
SEALAND CAPITAL GALAXY LIMITED
ANNUAL REPORT AND NON-STATUTORY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SEALAND CAPITAL GALAXY LIMITED
ANNUAL REPORT AND NON-STATUTORY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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SEALAND CAPITAL GALAXY LIMITED

CORPORATE INFORMATION

| | |
|---|--|
| Board of Directors | |
| Executive Director: | Mr Chung Lam Nelson Law (Chairman and Chief Financial Officer) Mr Chih Hong Leon Lim (Chief Executive Officer) (resigned on 29 June 2018) Mr Ka Fai Lam (appointed on 28 February 2017 and resigned on 31 March 2017) |
| Non-executive Director: | Mr Ingvar Angus Sigurd Irvine (resigned on 2 July 2017) Mr Nicholas James Lyth (appointed on 28 February 2017 and resigned on 13 July 2018) Mr Frazer Ian McRae (appointed on 24 November 2017) Mr Zhixuan Li (appointed on 13 July 2018) |
| Company Secretary | Collas Crill Corporate Services Limited |
| Registered Office | Willow House, PO Box 709, Cricket Square, Grand Cayman, KY1 1107, Cayman Islands |
| Head Office | Kemp House, 152 City Road, London EC1V 2NX, United Kingdom |
| Independent Auditor | Crowe U.K. LLP St. Bride's House, 10 Salisbury Square, London, EC4Y 8EH |
| Principal Banker | China Construction Bank (Asia) Corporation Limited Unit C, 20/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong |
| Legal advisers to the Company as to English law | Hill Dickinson LLP The Broadgate Tower, 20 Primrose Street, London EC2A 2EW |
| Legal advisers to the Company A9626s to Cayman Islands law | Collas Crill & CARD Willow House, PO Box 709, Cricket Square, Grand Cayman, KY1-1107, Cayman Islands |

SEALAND CAPITAL GALAXY LIMITED

CHAIRMAN'S STATEMENT

Dear Shareholders

I hereby present the annual report of Sealand Capital Galaxy Limited (the "Company" or "Sealand", together with its subsidiaries, the "Group") for the year ended 31 December 2017 (the "Year").

During the Year, the Group reported a loss of £8,027,414 (2016: loss of £250,839) which was mainly due to the provision of impairment losses on goodwill and intangible assets of £5,728,679 and £1,586,394 made in connection with the social media segment which arose from the acquisition of SecureCom Media Holdings Limited ("SecureCom").

Sealand was listed on the London Stock Exchange on 17 November 2015 as a special purpose acquisition company to look for business opportunity to acquire a suitable company or business in the social media sector.

In March 2016, Sealand signed a Memorandum of Understanding to acquire all Securecom's issued share capital. SecureCom had obtained the global exclusive operating rights to the mobile application "Metalk", developed by Logicquest Technology Inc. and was the owner and operator of "SecureChannel", a web-based Software-As-A-Service platform that provides corporate clients with the means to mass broadcast sensitive information over large private networks. The Group was in expectation that it would be able to transform or enrich the business mix further with the existing user based of Metalk and SecureChannel to a comprehensive commercial environment. In February 2017, the acquisition was completed.

After the acquisition, due to keen competition from other social media services providers e.g. "Wechat" and "Facebook" and the withdrawal of certain cash redemption incentive schemes, SecureCom's new subscribers decreased significantly. Following an extensive review, the Company's directors came to the conclusion that a disposal of SecureCom was in the best interests of shareholders, and given the competitive environment in which SecureCom operates the business would require substantial additional capital in order to remain competitive, whilst the Group's focus should be on the development of other businesses. The Company entered into a MoU and a legally binding agreement with a buyer in 19 April 2018 and 12 June 2018 respectively to dispose the entire interest in SecureCom. On 22 June 2018, the disposal was completed and SecureCom will be no longer a subsidiary of the Group.

Meanwhile, The Group has been diversifying itself the mobile payment gateway sector in late 2017. The group was appointed as a broker to provide merchant service to introduce customers to WeChat Pay in Hong Kong. Further, while the current arrangement with WeChat Pay specifically relates to the Hong Kong market, the board has already commenced discussions with potential business partners to launch a UK mobile payment gateway to provide Chinese visitors who have the ability to make payments using WeChat Pay via their mobile devices, rather than by credit card.

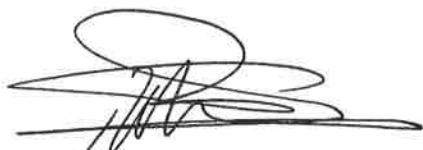
Apart from the mobile payment gateway sector, the Company has initiated another acquisition with Rightyoo, a mobile gaming provider, in late 2017. As at the date of this report, the Company had completed the subscription of a 55% interest in Rightyoo.

As at 31 December 2017, the Group has cash and cash equivalent balances, net liabilities and net current liabilities of £1,772,507, £2,200,751, £2,214,960 respectively. As SecureCom was disposed after the financial reporting date, for better interpretation of the group position, SecureCom can be excluded from the above indicators. The adjusted cash and cash equivalent balances, the adjusted net assets (turns from net liabilities, as mentioned above, to net assets) and the adjusted net current assets (turns from net current liabilities, as mentioned above, to net current assets) of the group were £1,608,896, £1,640,368, £1,626,531, respectively. With the adjusted group position, it is believed that the company is in a position to develop its new business.

SEALAND CAPITAL GALAXY LIMITED

CHAIRMAN'S STATEMENT (CONTINUED)

I would like to thank all those who have contributed to the Company progress in developing itself as a leading provider of mobile internet services. We will continue our efforts to create value for our shareholders and stakeholders.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Chung Lam Nelson Law
Chairman
29 October 2018

SEALAND CAPITAL GALAXY LIMITED

DIRECTORS' REPORT

The directors present their report, together with the audited non-statutory financial statements Sealand Capital Galaxy Limited ("Sealand" or the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2017.

The Company

Sealand Capital Galaxy Limited was incorporated in the Cayman Islands on 22 May 2015 as an exempted Company with limited liability under the Companies Law. The registered office of the Company is Willow House, PO Box 709, Cricket Square, Grand Cayman, KY1-1107, Cayman Islands.

Principal activities

The Company's nature of operations is to act as a special purpose acquisition Company.

The Group engaged in investment and acquisition of IT and social media businesses.

Results and dividends

The results are set out in the primary statements on pages 11 to 14 of the financial statements. The Directors do not recommend payment of a dividend for the year (2016: nil).

