

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED
31 DECEMBER 2018

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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 NINE MONTHS ENDED
31 DECEMBER 2018**

Consolidated revenue of the Company and its subsidiaries (collectively the “Group”) was approximately HK\$194.9 million for the period under review, representing a decrease of approximately 14.3% compared with approximately HK\$227.5 million recorded in the corresponding period last year.

Loss attributable to owners of the Company decreased to approximately HK\$20.4 million from HK\$21.7 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 period ended 31 December 2018, together with the comparative unaudited consolidated figures for the corresponding period last year:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the nine months ended 31 December 2018

	Note	For the nine months ended 31 December		For the three months ended 31 December	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	2	194,902	227,532	58,748	75,436
Cost of sales		(65,081)	(74,782)	(20,359)	(24,742)
Gross profit		129,821	152,750	38,389	50,694
Other income		2,444	1,742	1,054	551
Operating expenses		(147,304)	(174,080)	(45,454)	(55,831)
Operating loss		(15,039)	(19,588)	(6,011)	(4,586)
Finance costs		(5,059)	(3,241)	(1,601)	(1,037)
Loss before income tax		(20,098)	(22,829)	(7,612)	(5,623)
Income tax	3	(1,120)	770	(449)	182
Loss for the period		(21,218)	(22,059)	(8,061)	(5,441)
Loss for the period attributable to:					
Owners of the Company		(20,368)	(21,669)	(7,642)	(5,306)
Non-controlling interests		(850)	(390)	(419)	(135)
		(21,218)	(22,059)	(8,061)	(5,441)
Loss per share (HK cents)	4				
– Basic		(0.49)	(0.55)	(0.18)	(0.13)
– Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 31 December 2018

	For the nine months ended 31 December		For the three months ended 31 December	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the period	(21,218)	(22,059)	(8,061)	(5,441)
Other comprehensive income:–				
Items that may be subsequently reclassified to profit or loss:–				
Exchange gain arising from translation of financial statements of foreign operations	1,090	428	439	403
Total comprehensive loss for the period	(20,128)	(21,631)	(7,622)	(5,038)
Total comprehensive loss for the period attributable to:–				
Owners of the Company	(19,253)	(21,255)	(7,203)	(4,913)
Non-controlling interests	(875)	(376)	(419)	(125)
	(20,128)	(21,631)	(7,622)	(5,038)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2018

	Attributable to owners of the Company									
	Share capital <i>HKS'000</i>	Accumulated losses <i>HKS'000</i>	Share premium <i>HKS'000</i>	Special reserve <i>HKS'000</i>	Exchange reserve <i>HKS'000</i>	Convertible bonds equity reserve <i>HKS'000</i>	Other reserve <i>HKS'000</i>	Total <i>HKS'000</i>	Non-controlling interests <i>HKS'000</i>	Total <i>HKS'000</i>
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	-	(21,669)	-	-	-	-	-	(21,669)	(390)	(22,059)
Other comprehensive income:-										
Exchange gain arising from translation of financial statements of foreign operations	-	-	-	-	414	-	-	414	14	428
Total comprehensive loss for the period	-	(21,669)	-	-	414	-	-	(21,255)	(376)	(21,631)
At 31.12.2017 (unaudited)	41,662	(275,015)	258,889	3,801	(328)	1,390	(143)	30,256	(1,742)	28,514
At 1.4.2018 (audited)	41,662	(291,033)	258,889	3,801	(1,403)	1,390	(143)	13,163	(2,418)	10,745
Extension of convertible bonds	-	1,390	-	-	-	346	-	1,736	-	1,736
Comprehensive loss										
Loss for the period	-	(20,368)	-	-	-	-	-	(20,368)	(850)	(21,218)
Other comprehensive income:-										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	-	-	-	-	1,115	-	-	1,115	(25)	1,090
Total comprehensive loss for the period	-	(20,368)	-	-	1,115	-	-	(19,253)	(875)	(20,128)
At 31.12.2018 (unaudited)	41,662	(310,011)	258,889	3,801	(288)	1,736	(143)	(4,354)	(3,293)	(7,647)

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 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 2018, 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 2018 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 2018. 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 approximately HK\$21,218,000 for the period ended 31 December 2018 and as of that date, the Group had net current liabilities of approximately HK\$11,216,000 as the Directors considered that:–

- (1) Ms. Huang Li, being the sole beneficial owner and director of the controlling shareholder of the Company will provide continuing financial support to the Group; and
- (2) On 22 June 2018, the lender of other loans signed a memorandum of loans with a subsidiary of the Company (the “Borrower”), pursuant to which the outstanding balance of other loans of approximately HK\$115,037,000 as at 22 June 2018 will be repayable by the Borrower on 22 June 2019.

