profile

At the end of each reporting period, there were no significant concentrations of credit risk other than the amount owing to related party of AUD1,799,199.

(c) Liquidity Risk

The Group's and the Company's exposure to liquidity risk arises from general funding and business activities. The Group and the Company practises prudent risk management by maintaining sufficient cash balances and the continuing funding from its shareholders to meet its working capital requirements.

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The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contracted rates or, if floating, based on the rates at the end of the reporting period):

Group

	Carrying amounts AUD	Contractual undiscounted cash flows AUD	Within 1 year AUD	1-5 years AUD	More than 5 years AUD
As of 31 December 2017					
Trade and other payables	4,444,570	4,444,570	4,444,570	-	-
Amount owing to directors	416,020	416,020	266,599	149,421	-
Term loan	258,059	438,831	15,958	63,830	359,043
Bank overdraft	60,971	60,971	60,971	-	-
Amount owing to related party	793,728	793,728	-	793,728	-
	<u>5,973,348</u>	<u>6,154,120</u>	<u>4,788,098</u>	<u>1,006,979</u>	<u>359,043</u>

Company

	Carrying amounts AUD	Contractual undiscounted cash flows AUD	Within 1 year AUD	1-5 years AUD	More than 5 years AUD
As of 31 December 2017					
Trade and other payables	265,726	265,726	265,726	-	-
Amount owing to subsidiaries	22,852	22,852	22,852	-	-
Amount owing to related party	104,227	104,227	-	104,227	-
	<u>392,805</u>	<u>392,805</u>	<u>288,578</u>	<u>104,227</u>	<u>-</u>

Capital Risk Management

The Group and the Company manages its capital by maintaining an optimal capital structure so as to support its businesses and maximize shareholders value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

Classification of Financial Instruments

	The Group 2017 AUD	The Company 2017 2016 AUD AUD	
Financial assets:			
<i>Available-for-sale</i>			
Investment	5,053	-	-
<i>Loans and receivables</i>			
Trade and other receivables	4,035,455	-	-
Fixed deposits with licensed bank	32,590	-	-
Cash and bank balances	434,949	138	138
	<u>4,508,047</u>	<u>138</u>	<u>138</u>
Financial liabilities:			
<i>Other financial liabilities</i>			
Trade and other payables	5,654,318	392,700	-
Term loan	258,059	-	-
Bank overdraft	60,971	-	-
	<u>5,973,348</u>	<u>392,700</u>	<u>-</u>

Methods and Assumptions Used To Estimate Fair Value

The fair values of the financial assets and liabilities approximately their carrying amounts. The fair values are included in Level 2 of their fair value hierarchy.

22. CONTINGENT LIABILITIES

The Company's subsidiary in Hong Kong has a total outstanding tax liability of AUD401,623 (HKD2,449,659), the Inland Revenue Department may impose penalties on the subsidiary company and the director of the subsidiary company. No provision for the penalty liabilities has been made in these financial statements, as the amount and consequence are uncertain at the reporting date.

23. SEGMENT INFORMATION

The Group operates as a single operating segment and internal management reporting systems present financial information as a single segment. The segment derives its revenue and incurs expenses through media, advertising and marketing activities.

24. EVENTS AFTER SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date, the Company's subsidiary in Malaysia received the pioneer status certification from the Malaysian Investment Development Authority which provides for tax exemption for the subsidiary company for the period 11 May 2016 to 10 May 2021.

25. COMPARATIVE FIGURES

As the financial statements of the Group are drawn up for the first time, no comparative figures are presented.

Company No. OI - 318051

CIRCLE INTERNATIONAL HOLDINGS LIMITED

(Formerly Known As Circle International Limited)

(Incorporated in Cayman Islands)

STATEMENT BY DIRECTORS

The directors of **CIRCLE INTERNATIONAL HOLDINGS LIMITED** (formerly known as Circle International Limited) state that, in their opinion, the accompanying financial statements are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board
in accordance with a resolution of the Directors,



DATO' TAN HO

Puchong,
6 April 2018



YAP CHEE LIM