Business review and management report

Overview

During 2017, The Company (together with its subsidiaries, the "Group") recorded a consolidated loss attributable to shareholders of £8,027,414 (2016: £250,839). The loss for the year was mainly attributable to provisions for impairment losses on goodwill and intangible assets which is related to the social media business segment.

Operations

a) Social media business segment

The Group's social media business is operated by its wholly owned subsidiary, SecureCom Media Holding Limited, which was acquired in February 2017. Revenue for the year from social media business segment was £4,491,997 (2016: Nil) which represents the entire revenue of the Group.

The social media business is the operation of a secure mobile communication software application that serves corporate executives and business people across the APAC region and SecureChannel, a web-based secure broadcasting system that allows companies and organisations to create dynamic and mobile friendly posts and presentations, attach sensitive information and multimedia, and broadcast the information to target users via Metalk, which handles at the mobile end added security features such as self-destruct timers and anti print-screen measures. SecureCom has been using an intensive incentive scheme to attract new users or to retain existing users to subscribe for SecureChannel products since its launch (e.g. granting users with free plan credit which could be opt for cash redemption) and made a great success in increasing the revenue from the sales of broadcasting plan subscription in 2016. As at the acquisition date, SecureCom had a deferred revenue of approximately £144 million in its balance sheet. However, under the accounting on business combination, the pre-acquisition deferred revenue was not totally benefit to the consolidated result of Sealand and the deferred revenue incorporated in the group's balance, as at the acquisition date was adjusted to its fair value to approximately £2 million, in order words, the maximum impact from the pre-acquisition deferred revenue to the Group's revenue would be cap with £2 million.

After the acquisition date, additional deferred revenue from new plans subscribed up to 31 December 2017 amounted to approximately £7 million which was far under the past record and the expectation of the management. The deterioration was due to the intense competition in the market especially "Wechat" mobile application operated by Tencent and lesser attractiveness of SecureCom product after the withdrawal of cash redemption incentive schemes. As at the year ended date, provision of impairment losses on the goodwill and intangible assets of £5,728,679 and £1,586,394 were made respectively.

SEALAND CAPITAL GALAXY LIMITED

DIRECTORS' REPORT (CONTINUED)

Business review and management report (continued)

a) Social media business segment (continued)

Following an extensive review, the Company's directors concluded that a disposal of SecureCom was in the best interests of shareholders, given the competitive environment in which SecureCom operates, the business would require substantial additional capital to remain competitive, whilst the Group's focus is on the development of other businesses. The Company had entered a MoU on 19 April 2018 and a legally binding agreement on 12 June 2018 with a buyer to dispose of the entire interest in SecureCom. The disposal was completed on 22 June 2018.

b) Mobile payment business

The Company, through its wholly-owned subsidiary, ePurse (HK) Ltd, signed an agreement to act as a broker providing merchant marketing service to introduce new QR code payment customers to the WeChat Pay platform in Hong Kong ("WeChat Pay Services") in September 2017. WeChat is a mobile messenger app owned by Chinese internet giant Tencent and dominates the Chinese mobile messenger market. As the management in the process of setting up the WeChat Pay Services business model in 2017, it is expected that revenue will be generated in the next financial year.

c) Mobile game business

On 4 October 2017, the Company, through its wholly-owned subsidiary, SCG Group Limited, entered into a Subscription Agreement with Guangzhou Ruiyou Information Technologies Co., Ltd ("Rightyoo") and its shareholders, in which the Group agreed to subscribe for a 55% interest in Rightyoo for the aggregate sum of RMB1,222,000 (approximately £139,000) (the "Subscription"). After obtaining the approval from the PRC government regarding the Subscription in January 2018, Rightyoo became a subsidiary of the Company.

Our Strategy

The Group is committed to achieve long term sustainable growth of its business in preserving and enhancing shareholders' value. The Group is focused on selecting attractive investment opportunities to strengthen and extend its business scope and has maintained prudent and disciplined financial management to ensure its sustainability.

Apart from the diversification of business segment, the Group will diversify its presence from only the APAC region to also the UK, Europe and United Arab Emirates regions.

Outlook

The Group will continue to be watchful of market developments of each business and will manage its businesses and investment portfolio with a view to further improving its businesses and overall asset quality and potential growth. The Group will also continue to manage its assets and assess new investment opportunities with prudence to achieve stable growth and enhance shareholders' value.

Events that have occurred since the end of the financial year are detailed in Note 24 to financial statements.

SEALAND CAPITAL GALAXY LIMITED

DIRECTORS' REPORT (CONTINUED)

Directors

The following directors served during the year to 31 December 2017:

| | |
|-------------------------------|--|
| Mr Chung Lam Nelson Law | (Chairman and Chief Financial Officer) |
| Mr Chih Hong Leon Lim* | (Chief Executive Officer) |
| Mr Ka Fai Lam** | (Executive Director) |
| Mr Ingvar Angus Sigurd Irvine | (Non-executive Director) |
| Mr Nicholas James Lyth*** | (Non-executive Director) |
| Mr Frazer Ian Macrae | (Non-executive Director) |

* Chih Hong Leon Lim resigned as the director of the Company on 29 June 2018.

** Ka Fai Lam, also known as Joe Lam and Ka Lok Lam, resigned as the director of the Company on 31 March 2017.

*** Nicholas James Lyth resigned as the director of the Company on 13 July 2018.

Substantial shareholding

At 31 December 2017, the Company had been notified, in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, of the following notifiable interests in the ordinary share capital of the company:

| Name | Number of Ordinary Shares | Approximate % Holding |
|--------------------------------------|---------------------------|-----------------------|
| Mr Chung Lam Nelson Law | 157,500,000 | 31.2% |
| Mr Chih Hong Leon Lim | 67,500,000 | 13.4% |
| Securities Services Nominees Limited | 64,399,796 | 12.8% |

Directors' interests

The directors' interests in the share capital of the company are shown below. All interests are beneficial.

| | Number of ordinary shares at 31 December 2017 |
|-------------------------|---|
| Mr Chung Lam Nelson Law | 157,500,000 |
| Mr Chih Hong Leon Lim | 67,500,000 |

Directors' emoluments are detailed in Note 10 to the financial statements.

Share capital and voting rights

Movement of share capital during the year ended 31 December 2017 is disclosed in Note 19 to the financial statements.