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 unaudited condensed consolidated quarterly results 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 value-added tax, during the period. An analysis of the revenue recorded for the period is set out below:

	For the nine months ended 31 December	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Provision of food and beverage services and others	194,902	227,532

3. INCOME TAX

Taxation in the profit or loss represents:

	For the nine months ended 31 December	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Current tax	963	229
Deferred tax	156	(999)
	1,120	(770)

- (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 (2017: Hong Kong – 16.5%, PRC – 25% and Taiwan – 17%).

4. LOSS PER SHARE

The calculation of basic loss per share for all periods presented is based on loss attributable to owners of the Company and the weighted average number of ordinary shares of 4,166,175,000 (2017: 3,949,191,809 ordinary shares) in issue during all periods.

The weighted average number of ordinary shares adopted in calculation of basic loss per share for the nine months ended 31 December 2017 have been adjusted after taking into account of the rights issue which was completed on 14 June 2017.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 December 2017 and 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 31 December 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited revenue for the nine months ended 31 December 2018 amounted to approximately HK\$194.9 million (2017: approximately HK\$227.5 million), representing a decrease of approximately 14.3% compared with the same period of the last financial year. Net loss attributable to owners of the Company decreased by approximately HK\$1.3 million to approximately HK\$20.4 million as compared with the same period of the last financial year.

Industry Overview

During the nine months ended 31 December 2018, with the gradual escalation of the China-the United States (the "U.S.") trade war, coupled with the Federal Reserve raising the interest rates yet again, the market was anxious towards the prospects of the global economy. Although the leaders of China and the U.S. reached an accord to temporarily suspend further increase in tariffs last December, public opinion remained dubious in both countries reaching a comprehensive trade agreement in short term. The gloomy global economic outlook and the rising risks of downturn affected local investment and consumption sentiment. The sapped market sentiment inevitably imposed negative effects on both the food and beverage sector and the retail sector.

In regard to the domestic market, the Chinese government attempted to increase fluidity and maintain growth momentum of the economy by reducing taxation and fees, as well as encouraging banks to lend out loans to private companies, so as to mitigate the negative impact brought on by the trade war. Meanwhile, benefiting from the steady development of the national economy along with the improving living standard of the people, the food and beverage sector in China experienced continuous expansion in terms of market size. According to the data from The National Bureau of Statistics, the income generated from the food and beverage sector grew by 9.5% year-on-year in 2018. In addition, whilst the food and beverage sector was undergoing technological advancement and standardization, more restaurants have started to incorporate intelligent technologies in procedures such as ordering and delivering, which would likely increase the operational efficiency of the sector, thus propelling healthy development of the food and beverage industry.

As to the local market, in spite of having a stable domestic demand and a decent employment situation, Hong Kong was facing growing external uncertainties. As an export-oriented financial center, Hong Kong is vulnerable to the sluggish performance of the global market. As a result, Hong Kong's Gross Domestic Product grew by merely 2.9% year-on-year in the third quarter of 2018, while forecast on annual economic growth was adjusted to 3.2%. During the period, the food and beverage sector continued to be exposed to rising expenditure on food ingredients, rent and labor cost. Moreover, the intensifying market competition arisen from more renowned overseas restaurants setting up branches in Hong Kong have led to a more arduous

overall business environment. Fortunately, the increase in purchasing power followed by the rise in the median monthly income of Hong Kong residents, coupled with the fact that as major transportation infrastructure commenced operation, tourism of Hong Kong increased by 11.5% and 20.6% year-on-year in last October and November respectively, created a positive impact on the demand for local food and beverage sector, thus increasing the income of the sector.

Business Review

The food and beverage industry remains competitive and challenging during the period under review. Intense market competition because customers are price sensitive to sales discount and market promotions, and their preferences and consumption patterns are changing rapidly. Enduring challenges are four tremendous pressures arising from high costs of rental, labour, food and utilities; solving the problem of labour shortage is another daily difficulty for the food and beverage industry. 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, by frequent menu revamping and consistent provision of quality food and services in order to retain loyal customers.

