

New Wisdom Holding Company Limited
新智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

FIRST QUARTERLY REPORT
FOR THE PERIOD ENDED
30 JUNE 2017

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

**FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED
30 JUNE 2017**

Consolidated revenue of the Company and its subsidiaries (collectively the “Group”) was HK\$76.6 million for the period under review, representing a decrease of 1% compared with HK\$77.6 million recorded in the corresponding period last year.

Loss attributable to owners of the Company decreased to HK\$9.4 million from HK\$13.6 million compared with the corresponding period last year.

RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated results of the Group for the three months ended 30 June 2017, together with the comparative unaudited consolidated figures for the corresponding period last year:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three months ended 30 June 2017

	Note	For the three months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenue	2	76,601	77,575
Cost of sales		<u>(25,598)</u>	<u>(24,997)</u>
Gross profit		51,003	52,578
Other income		717	400
Operating expenses		<u>(60,520)</u>	<u>(65,688)</u>
Operating loss		(8,800)	(12,710)
Finance costs		<u>(1,088)</u>	<u>(1,083)</u>
Loss before income tax		(9,888)	(13,793)
Income tax	3	<u>260</u>	<u>32</u>
Loss for the period		<u>(9,628)</u>	<u>(13,761)</u>
Loss for the period attributable to:			
Owners of the Company		(9,449)	(13,574)
Non-controlling interests		<u>(179)</u>	<u>(187)</u>
		<u>(9,628)</u>	<u>(13,761)</u>
			(Restated)
Loss per share (HK cents)	4		
– Basic		<u>(0.27)</u>	<u>(0.40)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)**

For the three months ended 30 June 2017

	For the three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Loss for the period	(9,628)	(13,761)
Other comprehensive (loss)/income:–		
Items that may be subsequently reclassified to profit or loss:–		
Exchange (loss)/gain arising from translation of financial statements of foreign operations	<u>(101)</u>	<u>318</u>
Total comprehensive loss for the period	<u>(9,729)</u>	<u>(13,443)</u>
Total comprehensive loss for the period attributable to:–		
Owners of the Company	<u>(9,551)</u>	<u>(13,249)</u>
Non-controlling interests	<u>(178)</u>	<u>(194)</u>
	<u>(9,729)</u>	<u>(13,443)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2017

	Attributable to owners of the Company										
	Share capital HK\$'000	Accumulated losses HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Employee	Convertible	Other reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
						share-based compensation reserve HK\$'000	bonds equity reserve HK\$'000				
At 1.4.2016 (audited)	27,775	(207,068)	173,887	3,801	(210)	1,055	1,390	(258)	372	(813)	(441)
Comprehensive loss											
Loss for the period	-	(13,574)	-	-	-	-	-	-	(13,574)	(187)	(13,761)
Other comprehensive income:-											
Exchange gain/(loss) arising from translation of financial statements of foreign operations	-	-	-	-	325	-	-	-	325	(7)	318
Total comprehensive loss for the period	-	(13,574)	-	-	325	-	-	-	(13,249)	(194)	(13,443)
At 30.6.2016 (unaudited)	27,775	(220,642)	173,887	3,801	115	1,055	1,390	(258)	(12,877)	(1,007)	(13,884)
At 1.4.2017 (audited)	27,775	(253,346)	173,887	3,801	(742)	-	1,390	(143)	(47,378)	(1,366)	(48,744)
Rights Issue	13,887	-	85,002	-	-	-	-	-	98,889	-	98,889
Comprehensive loss											
Loss for the period	-	(9,449)	-	-	-	-	-	-	(9,449)	(179)	(9,628)
Other comprehensive loss:-											
Exchange (loss)/gain arising from translation of financial statements of foreign operations	-	-	-	-	(102)	-	-	-	(102)	1	(101)
Total comprehensive loss for the period	-	(9,449)	-	-	(102)	-	-	-	(9,551)	(178)	(9,729)
At 30.6.2017 (unaudited)	41,662	(262,795)	258,889	3,801	(844)	-	1,390	(143)	41,960	(1,544)	40,416

Notes:

1. BASIS OF PREPARATION

- (a) These unaudited condensed consolidated quarterly results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and are prepared under the historical cost convention and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

These unaudited condensed consolidated quarterly results should be read in conjunction with the consolidated financial statements for the year ended 31 March 2017, which have been prepared in accordance with HKFRSs.

These unaudited condensed consolidated quarterly results have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its annual period beginning on 1 April 2017. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated quarterly results and amounts reported for the current period and prior periods.