Financial risk management

The company's financial risk management objective is to minimise, as far as possible, the company's exposure to such risk as detailed in Note 5 to the financial statements.

SEALAND CAPITAL GALAXY LIMITED

DIRECTORS' REPORT (CONTINUED)

Corporate governance

As a company with a Standard Listing, the Company is not required to comply with the provisions of the Corporate Governance Code. However, the Company intends to adopt corporate governance procedures as are appropriate for the size and nature of the Company and the size and composition of the Board. These corporate governance procedures have been selected with due regard to the provision of the Corporate Governance Code in particular:

- given the size of the Board, certain provisions of the Corporate Governance Code (in particular the provisions relating to the composition of the Board and the division of responsibilities between the Chairman and chief executive and executive compensation), are not being complied with by the Company as the Board considers these provisions to be inapplicable to the Company;
- The board has established an audit committee, a remuneration committee and a nomination committee comprising at least one non-executive director in each committee. Those committees will review audit and risk matters, as well as the Board's size, structure and composition and the scale and structure of the Directors' fees, taking into account the interests of Shareholders and the performance of the Company, and will take responsibility for the appointment of auditors and payment of their audit fee, monitor and review the integrity of the Company's financial statements and take responsibility for any formal announcements on the Company's financial performance.
- the Corporate Governance Code recommends the submission of all directors for re-election at annual intervals. None of the Directors will be required to retire by rotation and be submitted for re-election; and
- the Board does not comply with the provision of the Corporate Governance Code that at least half of the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. In addition, the Company has not appointed a senior independent director. The Company intends to appoint additional independent non-executive directors following the Acquisition so that the Board complies with these provisions.

By order of the board



Chung Lam Nelson Law
Chairman

29 October 2018

SEALAND CAPITAL GALAXY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the non-statutory financial statements in accordance with applicable laws and regulations. The directors have prepared financial statements for the Company in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of transactions, other events and conditions in accordance with the definitions and recognition criteria for the assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair representation will be achieved by compliance with all IFRS. Directors are also required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Sealand Capital Galaxy Limited website is the responsibility of the Directors; work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the Cayman Islands governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

The Directors are responsible for preparing the Financial Statements in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority ('DTR') and with International Financial Reporting Standards (IFRS) as adopted by the European Union.

By order of the board



Chung Lam Nelson Law
Chairman

29 October 2018

SEALAND CAPITAL GALAXY LIMITED

Independent Auditor's Report to the Members of Sealand Capital Galaxy Limited

Disclaimer of opinion

We were engaged to audit the non-statutory group financial statements of Sealand Capital Galaxy Limited for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

We were not provided with a complete set of accounting records for SecureCom Media Holdings Limited ('SecureCom'), the most significant component in the Sealand group, which was acquired on 28 February 2017. In particular, we were not provided with relevant records maintained by a Hong Kong cash collection agent appointed by SecureCom, or banking and other records maintained by other parties in mainland China.

We were unable to satisfy ourselves by alternative means with regard to the revenue of £4,491,997, selling and marketing expenses of £2,720,728 and administrative and other operating expenses of £2,087,808 reported in the Consolidated Statement of Comprehensive Income. We were also unable to satisfy ourselves by alternative means with regard to deferred revenue of £4,775,684, other payables and accrued expenses of £837,610, advertising credits payable of £436,672 and amounts receivable from the cash collection agent of £1,695,523 reported in the Consolidated Statement of Financial Position.

As a consequence, we were also unable to satisfy ourselves with regard to the value of the net assets of SecureCom acquired by the company as at 28 February 2017, or the valuation of the goodwill and intangible assets arising on consolidation amounting to £6,218,231 and £2,253,869, respectively. As disclosed in note 24 to the financial statements, the company disposed of its interest in SecureCom subsequent to the balance sheet date. This was for a nominal sum and the goodwill and intangible assets have been fully impaired in these financial statements. Given our inability to satisfy ourselves over the valuation of the goodwill or intangibles arising on acquisition, we were similarly unable to determine if the quantum of the impairment charges was appropriate.

As a result of these matters, we were unable to determine whether any adjustments are necessary in respect of recorded or unrecorded revenue, expenses, assets or liabilities associated with SecureCom, and the elements making up the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows.

Responsibilities of the directors for the non-statutory financial statements

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory financial statements, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

SEALAND CAPITAL GALAXY LIMITED

**Independent Auditor's Report to the Members of Sealand Capital Galaxy Limited
(Continued)**

Auditor's responsibilities for the audit of the non-statutory financial statements

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Use of our report

This report is made solely to the company's members. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Steve Gale
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
29 October 2018

SEALAND CAPITAL GALAXY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

| | <u>Note</u> | 2017 £ | 2016 £ |
|---|-------------|--------------------|---|
| Revenue | 8 | 4,491,997 | - |
| Other income | 8 | 119,611 | 58 |
| Selling and marketing expenses | | (2,720,728) | - |
| Administrative and other operating expenses | | (2,334,166) | (250,897) |
| Provision for impairment losses on goodwill | 14 | (5,997,734) | - |
| Provision for impairment losses on intangible assets | 14 | <u>(1,586,394)</u> | <u>-</u> |
| Loss before tax | 9 | (8,027,414) | (250,839) |
| Income tax expense | 11 | <u>-</u> | <u>-</u> |
| Loss for the year | | (8,027,414) | (250,839) |
| Other comprehensive loss Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | <u>85,628</u> | <u>-</u> |
| Total comprehensive loss for the year attributable to ordinary shareholders | | <u>(7,941,786)</u> | <u>(250,839)</u> |
| Loss per share attributable to equity holders of the Company | | Pence | Pence (restated)⁽¹⁾ |
| Basic and diluted | 12 | <u>(0.0177)</u> | <u>(0.0008)</u> |

⁽¹⁾ restated for the bonus issue of the Company on 1 June 2017.

