

New Wisdom Holding Company Limited

新智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

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

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Given that the companies listed on GEM are generally small and mid-sized companies, 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 announcement, 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 announcement 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 announcement misleading.

RESULTS

The board of directors (the “Board”) of the Company hereby announces the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 March 2018, together with the comparative audited consolidated figures for the corresponding year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	2	305,543	336,419
Cost of sales		<u>(103,075)</u>	<u>(113,027)</u>
Gross profit		202,468	223,392
Other income	3	2,349	2,151
Gain on disposal of subsidiaries		–	8
Impairment loss on other intangible assets		(995)	(4,625)
Impairment loss on plant and equipment		(5,888)	(2,861)
Operating expenses		<u>(227,558)</u>	<u>(263,346)</u>
Operating loss		(29,624)	(45,281)
Finance costs	4(a)	<u>(4,638)</u>	<u>(5,070)</u>
Loss before income tax	4	(34,262)	(50,351)
Income tax (expense)/credit	5	<u>(4,521)</u>	<u>2,611</u>
Loss for the year		<u>(38,783)</u>	<u>(47,740)</u>
Loss for the year attributable to:–			
Owners of the Company		(37,687)	(47,333)
Non-controlling interests		<u>(1,096)</u>	<u>(407)</u>
		<u>(38,783)</u>	<u>(47,740)</u>
Loss per share (HK cents)	6		
– Basic		<u>(0.94)</u>	<u>(1.41)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the year	<u>(38,783)</u>	<u>(47,740)</u>
Other comprehensive loss:–		
Item that may be subsequently reclassified to profit or loss:–		
Exchange loss arising from translation of financial statements of foreign operations	<u>(617)</u>	<u>(563)</u>
Other comprehensive loss for the year, net of tax	<u>(617)</u>	<u>(563)</u>
Total comprehensive loss for the year	<u>(39,400)</u>	<u>(48,303)</u>
Total comprehensive loss for the year attributable to:–		
Owners of the Company	<u>(38,348)</u>	<u>(47,865)</u>
Non-controlling interests	<u>(1,052)</u>	<u>(438)</u>
	<u>(39,400)</u>	<u>(48,303)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Plant and equipment		13,699	31,640
Goodwill on consolidation		55,095	55,095
Other intangible assets		12,873	14,475
Deferred tax assets		1,828	6,321
		<u>83,495</u>	<u>107,531</u>
CURRENT ASSETS			
Inventories		4,602	4,771
Debtors, deposits and prepayments	7	32,236	33,107
Income tax recoverable		132	978
Cash and cash equivalents	8	108,059	22,228
		<u>145,029</u>	<u>61,084</u>
DEDUCT:–			
CURRENT LIABILITIES			
Convertible bonds		39,805	–
Loans from a connected person		–	107,101
Loans from a director		–	2,644
Obligations under finance lease		–	179
Bank loans, secured		5,140	13,991
Creditors, accruals and deposits received	9	170,375	49,059
Income tax payable		718	439
		<u>216,038</u>	<u>173,413</u>
NET CURRENT LIABILITIES		<u>(71,009)</u>	<u>(112,329)</u>

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		12,486	(4,798)
NON-CURRENT LIABILITIES			
Convertible bonds		–	39,325
Deferred tax liabilities		249	575
Creditors, accruals and deposits received	<i>9</i>	1,492	4,046
		1,741	43,946
NET ASSETS/(LIABILITIES)		10,745	(48,744)
REPRESENTING:–			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		41,662	27,775
Reserves		(28,499)	(75,153)
		13,163	(47,378)
NON-CONTROLLING INTERESTS		(2,418)	(1,366)
TOTAL EQUITY		10,745	(48,744)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