(b) Adoption of the going concern basis

When preparing the unaudited condensed consolidated quarterly results, the Group’s ability to continue as a going concern has been assessed. These unaudited condensed consolidated quarterly results have been prepared by the Directors on a going concern basis notwithstanding that the Group incurred a loss of HK\$9,628,000 for the three months ended 30 June 2017 and as of that date, the Group had net current liabilities of HK\$21,550,000 as the Directors considered that:–

- (1) Mr. Tang Sing Ming Sherman (“Mr. Tang”), who is the sole beneficial owner of the convertible bonds issued by the Company in the aggregate outstanding principal amount of HK\$40,000,000 and provided loans to the Group of approximately HK\$106,785,000 as at 30 June 2017, will provide continuing financial support to the Group;
- (2) Mr. Chan Kin Chun Victor (“Mr. Chan”), the controlling shareholder of the Company, will provide continuing financial support to the Group; and
- (3) Upon completion of the rights issue took place on 14 June 2017, the Company raised approximately HK\$100 million, before expenses, by way of allotting and issuing 1,388,725,000 Rights Shares at the subscription price of HK\$0.072 per Rights Shares, on the basis of one (1) Rights Shares for every two (2) existing Shares held on 19 May 2017.

After taking into consideration of above factors, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the consolidated financial statements to be prepared on a going concern basis since there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group’s ability to continue as a going concern.

2. REVENUE

Revenue represents invoiced value recognized in respect of provision of food and beverage services, net of discounts and business tax or value-added tax, during the period. An analysis of the revenue recorded for the period is set out below:

	For the three months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Provision of food and beverage services and others	76,601	77,575

3. INCOME TAX

Taxation in the profit or loss represents:

	For the three months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax	–	1,477
Deferred tax	(260)	(1,509)
	(260)	(32)

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The Company’s subsidiaries incorporated/established in Hong Kong, the People’s Republic of China (“PRC”) and Taiwan are subject to Hong Kong Profits Tax, PRC Enterprise Income Tax and Taiwan Profit-Seeking-Enterprise Income Tax at the rates of 16.5%, 25% and 17% respectively (2016: Hong Kong – 16.5%, PRC – 25% and Taiwan – 17%).

4. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$9,449,000 (2016: HK\$13,574,000) and the weighted average number of ordinary shares of 3,510,456,567 (2016: 3,359,818,548 ordinary shares as restated) in issue during the three months ended 30 June 2017.

The weighted average number of ordinary shares adopted in calculation of basic loss per share for the three months ended 30 June 2017 have been adjusted after taking into account of the rights issue which was completed on 14 June 2017 and prior period comparative had been restated for such effect.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 30 June 2016 and 2017.

INTERIM DIVIDEND

The Board does not recommend payment of interim dividend in respect of the three months ended 30 June 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited revenue for the first quarter ended 30 June 2017 (the “**quarter under review**”) amounted to HK\$76.6 million (2016: HK\$77.6 million), representing a decrease of 1% as compared to the last corresponding period. Net loss attributable to owners of the Company decreased by HK\$4.2 million to HK\$9.4 million as compared to the last corresponding period.

Industry Overview

The global economy has been clouded by uncertainties. The beginning of cycle of interest rate hikes and unclear policy direction from the new U.S. administration have created further market concerns. Federal Reserve's announcement on its plan to shrink its balance sheet was interpreted by the market that the process might be hastened, and thereby tightening money supply and hindering economic growth.

For domestic economy, China's national gross domestic products grew by 6.9% in the second quarter of 2017, which was higher than the full-year target of 6.5%. Consumption sectors showed signs of recovery, with the food and beverage sector presenting growth potential. However, the sector has become increasingly diversified and fragmented as competition has intensified. High opening and closures rates are expected to be the new norm in the industry.

At the local level, Hong Kong's GDP expanded by 4.3% in the first quarter of 2017, a highest quarterly growth since 2011. Nevertheless, following an 8.1% drop in year 2016, the value of total retail sales decreased by 0.7% year-on-year in the first five months of 2017, signaling that the consumption sentiment remained weak. Minimum Wage Commission reached a consensus in October 2016 to raise Hong Kong's minimum wage by HK\$2 to HK\$34.5. Such adjustment took effect in May 2017. In light of the sluggish operating environment, employers might have difficulties shifting all the burden of such adjustment to the consumers, putting higher labour cost and turnover pressure to the food and beverage sector.

The majority of the Group's revenue is derived from the provision of food and beverage services in Hong Kong. However, there has been a reliance on Chinese mainland visitors from the sector due to Hong Kong's close linkage with Mainland China. With decelerating growth in total number of mainland visitors and their average spending, the market has been affected. Hong Kong's food and beverage sector strives to cope with these economic headwinds, in order to improve the situation of continued margin squeeze.