The notes to the financial statements form an integral part of these financial statements

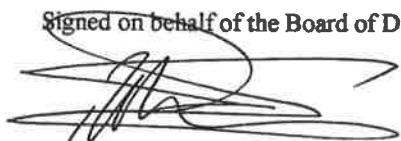
SEALAND CAPITAL GALAXY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

| | <u>Note</u> | 2017 £ | 2016 £ |
|---|-------------|--------------------|------------------|
| Non-current assets | | | |
| Plant and equipment | 13 | 14,209 | - |
| Goodwill and intangible assets | 14 | - | - |
| | | <u>14,209</u> | <u>-</u> |
| Current assets | | | |
| Amounts due from directors | 15 | 1,808 | 1,808 |
| Prepayment and other receivables | 16 | 2,060,691 | 52 |
| Cash and cash equivalents | | <u>1,772,507</u> | <u>457,597</u> |
| | | <u>3,835,006</u> | <u>459,457</u> |
| Current liabilities | | | |
| Deferred Revenue | 18 | 4,775,684 | - |
| Other payables and accrued expense | 17 | <u>1,274,282</u> | <u>18,499</u> |
| | | <u>6,049,966</u> | <u>18,499</u> |
| Net current (liabilities)/assets | | <u>(2,214,960)</u> | <u>440,958</u> |
| Net (liabilities)/assets | | <u>(2,200,751)</u> | <u>440,958</u> |
| Capital and reserves | | | |
| Share capital | 19 | 50,405 | 3,000 |
| Share premium | | 5,988,022 | 735,350 |
| Exchange reserve | | 85,628 | - |
| Accumulated losses | | <u>(8,324,806)</u> | <u>(297,392)</u> |
| Total equity | | <u>(2,200,751)</u> | <u>440,958</u> |

The notes to the financial statements form an integral part of these financial statements

These Financial Statements were approved by the Board of Directors and authorised for issue on 29 October 2018.

Signed on behalf of the Board of Directors



.....
Chung Lam Nelson Law
Chairman

29 October 2018

SEALAND CAPITAL GALAXY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

| | <u>Share capital</u> £ | <u>Share premium</u> £ | <u>Accumulated Losses</u> £ | <u>Exchange Reserve</u> £ | <u>Total</u> £ |
|---|-------------------------------|-------------------------------|------------------------------------|----------------------------------|--------------------|
| At 1 January 2016 | 3,000 | 735,350 | (46,553) | - | 691,797 |
| Loss for the year and total comprehensive loss for the year | - | - | (250,839) | - | (250,839) |
| At 31 December 2016 | <u>3,000</u> | <u>735,350</u> | <u>(297,392)</u> | - | <u>440,958</u> |
| At 1 January 2017 | 3,000 | 735,350 | (297,392) | - | 440,958 |
| Loss for the year | - | - | (8,027,414) | - | (8,027,414) |
| Exchange differences arising on translation | - | - | - | 85,628 | 85,628 |
| Total comprehensive (loss)/ income for the period | - | - | (8,027,414) | 85,628 | (7,941,786) |
| Placing of shares | 5,105 | 5,615,395 | - | - | 5,620,500 |
| Bonus issue | 42,300 | (42,300) | - | - | - |
| Costs of issue | - | (320,423) | - | - | (320,423) |
| At 31 December 2017 | <u>50,405</u> | <u>5,988,022</u> | <u>(8,324,806)</u> | <u>85,628</u> | <u>(2,200,751)</u> |

The notes to the financial statements form an integral part of these financial statements

SEALAND CAPITAL GALAXY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

| | 2017 | 2016 |
|---|--------------------|------------------|
| | £ | £ |
| OPERATING ACTIVITIES | | |
| Loss before tax | (8,027,414) | (250,839) |
| Adjustments for: | | |
| Depreciation | 4,969 | - |
| Amortisation | 587,553 | - |
| Provision for impairment loss on goodwill | 5,997,734 | - |
| Provision for impairment loss on intangible assets | 1,586,394 | - |
| Bank interest income | (243) | (58) |
| | <hr/> | <hr/> |
| Operating cash flows before movements in working capital | 148,993 | (250,897) |
| Increase in amount due from a director | - | (1,808) |
| Increase/(decrease) in prepayment and other receivables | 10,514,918 | (52) |
| Decrease in amount due to a director | - | (1,932) |
| Increase in deferred revenue | (15,572,143) | - |
| Increase/(decrease) in other payables and accrued expenses | 2,713,701 | (20,959) |
| | <hr/> | <hr/> |
| Net cash used in operating activities | (2,194,531) | (275,648) |
| INVESTING ACTIVITY | | |
| Purchase of property, plant and equipment | (18,360) | - |
| Net cash inflow on acquisition of a subsidiary | 325,884 | - |
| Deposit paid for acquisition of a subsidiary | (55,090) | - |
| Interest income received | 243 | 58 |
| | <hr/> | <hr/> |
| Net cash generated from investing activities | 252,677 | 58 |
| FINANCING ACTIVITY | | |
| Proceeds from issue of shares, net of expenses | 3,300,077 | - |
| | <hr/> | <hr/> |
| Net cash generated from financing activities | 3,300,077 | - |
| Net increase/(decrease) in cash and cash equivalents | 1,358,223 | (275,590) |
| Exchange realignment | (43,313) | - |
| Cash and cash equivalents at the beginning of the period | 457,597 | 733,187 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the period | 1,772,507 | 457,597 |
| | <hr/> | <hr/> |

The notes to the financial statements form an integral part of these financial statements

SEALAND CAPITAL GALAXY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Sealand Capital Galaxy Limited (the “Company”) was incorporated in the Cayman Islands on 22 May 2015 as an exempted Company with limited liability under the Companies Law. The registered office of the Company is Willow House, PO Box 709, Cricket Square, Grand Cayman, KY1-1107, Cayman Islands.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted for use by the European Union and IFRIC interpretations applicable to companies reporting under IFRS. The financial statements are presented in Great British Pound (“£”) rounded to the nearest Great British Pound and have been prepared under the historical cost convention as modified for financial assets carried at fair value, if any.

Going concern basis

The consolidated financial statements for the year ended 31 December 2017 have been prepared on a going concern basis notwithstanding net current liabilities of £2,214,960 as at 31 December 2017.

In the opinion of the directors of the Company, the Group can maintain itself as a going concern in the coming year by taking into consideration the proposed adjustments and arrangements which include, but are not limited to, the followings:

1. As SecureCom was disposed after the financial reporting date, for better interpretation of the group position and to assess the going concern, position of SecureCom shall be excluded from the net current assets/liabilities. The adjusted net current assets will turn from net current liabilities position of £2,214,960 to net current assets position of £1,626,531; and
2. Positive cash flows will be generated from its operating activities or financing activities, includes placing new share or obtaining financial support from shareholders, in the futures.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. STANDARDS AND INTERPRETATIONS

(i) New and amended standards adopted by the Group

There were no IFRSs or IFRIC interpretations relevant to the Group that were effective for the first time for the financial year beginning 1 January 2017 that had a material impact on the Group.