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 share-based compensation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1.4.2016	27,775	(207,068)	173,887	3,801	(210)	1,055	1,390	(258)	372	(813)	(441)
Cancellation of share options under mandatory unconditional cash offers	-	1,055	-	-	-	(1,055)	-	-	-	-	-
Deemed disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	115	115	(115)	-
Comprehensive loss											
Loss for the year	-	(47,333)	-	-	-	-	-	-	(47,333)	(407)	(47,740)
Other comprehensive loss:-											
Exchange loss arising from translation of financial statements of foreign operations	-	-	-	-	(532)	-	-	-	(532)	(31)	(563)
Total comprehensive loss for the year	-	(47,333)	-	-	(532)	-	-	-	(47,865)	(438)	(48,303)
At 31.3.2017 and 1.4.2017	27,775	(253,346)	173,887	3,801	(742)	-	1,390	(143)	(47,378)	(1,366)	(48,744)
Rights Issue	13,887	-	86,101	-	-	-	-	-	99,988	-	99,988
Share issuing expenses	-	-	(1,099)	-	-	-	-	-	(1,099)	-	(1,099)
Comprehensive loss											
Loss for the year	-	(37,687)	-	-	-	-	-	-	(37,687)	(1,096)	(38,783)
Other comprehensive loss:-											
Exchange (loss)/gain arising from translation of financial statements of foreign operations	-	-	-	-	(661)	-	-	-	(661)	44	(617)
Total comprehensive loss for the year	-	(37,687)	-	-	(661)	-	-	-	(38,348)	(1,052)	(39,400)
At 31.3.2018	41,662	(291,033)	258,889	3,801	(1,403)	-	1,390	(143)	13,163	(2,418)	10,745

1. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations (“HK(IFRIC) – Int”) 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. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

(b) Initial application of HKFRSs

In the current year, the Group initially applied the following revised HKFRSs:-

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs (2014–2016)	Amendments to HKFRS 12

Except for Amendments to HKAS 7 disclosed below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s consolidated financial statements for the current and prior years.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(c) Adoption of the going concern basis

When preparing the consolidated financial statements, the Group’s ability to continue as a going concern has been assessed. The consolidated financial statements have been prepared by the Directors on going concern basis notwithstanding that the Group incurred a loss of HK\$38,783,000 for the year ended 31 March 2018 and as of that date, the Group had net current liabilities of HK\$71,009,000 as the Directors considered that:-

- (1) Ms. Huang Li (“Ms. Huang”), being the sole beneficial owner and director of the controlling shareholder of the Company after the completion of the acquisition of 52.14% interests in the Company on 25 April 2018, will provide continuing financial support to the Group;

- (2) On 25 April 2018, the Company entered into a loan agreement with Oceanic Fortress Holdings Limited, in which Ms. Huang is the sole beneficial owner and director, in respect of providing an unsecured two-year term loan to the Company in the amount of HK\$30,000,000 for the purpose of working capital. The loan was received by the Company on 26 April 2018. The loan is interest-bearing at the best lending rate as published by the Hongkong and Shanghai Banking Corporation Limited from time to time; and
- (3) 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 other loans balance 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 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 year. An analysis of the revenue recorded for the year is set out below:–

	2018 <i>HK\$’000</i>	2017 <i>HK\$’000</i>
Provision of food and beverage services and others	<u>305,543</u>	<u>336,419</u>

3. OTHER INCOME

	2018 <i>HK\$’000</i>	2017 <i>HK\$’000</i>
Interest income	11	7
Service fee income	1,310	1,230
Franchise income	631	346
Reversal on provision of reinstatement costs	85	85
Miscellaneous items	<u>312</u>	<u>483</u>
	<u>2,349</u>	<u>2,151</u>

4. LOSS BEFORE INCOME TAX

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss before income tax is arrived at after charging:–		
(a) Finance costs:–		
Interest expenses on secured bank loans, repayable within five years	469	751
Interest expense on other loans	338	–
Interest expense on convertible bonds	800	798
Imputed interest expense on convertible bonds	480	762
Finance charge on obligations under finance lease	2	9
Other bank charges	2,549	2,750
	<u>4,638</u>	<u>5,070</u>
(b) Other items:–		
Amortization of other intangible assets	1,067	1,314
Depreciation	16,406	23,374
Auditor's remuneration	896	939
Exchange loss	185	319
Operating lease rentals for properties	70,130	75,990
Directors' remuneration	1,020	698
Other staff salaries and benefits	89,116	102,156
Retirement scheme contributions	3,965	4,918
Other staff costs	93,081	107,074
Cost of inventories sold	103,075	113,027
Loss on disposal of plant and equipment	1,470	1,262

5. INCOME TAX EXPENSE/(CREDIT)

(a) Taxation in the profit or loss represents:–

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax	427	101
Deferred tax	4,094	(2,712)
Income tax expense/(credit)	<u>4,521</u>	<u>(2,611)</u>

(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 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% respectively).