Business Review

During the quarter under review, Hong Kong political arena has a “hot kitchen” for the appointment of new officials of the Government of Hong Kong Special Administrative Region. However, in the food and beverage industry in Hong Kong, only the kitchen temperature remains hot but not hot enough as the market sentiment remains cold. Sluggish market keeps intense competition, and the enduring operating environment of high rental, labour and utilities costs further squeeze profit margin. Amid this unfavorable business environment in recent years, we continue to strive for survival and growth, through strengthening our attractiveness to new and old customers and hence retaining loyal customers, by frequent revamping of our menus and consistent provision of quality food and services.

In order to streamline the Group’s operation, the Group had undergone a business restructuring in the 2015/2016 fiscal year and is now focusing on the Japanese food-related concepts in the Greater China region, including the restaurants, cafe and cake shops under the Japanese brand of Italian Tomato, the Japanese Tonkatsu restaurants under the brand of Ginza Bairin, the Japanese curry specialty stores under the brand of Shirokuma Curry and the Japanese Izakaya restaurants under the brand of Enmaru.

Italian Tomato, our major brand of restaurants, cafe and cake shops, is still a big contributor to the Group’s revenue. Through years of effort on product innovation, menu engineering and customer relationships, Italian Tomato has already become a well-recognized brand in Hong Kong. Leveraged on our success in Hong Kong, we expended Italian Tomato’s network to PRC and Taiwan. While the total shop number has no material change since 31 March 2017 and remains at 43, new products have been introduced in Hong Kong market in June 2017 to encounter the tough operating environment, the management is also re-positioning our brand in the PRC market through new marketing strategies. On the other side of Taiwan Strait, the current performance in Taiwan is below our expectation and more effort is needed for improvement.

Ginza Bairin, the Japanese Tonkatsu restaurants, continues to provide moderate contribution to the Group. As the Group’s first dining concept, this is the time for the management to review its brand image and pricing with menu revamping. As at 30 June 2017, Ginza Bairin has 2 shops in Hong Kong and 2 shops in the PRC. Ginza Bairin’s franchise network has been launched by opening its first franchise shop in the PRC during the quarter under review and achieved a satisfactory result.

Shirokuma Curry is developing within our expectation and has 2 shops in Hong Kong and 7 shops in the PRC as at 30 June 2017. Meanwhile, its licensing business has also made good progress and increased to 5 franchise shops as at 30 June 2017. Although the history of Shirokuma Curry franchise operation is still short, its long term growth is optimistic.

Enmaru, the Japanese Izakaya restaurants, still encounters stiff competition and its current contribution to the Group is not satisfactory. The number of shops of Enmaru remains at 4 as at 30 June 2017. The management is reviewing its brand image, market position and pricing in order to overcome the stiff competition.

Future Prospects

There has been a slowdown of the increase in lease rates of commercial space, such slowdown was mainly caused by the weak consumer sentiment. The Group expects the upward adjustment of statutory minimum wage will begin to show its impact on our operating costs. Coupled with the uncertain global economic outlook, the Group anticipates that the operating environment will remain challenging in the short term. Fortunately, with the Hong Kong-Zhuhai-Macau Bridge scheduled to be opened to traffic in the year, more visitors from Guangdong Province and Pearl River Delta Region will be brought to Hong Kong, thereby boosting the local food and beverage market. The Group will look into different measures to enhance its efficiency and improve its operating results.

While the management intends to continue the existing principal businesses of the Group, the management is reviewing the existing businesses and the financial positions of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the management may explore business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to diversify the Group's existing business, broaden the Group's income stream and enhance the long-term growth potential of the Company.

FINANCIAL REVIEW

Consolidated results of operations

For the three months ended 30 June 2017, the Group recorded revenue of HK\$76.6 million (2016: HK\$77.6 million), the revenue decreased by 1% compared with the corresponding period in last year.

Loss attributable to owners of the Company was HK\$9.4 million (2016: HK\$13.6 million).

The gross profit margin of the Group was 67% (2016: 68%).

Total operating expenses decreased by 8% to HK\$60.5 million (2016: 65.7 million) as a result of tighten control on expenditure.

RIGHTS ISSUE

On 27 April 2017, the Company announced that it proposed to raise approximately HK\$100 million, before expenses, by way of allotting and issuing 1,388,725,000 rights shares (the “Rights Shares”) by way of rights issue (the “Rights Issue”) at the subscription price of HK\$0.072 per Rights Shares, on the basis of one (1) Rights Shares for every two (2) existing Shares held on 19 May 2017.