(ii) New and amended standards and interpretations issued but not yet effective or not yet endorsed for the financial year beginning 1 January 2017 and not early adopted.

At the date of authorisation of these Financial Statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) have not yet been adopted by the EU. The Group intend to adopt these standards, if applicable, when they become effective.

| Standard / Interpretation | Title | Effective date |
|----------------------------------|--|-------------------------------------|
| IFRS 2 (Amendments) | Classification and Measurement of Share Based Payment Transactions | *1 January 2018 |
| IFRS 9 | Financial Instruments | 1 January 2018 |
| IFRS 10 (Amendments) | Consolidated Financial Statements: Applying the Consolidation Exception | Postponed |
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 16 | Leases | *1 January 2019 |
| 15 (Clarifications) | Revenue from Contracts with Customers | *1 January 2018 |
| Annual Improvements | Annual Improvements to IFRS Standard 2014 - 2016 Cycle | *1 January 2017 / 1 January 2018 |
| IFRIC Interpretation 22 | Foreign Currency Transactions and Advance Consideration | *1 January 2018 |

* *Subject to EU endorsement*

The Group is evaluating the impact of the new and amended standards above. The Directors do not expect that these new and amended standards will have a material impact on the Group's results or shareholders' funds. Particular attention will be paid to the impact of IFRS 15, IFRS 16 and amendments to IFRS 2 on the Group's Financial Statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

SEALAND CAPITAL GALAXY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from advertising or broadcasting services is recognised when the related advertisements are broadcasted. Upon the expiry of prepaid packages of advertising or broadcasting services, the corresponding amount of deferred revenue remaining, if any, will be fully recognised as income in profit or loss. Payments received from customers that are related to services not yet rendered are deferred and disclosed as deferred revenue in the consolidated statement of financial position.

b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

c) Foreign currency transactions

(i) Functional and presentational currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"), being British Pound Sterling ("GBP" or "£"), US Dollar and Hong Kong Dollar. The Consolidated Financial Statements are presented in GBP.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Statement of Financial Position date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income (loss).

SEALAND CAPITAL GALAXY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Goodwill and intangible assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For the goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Intangible assets - Operating license agreement

Operating license agreement acquired in business a combination are recognised initially at fair value at the acquisition date. After initial recognition, those have a finite useful lives and are subsequently carried at cost less accumulated amortisation and any impairment losses. Amortisation for Operating license agreement is provided on the straight-line basis over the estimated useful lives of 37 months. Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in Note 4(f).

e) Property, plant and equipment

Property, plant and equipment is measured on the cost basis and therefore stated at historic cost less accumulated depreciation. Historic cost includes expenditure that is directly attributable to the acquisition of the items.

All repairs and maintenance expenditure is charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

SEALAND CAPITAL GALAXY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

| | |
|-----------------------|---------------------------------------|
| Office equipment | 36 - 60 months |
| Leasehold improvement | lower of 36 months and the lease term |

The assets' residual values and useful lives are reviewed, and, if appropriate, asset values are written down to their estimated recoverable amounts, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts, and are included in profit or loss.

f) Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful life or those not yet available for use are not subject to amortisation and are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable. An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset. For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable. An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

SEALAND CAPITAL GALAXY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments

Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise Trade and Other Receivables and Cash and Cash Equivalents.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchasing or selling the asset. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired; if so, the Group performs a detailed impairment calculation to determine whether an impairment loss should be recognised. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

Evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal repayments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in the income statement. 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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

SEALAND CAPITAL GALAXY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as other financial liabilities and include trade and other payables and borrowings.

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using effective interest method, with interest expense recognised on an effective yield basis.

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

h) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

i) Current and deferred income tax

Income tax comprises current and deferred tax. Current income tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised directly in other comprehensive income or directly in equity, respectively.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

SEALAND CAPITAL GALAXY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

k) Employee benefits

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

l) Share capital

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

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks as below.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of future cash flow requirements.

(i) Interest rate risk

The Group has floating rate financial assets in the form of deposit accounts with major banking institutions; and, it is not currently subjected to any other interest rate risk.

Any change in interest rate for interest bearing bank balances at the reporting date would not have a material impact in profit or loss and as such is not disclosed.

(ii) Foreign exchange risk

Foreign currency risk is the risk to earnings or capital arising from movements in foreign exchange rates. The Group's foreign currency risk primarily arises from currency exposures originating from its foreign exchange dealings and other investment activities.

The Group monitors the relative foreign exchange positions of its assets and liabilities to minimise foreign currency risk. When appropriate, hedging instruments including forward contracts, swaps and currency loans would be used to manage the foreign exchange exposure. The foreign currency risk is managed and monitored on an on-going basis by senior management of the Group.

SEALAND CAPITAL GALAXY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Foreign exchange risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Singapore dollar (“SGD”), Malaysian Ringgit (“MYR”) and Renminbi (“RMB”) exchange rates, with all other variables held constant, of the Group’s profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

| | Increase/(Decrease) in profit before tax 2017 £ |
|---|--|
| SGD strength/weakened against GBP for 1 per cent. | <u>32,985 / (32,985)</u> |
| MYR strength/weakened against GBP for 1 per cent. | <u>(31,352) / 31,352</u> |
| RMB strength/weakened against GBP for 1 per cent. | <u>37,513 / (37,513)</u> |

(iii) Liquidity risk

The Company’s objectives when managing liquidity risk are to maintain sufficiency reserves of cash and adequate committed credit facilities to ensure sufficient and flexible funding is available to the Company. Also, the Company’s policy is to regularly monitor current and expected liquidity requirements, in particular relating to capital expenditure and repayments of debts. At end of the reporting year, the Company had no significant liquidity risk in the near future. All financial liabilities are expected to be settled within one year after the end of the reporting year.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Company does not have any other significant concentration of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

(iv) Credit risk

Credit risk is the risk of loss associated with the counterparty’s inability to fulfil its obligations. The Group’s credit risk is primarily attributable to other receivables and cash and bank balances with the maximum exposure being the reported balance in the consolidated statement of financial position.

The Group’s significant debtors are with a cash collection agent. In the view that the cash collection agent is continuing making payment on behalf of the Group and without any defraud, the Group consider the credit risk is low. The maximum exposure of the receivable from cash collection agent is shown in Note 16. Further, the Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

SEALAND CAPITAL GALAXY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group does not hedge these risk exposures due to the lack of any market to purchase financial instruments.