The Group's food and beverage businesses are a collection of Japanese related concepts in the Greater China region, including the restaurants, café and cake shops under the Japanese brand of Italian Tomato, the Japanese tonkatsu under the brand of Ginza Bairin, the Japanese curry specialty stores under the brand of Shirokuma Curry and the Japanese izakaya under the brand of Enmaru.

Italian Tomato, our major brand of restaurants, café and cake shops, improves its performance during the quarter under review and is still a big contributor to the Group's revenue. Through years of effort on product innovation, menu re-engineering and customer relationships, Italian Tomato has already been a well-recognized brand in Hong Kong. Leveraged on our success in Hong Kong, we expanded Italian Tomato's network to PRC and Taiwan. During the quarter under review, Italian Tomato closed 2 cake shops in Hong Kong due to the expiry of tenancies. The last shop in the PRC was closed during the period under review because the current market environment of food and beverage industry in the PRC is quite vibrant, a thorough review and formulation of new strategy by our management is necessary for our Group's future development. The market competition in Taiwan became intense but Italian Tomato maintained 5 shops there, the management is reviewing its Taiwan operation and market outlook because the performance of Taiwan operation has been underperformed for a period of time. As at 31 December 2018, Italian Tomato has 34 shops in total in Hong Kong and Taiwan. The management believes that after years of establishment and presence in Hong Kong, the mainland China and Taiwan, lessons and experience are accumulated while weaknesses and strengths are identified, a thorough repositioning is undergoing for Italian Tomato.

There is no material change to Ginza Bairin, the Japanese tonkatsu during the quarter under review. This brand performs steadily and maintains 2 shops in Hong Kong and 1 shop in the PRC as at 31 December 2018.

Shirokuma Curry has been serving its unique taste of curry for a period of time, the management is now collecting feedback from customers and considering the ways to advance the taste, and in the meantime achieving the balance between quality and cost. Due to the expiry of tenancies, Shirokuma Curry closed 1 shop in Hong Kong and 1 shop in the PRC during the quarter under review, and maintains 1 shop in Hong Kong and 6 shops in the PRC as at 31 December 2018. Other than the self-operated shops, its franchise network has 4 licensed shops as at 31 December 2018, the management needs more concentration on its quality control as it will be a huge challenge to advance the franchise system. The history of Shirokuma Curry franchise operation is still short and needs times to growth.

Enmaru, the Japanese izakaya, aims to bring the most authentic Tokyo Enmaru experience to food lovers in Hong Kong and the PRC. However, shortage of Japanese staff is a long-term crucial problem to the growth of Enmaru. Due to the expiry of tenancy, Enmaru closed its last shop in the PRC during the quarter under review and remains only 1 shop in Hong Kong as at 31 December 2018. The management is reviewing the continuance of Hong Kong shop as its performance is unsatisfactory. Enmaru could regain its growth if an innovative dining ambiance is created to this brand.

Future Prospects

In view of the political turmoil across the globe, such as the controversies of building the wall along the border of the U.S., the stagnation in the denuclearization process of North Korea and the Brexit arrangement reaching a deadlock, the global economic outlook is thereby clouded. Even though the economy of China and Hong Kong remained stable for the time being, the Group believes it is difficult to evaluate the potential negative impact on the economic growth pertaining to disputes between China and the U.S. For the food and beverage sector, while various regions in China have been progressively increasing the minimum wage standards, coupled with the expected cancellation of Mandatory Provident Fund offsetting in Hong Kong within this year, the rising labor cost within the food and beverage sector may further exacerbate. Besides, the upcoming arrangements for municipal solid waste charging will also lead to an increase in operational cost, thereby exerting greater pressure on operations within the food and beverage sector.

Nonetheless, the recently launched Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge effectively reduce the travel time between China and Hong Kong. This may attract more tourists from Mainland China, especially those from the Guangdong region to visit Hong Kong, thus facilitating the development of the local food and beverage sector. The Group will capitalize on the business opportunities created, and strive to refine the menu combination; we will also provide more high-quality food and create a pleasant dining experience, in order to accommodate with customers' demand, enhancing the competitiveness of our food and beverage business, and at the same time improving the operational efficiency and business performance of the Group.