Completion of the Rights Issue took place on 14 June 2017, where an aggregate of 1,388,725,000 Rights Shares, representing approximately 33.33% of the issued share capital of the Company (as enlarged by the allotment and issue of the Rights Shares), have been issued. The aggregate nominal amount of the Rights Shares is HK\$13,887,250.

For more details of the Rights Issue, please refer to the prospectus of the Company dated 22 May 2017 (the “Rights Issue Prospectus”) and the announcement of the Company dated 13 June 2017 in relation to the results of the Rights Issue.

USE OF PROCEEDS FROM THE RIGHTS ISSUE

On 14 June 2017, the Group completed the Rights Issue and obtained proceeds, before expenses, of approximately HK\$100 million. As at 30 June 2017, the proceeds of approximately HK\$100 million is kept in the Company’s bank account and the Directors intend to utilize such proceeds as stated in the Rights Issue Prospectus.

ADJUSTMENTS IN RELATIONS TO THE CONVERTIBLE BONDS

Pursuant to the terms and conditions of the convertible bonds issued by the Company, the conversion price of the outstanding convertible bonds has been adjusted from the initial conversion price of HK\$0.08 per ordinary share to HK\$0.07 per ordinary share as a result of the Rights Issue. A total of 571,428,571 ordinary shares will be issued to Mr. Tang Sing Ming Sherman upon full conversion of the convertible bonds, assuming that the adjusted conversion price of HK\$0.07 per ordinary share will remain as at the time of conversion. This adjustment took effect on 22 May 2017. All other terms of the convertible bonds remain unchanged.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the three months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

EVENTS AFTER THE REPORTING PERIOD

Change of auditor

PKF tendered its resignation as the auditor of the Company on 10 August 2017 due to its reorganisation and subsequent change in entity status from a partnership to a limited company. At a board meeting of the Company held on 10 August 2017, PKF Hong Kong Limited was appointed as the new auditor of the Company. For details, please refer to the Company’s announcement dated 10 August 2017.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2017, so far as the Directors were aware, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Interest or short positions in the shares

Name	Capacity/ nature of interest	Number of shares interested	Approximately percentage of interest in the issued share capital %
Mr. Chan (<i>Note 1</i>)	Interest of controlled corporations and beneficial owner	2,106,417,439(L) 2,106,417,439(S)	50.56

Notes:

- 2,106,417,439 ordinary shares is held by Win Union Investment Limited ("Win Union"), which is wholly-owned by the Mr. Chan, an executive Director of the Company.
- The 2,106,417,439 ordinary shares are pledged to STI LSN 1 Limited, which is wholly-owned by Mr. Tung Sun Tat Clement. By virtue of the SFO, Mr. Chan is deemed to have a short position in those Shares.
- "L" denotes a long position whilst the letter "S" denotes a short position.
- Based on 4,166,175,000 ordinary shares of the Company in issue as at 30 June 2017.

(b) Interests in associated corporations of the Company

Name	Name of associated corporation	Nature of interest	Interest in shares (<i>note</i>)	Approximate percentage of shareholding %
Mr. Chan	Win Union	Beneficial owner	1(L)	100.00

Note: The letter "L" denotes a long position in the shares.

Save as disclosed above, as at 30 June 2017, so far as the Directors were aware, none of the directors and the chief executives of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, save for the changes arising as a result of the Rights Shares and the Underwriting Agreement, according to the register kept by the Company pursuant to section 336 of SFO, so far as the Directors were aware, the following persons (other than the Directors whose interests are disclosed above) had, or was deemed or taken to have, an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such capital:

Name of shareholder	Capacity/nature of interest	Number of shares	Number of underlying shares	Total number of shares and underlying shares	Approximate percentage of interest in issued share capital %
Win Union (<i>Notes 1 and 2</i>)	Beneficial owner	2,106,417,439 (L) 2,106,417,439 (S)	-	2,106,417,439 (L) 2,106,417,439 (S)	50.56
STI LSN 1 Limited (<i>Note 2</i>)	Beneficial owner (Person having a security interest in shares)	2,106,417,439 (L)	-	2,106,417,439 (L)	50.56
Tung Sun Tat Clement (<i>Note 2</i>)	Interest of controlled corporation	2,106,417,439 (L)	-	2,106,417,439 (L)	50.56
Mr. Tang (<i>Note 3</i>)	Beneficial owner	-	571,428,571 (L)	571,428,571 (L)	13.72
Ms. Ho Ming Yee (<i>Note 3</i>)	Interest of spouse	-	571,428,571 (L)	571,428,571 (L)	13.72