(vi) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balances.

The capital structure of the Company consists of debt, which includes equity attributable to the owners of the Company, comprising share capital, share premium and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the associated risks, and take appropriate actions to adjust the Company's capital structure. The overall strategy of the Company remained unchanged.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY UNCERTAINTIES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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

Key source of estimation uncertainty

Valuation of identifiable assets and liabilities acquired through business combinations

The Group applies the acquisition method to account for business combinations, which requires the Group to recognise assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgement is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates and other assumptions. The acquisition of SecureCom during the year ended 31st December 2017 is accounted for as business combination and details of the fair value of the assets acquired and liabilities recognised at the date of acquisition are set out in Note 20.

SEALAND CAPITAL GALAXY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY UNCERTAINTIES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of goodwill and intangible assets

The Group determined whether goodwill is impaired at least on an annual basis, while for the acquired intangible assets with finite useful lives, they are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable. This requires an estimation of the value in use of the cash-generating units to which goodwill and the acquired intangible assets are allocated. Estimating the value in use requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. Details of goodwill and intangibles assets are set out in Note 14.

7. SEGMENT INFORMATION

The Chief Operating Decision Maker ("CODM") has been identified as the executive directors of the Company who reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

For management purposes, the Group is organised into business units based on their products and services, and has reportable operating segments for the year ended 31 December 2017 as follows:

- (a) The social media segment includes sales of secured social communication and advertising product through Metalk;
- (b) The mobile payment segment includes services on enlisting merchants to mobile payment gateways; and
- (c) The mobile game segment includes sales and distribution of mobile game.

For the year ended 31 December 2016, the Group had no identifiable reportable operating segments, therefore no segment disclosing was made accordingly.

For the year ended 31 December 2017

| | <u>Social media</u> | <u>Mobile payment</u> | <u>Mobile Game</u> | <u>Unallocated</u> | <u>Total</u> |
|--------------|---------------------|-----------------------|--------------------|--------------------|--------------|
| | £ | £ | £ | £ | £ |
| Revenue | 4,491,997 | - | - | - | - |
| Segment loss | 6,915,142 | 49,510 | 8,051 | 1,054,711 | 8,027,414 |
| Assets | 2,079,434 | - | 200,482 | 1,569,299 | 3,849,215 |
| Liabilities | 5,920,553 | 14,225 | 7,193 | 107,995 | 6,049,966 |

SEALAND CAPITAL GALAXY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

7. SEGMENT INFORMATION (CONTINUED)

| | <u>Social media</u> | <u>Mobile payment</u> | <u>Mobile game</u> | <u>Unallocated</u> | <u>Total</u> |
|--|---------------------|-----------------------|--------------------|--------------------|--------------|
| | £ | £ | £ | £ | £ |
| <u>Other segment information:</u> | | | | | |
| Depreciation | 229 | - | - | 4,740 | 4,969 |
| Amortisation | 587,553 | - | - | - | - |
| Provision for impairment losses on goodwill | 5,997,734 | - | - | - | 5,997,734 |
| Provision for impairment losses on intangible assets | 1,586,394 | - | - | - | 1,586,394 |

Geographical information:

| | Revenue from external customers 2017 £ |
|-----------------------|--|
| Mainland China | 2,878,653 |
| Hong Kong | 1,128,448 |
| Republic of Singapore | 178,327 |
| Malaysia | 147,459 |
| Others | 159,110 |
| | <u>4,491,997</u> |

The Group's non-current assets are immaterial. Accordingly, no geographical information related to non-current assets has been presented.

Information about major customers

For the year ended 31 December 2017, there are no single external customers contributed more than 1% revenue of the Group.

SEALAND CAPITAL GALAXY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

8. REVENUE AND OTHER INCOME

| | 2017 £ | 2016 £ |
|--|------------------|-----------|
| REVENUE | | |
| Revenue from provision of advertising services | <u>4,491,997</u> | <u>-</u> |
| OTHER INCOME | | |
| Handling fee income | 119,368 | - |
| Bank interest income | <u>243</u> | <u>58</u> |
| | <u>119,611</u> | <u>58</u> |

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

| | 2017 £ | 2016 £ |
|--|---------------|---------------|
| Depreciation | 4,969 | - |
| Exchange gains, net | 786,010 | 1,493 |
| Amortisation | 2,173,947 | - |
| Provision for impairment losses on goodwill | 5,997,734 | - |
| Provision for impairment losses on intangible assets | 1,586,394 | - |
| Staff cost (include Director Remuneration) | 439,846 | 64,765 |
| Audit fees | <u>66,691</u> | <u>10,000</u> |

10. EMPLOYEES

The average number of employees during the year was made up as follows:

| | 2017 | 2016 |
|-----------|----------|----------|
| Directors | <u>4</u> | <u>3</u> |
| Staff | <u>5</u> | <u>1</u> |

Staff costs, including Directors' costs comprise:

| | 2017 £ | 2016 £ |
|---------------------------------------|----------------|---------------|
| Wages, salaries and other staff costs | <u>439,846</u> | <u>64,765</u> |

SEALAND CAPITAL GALAXY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

10. EMPLOYEES (CONTINUED)

Key Management Remuneration

The Directors' emoluments in respect of qualifying services, which all related to short-term employee benefits, were as follows:

| | 2017 £ | 2016 £ |
|----------------------------|----------------|---------------|
| Chung Lam Nelson Law | 150,000 | - |
| Chih Hong Leon Lim | 50,000 | - |
| Ingvar Angus Sigurd Irvine | 18,000 | 36,000 |
| Nicholas James Lyth | 31,500 | - |
| Frazer Ian McRae | 3,968 | - |
| | <u>253,468</u> | <u>36,000</u> |

No pension contributions were made on behalf of the Directors of the Company.

No Director currently has any share options and no share options were granted to or exercised by a Director during the year (2016: Nil).

11. INCOME TAX

No provision for profits tax has been made in these consolidated financial statements as the Group did not have any assessable profits. The profits tax rate for Hong Kong is currently 16.5% which is the location of the Group's operating subsidiaries.