In addition, the Group has decided to invest our financial resources at hand to extend our operation to China's e-cigarette business alongside the existing food and beverage business. According to the report of "A Civil Society Perspective 2018 – Tobacco Control in China", the smoking rate of adults in China is as high as 27.7%, and with the current growth momentum of the e-cigarette market, the Group is confident with its development potential, and is optimistic about obtaining a substantial profit in the e-cigarette business down the road. The Group intends to build a new e-cigarette brand through developing e-cigarette liquid and e-cigarette cartridge with new ingredients, acquiring suitable e-cigarette production lines and setting up an extensive sales network. In order to propel the sales of e-cigarette and seek more business cooperation opportunities, the Group will also actively participate in trade exhibitions.

The Group will continue to review our existing businesses and financial position, in order to determine the direction and plan for future development, expand income sources, and ultimately improve the Group's long-term competitiveness, thus creating value for shareholders and investors.

FINANCIAL REVIEW

Consolidated results of operations

For the nine months ended 31 December 2018, the Group recorded a revenue of approximately HK\$194.9 million (2017: approximately HK\$227.5 million), the revenue decreased by approximately 14.3% compared with the corresponding period last year.

Loss attributable to owners of the Company was approximately HK\$20.4 million (2017: approximately HK\$21.7 million).

The gross profit margin of the Group was 67% (2017: 67%).

The Group strived to exercise stringent cost control and further enhance operational efficiency during the period. As a result, total operating expenses were decreased by approximately 15.4% to approximately HK\$147.3 million (2017: approximately HK\$174.1 million).

MANDATORY UNCONDITIONAL CASH OFFERS

References are made to the joint announcements issued by the Company and Oceanic Fortress Holdings Limited ("Oceanic Fortress") on 25 April 2018, 16 May 2018, 25 June 2018, 26 June 2018, 25 July 2018, 9 August 2018 and 31 August 2018 and the composite offer and response document dated 19 September 2018 jointly issued by the Company and the Offeror (the "Composite Document") in relation to, among other things, the Share Offer.

On 23 April 2018, the Company was informed by Win Union Investment Limited (the then controlling shareholder of the Company) (the “Vendor”) that, on 23 April 2018, the Offeror entered into the Sale and Purchase Agreement (as defined in the Composite Document) with the Vendor and the Vendor Guarantor (as defined in the Composite Document), pursuant to which the Offeror conditionally agreed to purchase, and the Vendor conditionally agreed to sell an aggregate of 2,172,417,439 shares of the Company (the “Shares”), representing approximately 52.14% of the entire issued share capital of the Company at the Latest Practicable Date (as defined in the Composite Document) (the “Acquisition”). The completion of the Acquisition (the “Completion”) took place on 25 April 2018 in accordance with the terms of the Sale and Purchase Agreement (as defined in the Composite Document). The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly owned by Ms. Huang Li, who is also the sole director of the Offeror.

Following the Completion, the Offeror and the parties acting in concert with it were interested in, held, and/or controlled 2,172,417,439 Shares, representing approximately 52.14% of the then total issued Share capital of the Company. Accordingly, pursuant to Rule 26.1 and Rule 13 of the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong (the “Takeovers Code”), the Offeror was required to make a mandatory unconditional cash offer to acquire all of the issued shares of the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

The Share Offer was closed at 4:00 p.m. on 10 October 2018 (“Closing Date”). Immediately after the close of the Share Offer, the Offeror and parties acting in concert with it were interested in an aggregate of 2,335,586,529 Shares, representing approximately 56.06% of the entire issued share capital of the Company as at 10 October 2018. Details of the results of the Share Offer are set out in the announcement of the Company dated 10 October 2018.

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

During the nine months ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

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

As at 31 December 2018, 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 31 December 2018, 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 shareholders	Capacity in which interests were held	Number of Shares held	Number of underlying shares held	Total number of Shares and underlying shares	Approximate percentage of interest in issued capital %
Oceanic Fortress <i>(Note 1)</i>	Beneficial owner	2,172,417,439	–	2,172,417,439	52.14
Ms. Huang Li <i>(Note 1)</i>	Interest of corporation controlled by Ms. Huang Li	2,172,417,439	–	2,172,417,439	52.14
Mr. Tang Sing Ming Sherman <i>(Note 2)</i>	Beneficial owner	–	571,428,571	571,428,571	13.72
Ms. Ho Ming Yee <i>(Note 3)</i>	Interest of a substantial shareholder's spouse	–	571,428,571	571,428,571	13.72

Notes:

- (1) The ordinary Shares are held by Oceanic Fortress, the entire issued shares of which is owned by Ms. Huang Li.