(b) The income tax for the year can be reconciled to the loss before income tax for the year as follows:–

	2018	2017
	HK\$'000	HK\$'000
Loss before income tax	<u>(34,262)</u>	<u>(50,351)</u>
Tax effect at the Hong Kong profits tax rate of 16.5% (2017: 16.5%)	(5,653)	(8,308)
Tax rates differential	1,468	1,097
Tax effect of income that is not taxable	(4)	(42)
Tax effect of expenses that are not deductible	1,833	1,067
Tax effect of unused tax losses not recognized	6,942	3,595
Tax refund	<u>(65)</u>	<u>(20)</u>
Income tax expense/(credit)	<u>4,521</u>	<u>(2,611)</u>

(c) The components of unrecognized deductible temporary differences in certain subsidiaries of the Company were as follows:–

(i) The unutilized tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK\$49,373,000 (2017: approximately HK\$34,158,000) can be carried forward indefinitely. The unutilized tax losses accumulated in PRC subsidiaries amounted to approximately HK\$57,512,000 (2017: approximately HK\$41,396,000) can be carried forward for five years. The unutilized tax losses accumulated in Taiwan subsidiary amounted to approximately HK\$6,424,000 (2017: approximately HK\$4,053,000) can be carried forward for ten years. Deductible temporary differences have not been recognized owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.

(ii) Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules, the gross amount of dividends received by the Company's subsidiary incorporated in Hong Kong from its PRC subsidiaries in respect of their profits generated since 1 January 2008 is subject to withholding tax at a rate of 5%. Under the Caishui (2008) No. 1, the undistributed profits of the PRC subsidiaries as at 31 December 2007 determined based on the relevant PRC tax rules and regulations are exempted from withholding tax. Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, no deferred tax liability was provided as no profit is expected to be distributed by the PRC subsidiaries in the foreseeable future. As at 31 March 2018, the undistributed profits of the PRC subsidiaries amounted to approximately HK\$3,538,000 (2017: approximately HK\$3,492,000). The corresponding unrecognized deferred tax liabilities were amounted to approximately HK\$176,900 (2017: approximately HK\$174,600).

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$37,687,000 (2017: HK\$47,333,000) and the weighted average number of ordinary shares of 4,002,695,000 (2017: 3,359,819,000 ordinary shares) in issue during the year ended 31 March 2018.

The weighted average number of ordinary shares adopted in calculation of basic loss per share for the years ended 31 March 2018 and 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 March 2018 and 2017.

7. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:–

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade debtors	5,578	4,920
Rental and utility deposits	23,641	24,597
Prepayments	1,843	2,884
Other debtors	1,174	706
	<hr/> 32,236 <hr/>	<hr/> 33,107 <hr/>

(a) Aging analysis

The trading terms with the Group's customers are mainly on cash and credit card settlements, except for well established corporate customers who entitled credit term of 30-60 days. For credit card settlements, the banks normally settle the balances within 2-3 days. The following was an aging analysis of trade debtors, which included outstanding balances for credit card settlements, (net of allowance for doubtful debts) at the end of reporting period:–

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	4,698	4,676
31 – 60 days	662	228
61 – 90 days	70	8
91 – 180 days	148	8
	<hr/> 5,578 <hr/>	<hr/> 4,920 <hr/>

(b) Trade debtors that are not impaired

The aging analysis of trade debtors that are not considered to be impaired was as follow:–

	2018 HK\$'000	2017 <i>HK\$'000</i>
Neither past due nor impaired	<u>4,698</u>	<u>4,686</u>
Past due but not impaired:–		
1 – 30 days	662	228
31 – 60 days	141	5
61 – 90 days	<u>77</u>	<u>1</u>
	<u>880</u>	<u>234</u>
	<u>5,578</u>	<u>4,920</u>

Trade debtors that were neither past due nor impaired relate to customers for whom there was no recent history of default.

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

8. CASH AND CASH EQUIVALENTS

	2018 HK\$'000	2017 <i>HK\$'000</i>
Cash and bank balances	<u>108,059</u>	<u>22,228</u>

As at 31 March 2018, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK\$3,244,000 (2017: approximately HK\$3,473,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

9. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise:–

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade creditors	21,208	18,454
Accruals and provisions	21,476	23,171
Other creditors	12,467	11,480
Other loans	116,716	–
	<u>171,867</u>	<u>53,105</u>
<i>Less: classified in non-current liabilities</i>	<u>(1,492)</u>	<u>(4,046)</u>
Classified in current liabilities	<u>170,375</u>	<u>49,059</u>

Note:–

- (a) Other loans of approximately HK\$113,789,000 as at 31 March 2018, which was unsecured, repayable on demand and carried interest rate at 0.1% per month since 1 January 2018. The remaining amounts are interest-free, unsecured and repayable on demand.