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate of Hong Kong to the income tax expense at the effective tax rate of the Group are as follows:

| | 2017 £ | 2016 £ |
|--|--------------------|------------------|
| Loss before tax | <u>(8,027,414)</u> | <u>(250,839)</u> |
| Tax at the statutory tax rate of 16.5 per cent. (2016 — 16.5 per cent.) | (1,324,523) | (41,388) |
| Effect of different tax rates in other jurisdictions | (34,580) | - |
| Income not subject to tax | (34) | (10) |
| Expenses not deductible for tax | 1,572,610 | 41,398 |
| Benefits from tax losses/temporary differences previously unrecognized | (213,473) | - |
| Others | - | - |
| | <u>-</u> | <u>-</u> |

Potential deferred tax assets of approximately £11,065,049 (2016: Nil) have not been recognised due to uncertainty as to when taxable profits will be generated.

SEALAND CAPITAL GALAXY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

12. LOSS PER SHARE

Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company of £8,027,414 (2017: loss attributable to owners of the Company of £250,839) by the weighted average number of 454,154,384 ordinary shares (2016: 300,000,000 (restated)) in issue during year ended 31 December 2017.

The weighted average number of ordinary shares in issue for the year ended 31 December 2016 for calculation of basic and diluted loss per share has been adjusted and restated upon the bonus issue, on the basis of nine bonus shares for every one ordinary Share, of the Company completed on 1 June 2017.

Diluted profit per share was the same as basic profit per share as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2017 (2016: Same).

13. PROPERTY, PLANT AND EQUIPMENT

| <u>Cost</u> | <u>Office equipment</u> £ | <u>Leasehold improvement</u> £ | <u>Total</u> £ |
|--|----------------------------------|---------------------------------------|-------------------|
| At 1 January 2017 | - | - | - |
| Additions | 3,874 | 14,513 | 18,360 |
| Acquisition of subsidiaries (Note 20) | 640 | - | 640 |
| Exchange realignment | (950) | - | (950) |
| At 31 December 2017 | <u>4,437</u> | <u>14,513</u> | <u>440,958</u> |
| <u>Accumulated depreciation</u> | | | |
| At 1 January 2017 | - | - | - |
| Charge for the year | 847 | 4,122 | 4,969 |
| Exchange realignment | (31) | (197) | (228) |
| At 31 December 2017 | <u>816</u> | <u>3,925</u> | <u>4,741</u> |
| <u>Net book value</u> | | | |
| At 31 December 2017 | <u>3,621</u> | <u>10,588</u> | <u>14,209</u> |
| At 1 January 2017 | <u>-</u> | <u>-</u> | <u>-</u> |

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14. GOODWILL AND INTANGIBLE ASSETS

| <u>Cost</u> | <u>Goodwill</u> £ | <u>Operating licence</u> <u>agreement</u> £ |
|---|----------------------|---|
| At 1 January 2017 | - | - |
| Acquisition of subsidiaries (Note 20) | 6,218,231 | 2,253,869 |
| Exchange realignment | (489,552) | (177,444) |
| | 5,728,679 | 2,076,425 |
| | 5,728,679 | 2,076,425 |
| <u>Accumulated amortisation and impairment</u> | | |
| At 1 January 2017 | - | - |
| Charge for the year - amortisation | - | 587,553 |
| Charge for the year - impairment | 5,997,734 | 1,586,394 |
| Exchange realignment | (269,055) | (97,522) |
| | 5,728,679 | 2,076,425 |
| | 5,728,679 | 2,076,425 |
| <u>Net book value</u> | | |
| At 31 December 2017 | - | - |
| At 1 January 2017 | - | - |

Goodwill and operating licence agreement (related to the operating rights in relation to the Metalk software and the license to operate SecureChannel) were attributable to the Group's cash-generating units ("CGUs") of the SecureCom. Further details are disclosed in Note 20.

The recoverable amount of the CGU was determined from value in use calculations based on cash flow projections from financial budgets and forecasts prepared by the management. The cash flows for the subsequent years are extrapolated from the cash flow using nil growth rate and discounted using the weighted average cost of capital of the CGU of 17.1%. The discount rate reflects current market assessment of the time value of money and the risks specific to the CGU. As at the year ended date, the management estimated that revenue generated from plan subscription after the year ended date is remote, therefore full provision for made for the goodwill and the operating license agreement.

The growth rate used was based on historical growth and past experience for the business in which the CGU operates. The recoverable amount has been determined to be nil, and thus full impairment is made.

15. AMOUNTS DUE FROM DIRECTORS

The amounts are unsecured, interest-free and have no fixed terms of repayment.

SEALAND CAPITAL GALAXY LIMITED
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16. PREPAYMENT AND OTHER RECEIVABLES

| | 2017 £ | 2016 £ |
|--|------------------|-----------|
| Prepayment | 25,227 | 52 |
| Receivable from cash collection agent (Note) | 1,695,523 | - |
| Other receivables | 339,941 | - |
| | <u>2,060,691</u> | <u>52</u> |

Note: The Group has engaged a cash collection agent to manage collection of subscription monies in certain territories and to provide administrative services to the Group. The receivable from the cash collection agent represents subscription monies received on behalf of the Group under the terms of an agency agreement, after deduction of attributable expenses.

17. OTHER PAYABLE AND ACCRUED EXPENSES

| | 2017 £ | 2016 £ |
|-------------------------------------|------------------|---------------|
| Advertising credits payable (Note) | 436,672 | - |
| Other payables and accrued expenses | 837,610 | 18,499 |
| | <u>1,274,282</u> | <u>18,499</u> |

Note: Advertising credits payable can either be redeemed in cash or converted into broadcasting units through purchase of one of SecureCom Group's SecureChannel broadcasting plans. The balance as at the reporting date represent the maximum exposure for cash redemption.

18. DEFERRED REVENUE

Deferred revenue represents payments received from customers that are related to services not yet rendered.