Notes:

1. 2,106,417,439 ordinary shares are held by Win Union, which is wholly-owned by Mr. Chan, an executive Director.
2. The 2,106,417,439 ordinary shares are pledged to STI LSN 1 Limited, which is wholly-owned by Mr. Tung Sun Tat Clement. By virtue of the SFO, Win Union is deemed to have a short position in those shares.
3. Mr. Tang holds the convertible bond in respect of the outstanding principal amount of HK\$40,000,000, under which a total of 571,428,571 ordinary shares would be issued upon full exercise of the conversion rights attaching thereto. Upon full conversion of the convertible bond, Mr. Tang would hold 571,428,571 ordinary shares, representing approximately 13.72% of the issued share capital of the Company as at 30 June 2017. Pursuant to the SFO, Ms. Ho Ming Yee, the spouse of Mr. Tang, is deemed to be interested in all the shares in which Mr. Tang is interested.
4. “L” denotes a long position whilst the letter “S” denotes a short position.
5. Based on 4,166,175,000 ordinary shares of the Company in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, so far as the Directors were aware, the Directors were not aware of any person (other than the Directors whose interests are disclosed above) who had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such capital.

SHARE OPTIONS

Share Option Schemes

The purpose of the Share Option Schemes is to provide the participants with an opportunity to acquire equity interests in the Company, thus providing them with an incentive to continue contributing to the success of the Company.

Subject to the terms of the Share Option Schemes, the committee (the “Committee”) which was authorized and charged by the Board with the administration of the Share Option Schemes may, at any time, offer to grant to any employee, agent, consultant or representative of the Company or any of its subsidiaries, including any executive or non-executive Director of the Company or any subsidiary of the Company who, the Committee may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his or her performance and/or years of service, or is regarded as valuable human resources of the Group based on his or her work experience, knowledge in the industry and other relevant factors, options (the “Share Options”) to subscribe for such number of shares as the Committee may determine at the exercise price.

The maximum number of shares to be issued in respect of which options may be granted (together with shares in respect of which options are then outstanding under the Share Option Schemes or any other schemes of the Company) under the Share Option Schemes shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The maximum entitlement for any one participant (including exercised, cancelled and outstanding options) granted or to be granted in any twelve months period shall not exceed 1% of the total number of shares in issue, provided that options may be issued in excess of such limit if the new grant exceeding 1% of the total number of shares in issue shall have been approved by shareholders of the Company in a general meeting at which the proposed grantee and his associates shall have abstained from voting.

Options may be exercised in whole or in part in the manner provided in the Share Option Schemes by a grantee (or, as the case may be, by his or her legal personal representative) giving notice in writing to the Company after it has vested at any time during the period (the "Option Period"), which shall be not more than ten years from the date an option is offered (the "Offer Date"). No performance target is required to be reached by the participant before any option can be exercised.

A sum of HK\$1 is payable by the participant on acceptance of the option offer.

The exercise price for the shares (the "Exercise Price") in relation to options to be granted under the Share Option Schemes shall be determined by the Committee and notified to a participant and shall be at least the higher of:

- (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the Offer Date; and
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date,

provided that the Exercise Price shall not be lower than the nominal value of the shares.

As at 30 June 2017, no share options were outstanding.

COMPETING INTERESTS

As at 30 June 2017, none of the directors, the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group or had any other conflicts of interests with the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's draft annual, interim and quarterly financial reports and accounts and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. Yip Tai Him, Mr. Chan Yee Ping Michael and Mr. Deng Guozhen.

Up to the date of approval of the Group's unaudited results for the three months ended 30 June 2017, the audit committee had held one meeting and had reviewed the draft quarterly report and accounts for the three months ended 30 June 2017 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the three months ended 30 June 2017, the Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company's directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions.

UPDATE ON CHIEF EXECUTIVE'S INFORMATION

Ms. Lam Kit Yan, the company secretary and chief financial officer of the Company, was appointed as an independent non-executive director of Lapco Holdings Limited, shares of which are listed on the GEM Board of the Stock Exchange (stock code: 08472) on 18 July 2017.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the disclosure made in the annual report of the Company dated 27 June 2017.

CORPORATE GOVERNANCE

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the three months ended 30 June 2017.

On behalf of the Board
Chan Kin Chun Victor
Chairman

Hong Kong, 10 August 2017

As at the date of this report, the Company's executive Directors are Mr. Chan Kin Chun Victor and Mr. Zheng Hua; and the independent non-executive Directors are Mr. Yip Tai Him, Mr. Chan Yee Ping, Michael and Mr. Deng Guozhen.

This report will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the day of its posting.