The following was an aging analysis of trade creditors:–

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	8,892	9,741
31 – 60 days	9,510	5,463
61 – 90 days	868	2,074
91 – 180 days	1,432	656
Over 180 days	506	520
	<u>21,208</u>	<u>18,454</u>

10. RELATED PARTY AND CONNECTED TRANSACTIONS

Except for loans from a director and disposal of subsidiaries, the Group had the following material transactions with its related parties as defined in HKAS 24 during the year:-

	<i>Note</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
(i) Interest expense on convertible bonds to Mr. Tang Sing Ming Sherman ("Mr. Tang") [#]	<i>(a)</i>	-	485
(ii) Rental expense to Joint Allied Limited ^{##}	<i>(b)</i>	-	938
(iii) Rental expense to Assets Partner Limited ^{##}	<i>(b)</i>	-	1,134
		<u> </u>	<u> </u>

[#] Mr. Tang, who resigned as the chairman and executive director of the Company with effect from 8 November 2016, had controlling interest. However, Mr. Tang ceased to be controlling shareholder who exercised control/significant influence over the Company on the same date and thus, he was not regarded as a related party of the Group since 8 November 2016.

^{##} Joint Allied Limited and Assets Partner Limited are owned by a family trust in which Mr. Tang is one of the beneficiaries.

The Group had the following material transactions with its connected person as defined in the GEM Listing Rules during the year:-

	<i>Note</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
(i) Interest expense on convertible bonds to Mr. Tang [*]	<i>(a)</i>	644	798
(ii) Rental expense to Joint Allied Limited ^{**}	<i>(b)</i>	1,299	1,550
(iii) Rental expense to Assets Partner Limited ^{**}	<i>(b)</i>	-	1,872
		<u> </u>	<u> </u>

^{*} Mr. Tang resigned as the chairman and executive director of the Company with effect from 8 November 2016 and resigned as a director of all the Company's subsidiaries with effect from 20 January 2017. However, Mr. Tang was a Director of the Company or its subsidiaries in the past 12 months and he was deemed as a connected person of the Group until 19 January 2018 under the GEM Listing Rules.

^{**} Joint Allied Limited and Assets Partner Limited are owned by a family trust in which Mr. Tang is one of the beneficiaries.

Notes:-

- (a) The interest rate was determined at 2% per annum.
- (b) The transactions were entered based on the normal commercial terms.

The Directors (including the independent non-executive Directors) of the Company have reviewed the above related party and connected transactions and are of the opinion and confirm that these transactions were effected: (i) on normal commercial terms (or better to the Group); (ii) in the ordinary and usual course of the business of the Group; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Key management compensation	2018	2017
	HK\$'000	HK\$'000
Fees for key management personnel	1,020	622
Salaries, allowances and other benefits in kind	3,011	5,195
Retirement scheme contributions	54	99
	4,085	5,916

11. SEGMENT AND ENTITY-WIDE INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly review by the chief operating decision maker (the Directors) in order to allocation resources to the segment and to assess its performance.

(a) The Group operates in one business unit, and has one reportable and operating segment: food and beverage. Accordingly, the Group does not have any identifiable segment or any discrete information for segment reporting purpose.

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	64,433	88,395	241,110	248,024	305,543	336,419
Other income	861	808	1,488	1,343	2,349	2,151
Total revenue	65,294	89,203	242,598	249,367	307,892	338,570
Non-current assets	4,606	5,337	77,061	95,873	81,667	101,210

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (excluding deferred tax assets) is based on (i) the physical location of the assets, in the case of plant and equipment (ii) the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and (iii) the location of operation to which they are incurred, in the case of debtors, deposits and prepayments.

(c) Major customers

The Group's customer base is diversified and no revenues from transactions with a single external customer amount to 10% or more of the Group's revenue for the years ended 31 March 2018 and 2017.

12. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The Board would like to draw the users' attention that the Company's external auditor, without qualifying their opinion, has included the "Material Uncertainty Related to Going Concern" paragraph in the independent auditor's report to the consolidated financial statements of the Group for the year ended 31 March 2018.

Attention to note 1(c) above has been drawn by the Company's external auditor which indicates that the Group incurred a net loss of HK\$38,783,000 for the year ended 31 March 2018 and as of that date, the Group had net current liabilities of HK\$71,009,000. As stated in note 1(c), these conditions, along with other matters as set forth in note 1(c), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Their opinion is not modified in respect of this matter.

13. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 March 2018 and 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's audited revenue for the year ended 31 March 2018 amounted to approximately HK\$305.5 million (2017: approximately HK\$336.4 million), representing a decrease of approximately 9.2% compared with the last financial year. Net loss attributable to owners of the Company decreased by approximately HK\$9.6 million to approximately HK\$37.7 million compared with the last financial year.

INDUSTRY OVERVIEW

The global economy continued to be plagued by uncertainties. Since October 2017, the Federal Reserve of the United States ("US") gradually raised the interest rate and began to shrink its balance sheet. The widened interest rate gap between the US and Hong Kong, coupled with the continuous currency carry trade, resulted in the weakened exchange rate of Hong Kong dollars and the pressure of capital outflow. Geopolitical risks continued to amplify, where the joint military force of US-British-French launched strikes on Syria, and the tension between US and Russia intensified, and the Sino-US trade war is heated up, further fueling uncertainties over the global economy.

With a steady development in national economy, China's gross domestic product ("GDP") increased by 6.8% during the first quarter of 2018, in line with market expectations. The sustained economic growth was mainly driven by consumption. The key economic indicators have been improving steadily. China's per capita disposable income continued to rise, promoting the growth of the food and beverage ("F&B") industry. Last year, revenue in the F&B segment increased by 10% nationwide, the consumption amounted to nearly RMB4 trillion. However, the Internet continued to infiltrate into the F&B industry and changed the consumption pattern. As a result, the traditional F&B industry also faced certain challenges.

At the local level, during the year 2017, the local GDP went up by 3.8% over that of 2016, marking the fifth consecutive quarter of the thriving trend. Retail market gradually picked up as the number of visitors to Hong Kong improved and the local consuming power increased. Demand in the rental market in the core area rebounded, with the rents of shops regained its upward trend after 13 consecutive quarters of falling prices. During the review period, food prices in the PRC have seen a moderate increase and the increase in minimum wage together have put pressure on operating costs. At the same time, the local consumption pattern and the F&B industry were trending towards a digital transformation. The online-to-offline platform has developed rapidly, and take-away services grew faster than the entity stores. In face of this debilitated business environment, the F&B industry remained challenging.

The majority of the Group's revenue was derived from the provision of F&B services in Hong Kong. However, the local F&B sector has a certain level of reliance on Chinese mainland visitors due to Hong Kong's close linkage with the PRC. We have been influenced by a changing consumption pattern from mainland visitors and the slowed down consumption growth. Hong Kong's F&B sector strives to cope with these economic headwinds, in order to improve the situation of continued margin squeeze.

BUSINESS REVIEW

High rental and labour costs are inevitable challenges to most industries without exception to the F&B industry, in which high food and utilities costs, and high labour turnover are additional challenges. Customers are price sensitive and their preferences are ever changing, the competition in F&B industry is always intense, a small number of profit-making participants are working hard to maintain their profits while most of the rest market participants are primarily striving hard for survival. The Group overcome another tough year, however, we have to keep abreast of developing trends and changing consumption patterns, in particular, the challenges from the rapid rise of e-commerce and online-to-offline deliveries. 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 menu revamping and consistent provision of quality food and services.

The Group's F&B businesses are a collection of Japanese food-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, 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 a well-recognized brand in Hong Kong. Leveraged on our success in Hong Kong, we expanded Italian Tomato's network to the PRC and Taiwan. During the year under review, the total shop number decreased from 43 to 41. In Hong Kong, the closure of 1 café shop in the first quarter has no material effect to Italian Tomato, whereas the results of Hong Kong operation has a slight improvement, however, the management certainly does not satisfy this performance. In the PRC, the operation is scaled down from 4 shops to 1 shop in Shanghai. The management believes that after years of establishment and presence in Hong Kong and the PRC, a thorough repositioning is needed for Italian Tomato. On the other side of Taiwan Strait, we has a slight growth by opening 1 new cake shop during the year under review and the shop number is increased from 5 to 6.

Ginza Bairin, the Japanese Tonkatsu, maintains 2 shops in Hong Kong and 1 shop in the PRC as at 31 March 2018. As the first shop in Shanghai, after years of operation, is closed for renovation for a period of time, the revenue of this brand is lower than last year and the management hopes to catch up the revenue next year as the renovation has been completed and the shop has been reopened in the late December 2017, therefore better contribution to the Group is expected in the coming quarters.