Movement of deferred revenue during the period is as follows:

| | 2017 £ | 2016 £ |
|--------------------------|------------------|-----------|
| At acquisition (Note 20) | 2,370,329 | - |
| Addition | 7,205,766 | - |
| Revenue recognized | (4,491,997) | - |
| Others | (68) | - |
| Exchange realignment | (308,346) | - |
| | <u>4,775,684</u> | <u>-</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. SHARE CAPITAL

Allotted, called up and fully paid (Ordinary shares of £0.0001 each)

| | <u>Notes</u> | Number of shares | Share capital £ |
|--------------------------------------|--------------|---------------------|-----------------------|
| At 1 January 2017 | | 30,000,000 | 3,000 |
| Placing of shares – 28 February 2017 | a | 17,000,000 | 1,700 |
| Bonus Issue – 1 June 2017 | b | 423,000,000 | 42,300 |
| Placing of shares – 19 July 2017 | c | 3,500,000 | 350 |
| Placing of shares – 17 August 2017 | d | 20,550,000 | 2,055 |
| Placing of shares – 25 October 2017 | e | <u>10,000,000</u> | <u>1,000</u> |
| At 31 December 2017 | | <u>504,050,000</u> | <u>50,405</u> |

Notes:

- a) On 28 February 2017, the Company conducted a placing of 7 million shares at 20 pence per share. In addition, the Company conducted a placing 10 million shares at 20 pence per share for the acquisition of independent company "SecureCom Media Holdings Limited" and with cash consideration of £1,000,000.
- b) On 1 June 2017, the Company increased share capital by the way of the Bonus Issue. Pursuant to the Bonus issue, 423,000,000 new Ordinary Shares ("Bonus Shares") will be issued, with Shareholders receiving nine Bonus Shares for every one Ordinary Share held.
- c) On 19 July 2017, the Company conducted a placing of 3.5 million shares at 2.5 pence per share.
- d) On 17 August 2017, the Company conducted a placing of 20.55 million shares at 6 pence per share.
- e) On 25 October 2017, the Company conducted a placing of 10 million shares at 9 pence per share.
- f) There was no share capital movement for the year ended 31 December 2016.

20. BUSINESS COMBINATIONS

Business combination for the year ended 31 December 2017

On 28 February 2017, the Company entered into a share transfer agreement with the shareholder of SecureCom Media Holdings Limited ("SecureCom"), a company incorporated in the British Virgin Islands, to acquire a 100% equity interest in SecureCom for a total consideration of £3,000,000, which was satisfied by a cash payment of £1,000,000 and the issuance of 10,000,000 ordinary shares in the Company at 20 pence per share. SecureCom is principally engaged in investment holding and the provision of advertising services through social media mainly in Hong Kong, People's Republic of China and Singapore. This acquisition has been accounted for using the acquisition method.

Consideration transferred

| | <u>Notes</u> | 2017 £ |
|----------------------|--------------|------------------|
| Consideration shares | | 2,000,000 |
| Cash consideration | | <u>1,000,000</u> |
| | | <u>3,000,000</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. BUSINESS COMBINATIONS (CONTINUED)

Acquisition-related costs were insignificant and have been excluded for the consideration transferred and have been recognised as an expense for the year ended 31 December 2017, within the “administrative expenses” in the consolidated statement of profit or loss.

The fair value of the identifiable assets acquired and liabilities recognised at the date of acquisition are as follows:

| | <u>Notes</u> | 2017 £ |
|--|--------------|---------------------------|
| Plant and equipment | 13 | 640 |
| Intangible assets | 14 | 2,253,869 |
| Deposits, prepayments and other receivables | | 10,198,200 |
| Receivable from cash collection agent | | 2,875,832 |
| Bank balances and cash | | 1,325,884 |
| Accruals and other payables | | (7,513,990) |
| Advertising credits payable | | (9,988,337) |
| Deferred revenue (Note) | 18 | <u>(2,370,329)</u> |
| Net identifiable liabilities acquired | | <u>(3,218,231)</u> |

Note: As at the acquisition date, SecureCom had a deferred revenue of approximately £144 million in its balance sheet. However, under the accounting on business combination, the pre-acquisition deferred revenue was adjusted to its fair value to approximately £2 million which mainly represents the expected incremental cost to meet the obligation from the deferred revenue.

Goodwill arising on acquisition:

| | <u>Notes</u> | 2017 £ |
|--|--------------|-------------------------|
| Consideration transferred | | 3,000,000 |
| Add: net identifiable liabilities acquired | | <u>3,218,231</u> |
| | 14 | <u>6,218,231</u> |

Net cash inflow on acquisition of SecureCom:

| | 2017 £ |
|--------------------------------------|-----------------------|
| Cash and cash equivalents acquired | 1,325,884 |
| Less: Cash Consideration transferred | <u>(1,000,000)</u> |
| | <u>325,884</u> |

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20. BUSINESS COMBINATIONS (CONTINUED)

Goodwill arose in the above business combination as the cost of combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the above acquisition is expected to be deductible for tax purposes.

Included in the Group's loss for the year ended 31 December 2017 is a loss of approximately £6,915,142 attributable to SecureCom. Revenue of the Group for the year ended 31 December 2017 includes approximately £4,491,997 attributable to SecureCom.

Had the acquisition of SecureCom been effected on 1 January 2017, the consolidated revenue and loss for the year ended 31 December of the Group would have been approximately £16,502,762 and £50,549,192 respectively. The significant increase of loss was mainly attributed to the expenses related to incentive scheme. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 31 December 2017, nor is it intended to be a projection of future results.

21. RELATED PARTY TRANSACTIONS

- (a) Details of the compensation of key management personnel was disclosed in Note 10 to the financial statements.
- (b) Apart from the balances with related parties at the end of the reporting period disclosed elsewhere in the financial statements, the Company had not entered into any other significant related party transactions for the year.

22. COMMITMENTS

Operating leases commitment

The Group had outstanding commitments for future minimum lease payments on its office premises under non-cancellable operating leases which fall due as follows:

| | 2017 £ | 2016 £ |
|---|----------------|-----------|
| No later than one year | 44,382 | - |
| Later than one year but no later than 5 years | 18,492 | - |
| | <u>62,874</u> | <u>-</u> |
| Capital Commitment | | |
| | 2017 £ | 2016 £ |
| Contracted, but not provided for | <u>139,201</u> | <u>-</u> |

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23. FINANCIAL INSTRUMENTS BY CATEGORY

The totals for each category of financial instruments is as follows:

| | 2017 | 2016 |
|-----------------------|------------------|----------------|
| | £ | £ |
| Financial assets | | |
| Loans and receivables | <u>3,809,779</u> | <u>461,127</u> |
| Financial liabilities | | |
| At amortised cost | <u>1,274,282</u> | <u>18,499</u> |

24. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the financial statements, the Group had the following material events after the reporting period:

The Disposal of entire interest in SecureCom

On 19 April 2018, The Group has entered a non-binding Memorandum of Understanding ("MoU") to dispose its entire interest in SecureCom to a third-party buyer for a consideration of £10,000. On 12 June 2018, a legal binding agreement was entered with the buyer. On 22 June 2018, the disposal was completed and SecureCom will be no longer a subsidiary of the Group.