- (2) Mr. Tang Sing Ming Sherman holds the convertible bonds 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 bonds, Mr. Tang Sing Ming Sherman would hold 571,428,571 ordinary Shares, representing approximately 13.72% of the issued share capital of the Company as at 31 December 2018.
- (3) Ms. Ho Ming Yee is the spouse of Mr. Tang Sing Ming Sherman, and is therefore deemed to be interested in the same number of Shares held by Mr. Tang Sing Ming Sherman.
- (4) Based on 4,166,175,000 ordinary Shares of the Company in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, 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.

No share option was granted during period under review and as at 31 December 2018, there was no outstanding share option.

CHANGE OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

As disclosed in the Composite Document, Mr. Chan Kin Chun Victor tendered his resignation from the position as the executive Director, the Chairman and the authorized representative of the Company upon Completion with effect upon the later of (i) the date immediately after the Closing Date in compliance with the Takeovers Code; and (ii) the earliest time permitted under (or pursuant to any dispensation from) the Takeovers Code, the GEM Listing Rules or other rules or regulations applicable to the Company or by the SFC (the “Effective Date”). The Offeror intends to nominate Mr. Huang Chao (黃超) (“Mr. Huang”), the son of Ms. Huang Li, as the new executive Director and Chairman to the Board and authorized representative of the Company and such appointments will take effect on the Effective Date.

As such, with effect after the close of the Share Offer at 4:00 p.m. on 10 October 2018, Mr. Chan Kin Chun Victor resigned as an executive Director and Chairman of the Board and Mr. Huang has been appointed as an executive Director, Chairman of the Board and an authorized representative of the Company. Details of the changes of management and composition of board committees are set out in the announcement of the Company dated 10 October 2018.

Mr. Huang, aged 30, obtained a degree of bachelor of commerce – professional accounting from the Macquarie University in April 2012. He joined Shenzhen Oceania Printing Company Limited (“Shenzhen Oceania”) as a consultant in international market in July 2012 for a term of four years until July 2016, and started to gain access to and possessed knowledge and experience in the paper packaging industry when he joined Shenzhen Oceania. Mr. Huang was a non-executive Director of Beijing Enterprises Clean Energy Group Limited (formerly known as Jin Cai Holdings Company Limited) (stock code: 1250), the issued shares of which are listed on the main board of the Stock Exchange from June 2013 to May 2015. Save as mentioned above, during the three years preceding the date of this report, Mr. Huang did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

Mr. Zheng Hua, who is the brother-in-law of Ms. Huang Li, is the uncle of Mr. Huang. Mr. Huang is the son of Ms. Huang Li, the sole beneficial owner and director of Oceanic Fortress, the controlling shareholder of the Company.

Mr. Chan Yee Ping Michael, an independent non-executive Director, was appointed as an independent non-executive director of Mengke Holdings Limited (stock code: 01629) in November 2018 and resigned as independent non-executive director of Prosper One International Holdings Company Limited (formerly known as Tic Tac International Holdings Company Limited) (stock code: 01470) in December 2018 whose shares are listed on the Main Board of the Stock Exchange.

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 26 June 2018.

COMPETING INTERESTS

As at 31 December 2018, 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. Chan Yee Ping Michael, Mr. Deng Guozhen and Mr. Zeng Shiquan.

Up to the date of approval of the Group’s unaudited results for the nine months ended 31 December 2018, the audit committee had held three meetings and had reviewed the draft quarterly report and accounts for the nine months ended 31 December 2018 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the nine months ended 31 December 2018, 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.

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 nine months ended 31 December 2018.

On behalf of the Board
Huang Chao
Chairman

Hong Kong, 12 February 2019

As at the date of this report, the Company's executive Directors are Mr. Huang Chao and Mr. Zheng Hua; and the independent non-executive Directors are Mr. Chan Yee Ping Michael, Mr. Deng Guozhen and Mr. Zeng Shiquan.

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