Shirokuma Curry has no material change during the period under review and maintains 2 shops in Hong Kong and 7 shops in the PRC as at 31 March 2018. Meanwhile, its licensing business has made good progress and has 5 franchise shops as at 31 March 2018. As Shirokuma's network becomes larger, the management needs more concentration on its quality control as it will be a huge challenge to advance the franchise system. Although the history of Shirokuma Curry license operation is still short, its long term growth is optimistic.

Enmaru, the Japanese Izakaya, still encounters with stiff competition but manages to keep 2 shops in Hong Kong and 2 shops in the PRC as at 31 March 2018. Shortage of Japanese staff is a problem to the growth of Enmaru, the management is actively searching for Japanese staff because Japan element is important to this dining concept. Enmaru's current contribution to the Group is not satisfactory, the management hopes Enmaru can regain its growth once an innovative dining ambiance is created to this brand.

FUTURE PROSPECTS

Looking ahead, management will further develop brand identity and enhance brand value of its restaurants, and at the same time strengthen its relationship with customers and enhance its attractiveness to returning and new customers. Although the business environment is still full of challenges, the Group will continue to keep abreast of the consumer market trends, and innovate and enrich its food offerings while controlling operating costs, and striving to provide customers with quality consumer experience. With the completion of large-scale transportation infrastructure such as the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou–Shenzhen–Hong Kong express rail link, a one-hour living circle within the Pearl River Delta area can be achieved, thus attracting more visitors to Hong Kong and boosting the demand within the local F&B industry.

On 25 April 2018, Oceanic Fortress Holdings Limited has acquired from Win Union Investment Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability and is ultimately and beneficially owned by Mr. Chan Kin Chun Victor, the Chairman and executive Director of the Company, its entire shareholding in the Company (being an aggregate of 2,172,417,439 ordinary shares of the Company, representing approximately 52.14% of the entire issued share capital of the Company as at the date of this announcement). The management is optimistic about achieving the sales target with the assistance of strong supports and resources of the new controlling shareholder, along with driving forces for growth in the coming year.

The Group intends to continue its existing principal businesses. The management will keep reviewing the existing businesses and the financial positions of the Group for the purpose of exploring business opportunities and diversifying its business scope. The management will actively explore industries so as to diversify its business risks and increase shareholder returns, create new growth points, and establish a new milestone in the development of the Group.

FINANCIAL REVIEW

Consolidated results of operations

For the year ended 31 March 2018, the Group recorded a total revenue of approximately HK\$305.5 million (2017: approximately HK\$336.4 million), representing a decrease of approximately 9.2% compared with the previous year.

Net loss attributable to owners of the Company was approximately HK\$37.7 million (2017: approximately HK\$47.3 million).

Gross profit

The gross profit margin from the operations of the Group was approximately 66% (2017: approximately 66%).

Expenses

Total operating expenses for the operations decreased by approximately 13.6% to approximately HK\$227.6 million (2017: approximately HK\$263.3 million). The decrease was in line with the decrease of revenue, in addition, the decrease was also attributable to the tighten control on expenditure such as reduction of headcounts of key management and reduction of legal and professional fees due to less corporate actions were underwent by the Company during the year ended 31 March 2018.

Financial resources and liquidity

During the year under review, the Group generally relied on internal funds and facilities granted by its bankers; loans from the sole beneficial owner of the convertible bonds issued by the Company (who is also a former executive Director of the Company); and fund raised from rights issue to finance its operation.

As at 31 March 2018, the Group's current assets amounted to approximately HK\$145.0 million (2017: approximately HK\$61.1 million) of which approximately HK\$108.1 million (2017: approximately HK\$22.2 million) was cash and bank deposits, approximately HK\$32.2 million (2017: approximately HK\$33.1 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK\$216.0 million (2017: approximately HK\$173.4 million), including creditors, accruals and deposits received in the amount of approximately HK\$170.4 million (2017: approximately HK\$49.1 million). The increase of creditor, accruals and deposits received was mainly due to the change in the classification of loans provided by Mr. Tang. Mr. Tang, who resigned as the Chairman and executive Director of the Company with effect from 8 November 2016 and was a connected person as at 31 March 2017. Loans from Mr. Tang were classified as other loans and included in "Creditors, accruals and deposits received" as at 31 March 2018, while it was classified as loans from a connected person as at 31 March 2017.

As at 31 March 2018, as the convertible bonds amounted to approximately HK\$39.8 million (2017: approximately HK\$39.3 million) will mature within twelve months, it was treated as current liabilities in this financial year whereas it was included in non-current liabilities in last financial year.

The current ratio and quick assets ratio as at 31 March 2018 were 0.67 and 0.65 respectively (2017: 0.35 and 0.32 respectively). As at 31 March 2018, the debt-to-equity ratio was 10.21. As the Company incurred net liabilities as at 31 March 2017, there is no debt-to-equity ratio, which is expressed as a ratio of total debts less cash and bank balances to total equity, to be calculated.

Foreign exchange

During the years ended 31 March 2018 and 31 March 2017, the Group conducted commercial transactions in the PRC and Taiwan denominated in Renminbi and New Taiwan Dollar respectively. Fluctuations in exchange rates of Renminbi and New Taiwan Dollar against Hong Kong Dollar could affect the Group's results of operations.

During the years ended 31 March 2018 and 31 March 2017, no hedging transactions or other exchange rate arrangements were made.

Charges on the Group's assets

No Group's assets which had been pledged or charged as at 31 March 2018.

Except for the assets pledged as security for obligations under the finance leases at 31 March 2017, no Group's assets which had been pledged or charged as at 31 March 2017.

Capital commitments

As at 31 March 2018 and 31 March 2017, the Group did not have material capital commitment.

Contingent liabilities

As at 31 March 2018 and 31 March 2017, the Group did not have material contingent liabilities.

Employees and remuneration policies

As at 31 March 2018, the Group had 459 employees in Hong Kong, the PRC and Taiwan (2017: 638 employees in Hong Kong, the PRC and Taiwan). The remuneration of employees of the Group is determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward of their contributions. Other fringe benefits such as medical subsidies, medical insurance, education/training subsidies and pension fund plans are offered to most employees. In prior years, share options were granted at the discretion of the Board under the terms and conditions of the new share option scheme adopted on 20 July 2012 as well as the previous share option scheme adopted on 26 February 2003. No share option was granted during two years ended 31 March 2018 and 2017 and as at that dates, there was no outstanding share option.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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. A premium of HK\$0.062 per Rights Share for cash, the excess of the subscription price over the par value of the shares issued upon the Rights Issue, totalling approximately HK\$86,101,000 was credited to the share premium account of the Company.

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.

ADJUSTMENTS IN RELATION TO THE CONVERTIBLE BONDS

Pursuant to the terms and conditions of the convertible bonds, 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. As such, a total of 571,428,571 ordinary shares will be issued to Mr. Tang upon full conversion of the convertible bonds, assuming that the adjusted conversion price of HK\$0.07 per share will remain as at the time of conversion. The above adjustment to the conversion price has been reviewed by PKF, the auditor of the Company, and took effect on 22 May 2017.

Save and except for the adjustment to the conversion price, all other terms of the convertible bonds remain unchanged.

USE OF PROCEEDS FROM THE RIGHTS ISSUE

Among the net proceeds of the Rights Issue approximately HK\$99 million, as at 31 March 2018, approximately HK\$8.2 million has been used as the Company's corporate expenses, comprising (i) approximately HK\$1.6 million as Directors' remuneration and staff cost; (ii) approximately HK\$0.8 million as rental expenses; (iii) approximately HK\$0.6 million as compliance and professional fee; (iv) approximately HK\$0.9 million for general office expenses; and (v) approximately HK\$4.3 million as the settlement of the Company's payable in relation to the corporate expenses.

Summary of use of net proceeds

	Total planned amount to be used	Actual amount utilized up to 31 March 2018	Actual balance as at 31 March 2018
Use of net proceeds	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Operation and expansion of the existing F&B business	29.00	–	29.0
Company's corporate expenses	20.00	8.2	11.8
Repayment of bank loans	15.00	–	15.0
Potential investment opportunities	35.00	–	35.0
	<u>99.00</u>	<u>8.2</u>	<u>90.8</u>

During the year ended 31 March 2018, the Group pursued a prudent yet efficient network expansion strategy. Some restaurant brands of the Group expanded numbers of shops while some reduced the numbers. Internal funds of the Group was sufficient to meet the needs for the expansion, hence the net proceeds from the Rights Issue reserved for operating and expanding existing F&B business had not been utilized.

In addition, the Group continued using its internal funds to repay regular bank loans. The Group had not utilized the net proceeds from the Rights Issue intended for bank loan repayment during the year ended 31 March 2018.

As at 31 March 2018, the Group was still under negotiations for acquiring a Chinese restaurant chain and the use of patent licenses regarding nano electricity generator technology. While we had not entered into any agreements nor memorandum of understanding for any acquisitions, the net proceeds from the Rights Issue for potential investment opportunities purpose were still reserved.

As a result, approximately HK\$90.8 million of the net proceeds from the Rights Issue remained unutilized as at 31 March 2018. This remaining balance is kept in the Company's bank account and the Directors still intend to utilize such proceeds as stated in the Rights Issue Prospectus.

The Directors will constantly evaluate the Group's business objectives and may change or modify the plans against the changing market condition to suit the business growth of the Group. Further announcement(s), in respect of redeploying the allocation and use of Rights Issue proceeds, if any, will be made in accordance with the requirements of the GEM Listing Rules as and when appropriate to update its shareholders and potential investors.

EVENTS AFTER THE REPORTING PERIOD

Mandatory unconditional cash offer

References are made to the joint announcements of the Company and Oceanic Fortress Holdings Limited (the "Offeror") dated 25 April 2018, 16 May 2018, 25 June 2018 and 26 June 2018, respectively. Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in these joint announcements.

On 23 April 2018, the Company was informed by Win Union Investment Limited (the then controlling shareholder of the Company) (the "Vendor" or "Win Union") that, on 23 April 2018, the Offeror entered into the Sale and Purchase Agreement with the Vendor and the Vendor Guarantor, 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, representing approximately 52.14% of the entire issued share capital of the Company at the date of this announcement (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. The Offeror is an investment holding company incorporated in BVI with limited liability and as at the date of this announcement, and is wholly owned by Ms. Huang, 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 total issued share capital of the Company as at the date of this announcement. Accordingly, pursuant to Rule 26.1 and Rule 13 of 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").

Details of the Acquisition and the Share Offer are set out in the joint announcements of the Company dated 25 April 2018, 16 May 2018, 25 June 2018 and 26 June 2018, respectively.

Proposed change of the Board composition

The Board is currently made up of five Directors, comprising two executive Directors, being Mr. Chan Kin Chun Victor and Mr. Zheng Hua; and three independent non-executive Directors, being Mr. Chan Yee Ping Michael, Mr. Deng Guozhen and Mr. Zeng Shiquan.

As disclosed in the joint announcement of the Company dated 25 April 2018, Mr. Chan Kin Chun Victor tendered his resignation from the position as executive Director, Chairman and authorized representative of the Company upon Completion with effect upon the later of (i) the date immediately after the Share Offer 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, 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. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and a separate announcement will be made in this regard as and when appropriate.

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 announcement, 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. s Hua, who is the brother-in-law of Ms. Huang, is the uncle of Mr. Huang.

Loan agreement

As disclosed in the joint announcement dated 25 April 2018, the Offeror has entered into a loan agreement with the Company to provide an unsecured two-year term loan of HK\$30 million at the best lending rate as published by the Hongkong and Shanghai Banking Corporation Limited in its Hong Kong web site from time to time (www.hsbc.com.hk) to the Company after the Completion.

Memorandum of loans

On 22 June 2018, the lender of other loans signed a memorandum of loans with the Borrower, pursuant to which the outstanding other loans balance of approximately HK\$115,037,000 as at 22 June 2018 will be repayable by the Borrower on 22 June 2019.

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

As at 31 March 2018, 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 Kin Chun Victor ("Mr. Chan") (<i>Note 1</i>)	Interest of controlled corporations and beneficial owner	2,172,417,439 (L)	52.14
		2,106,417,439 (S)	50.56

Notes:

- 2,172,417,439 ordinary shares of the Company is held by Win Union, which is wholly-owned by the Mr. Chan, an executive Director of the Company.
- Out of the 2,172,417,439 ordinary shares of the Company held by Win Union, 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 31 March 2018.
- Subsequent to 31 March 2018, Win Union sold an aggregate of 2,172,417,439 ordinary shares of the Company (the "Disposal"), representing approximately 52.14% of the entire issued share capital of the Company and the 2,106,417,439 ordinary shares of the Company as pledged to STI LSN 1 Limited has been released accordingly. Details of the Disposal are set out in the paragraph headed "Mandatory unconditional cash offers" in the section headed "Events After the Reporting Period" on pages 23 to 24 of this announcement.

(b) Interests in associated corporations of the Company

Name	Name of associated corporation	Nature of interest	Interest in shares (note)	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 31 March 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’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2018, according to the register kept by the Company pursuant to section 336 of the 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 (Notes 1 and 2)	Beneficial owner	2,172,417,439(L)	–	2,172,417,439(L)	52.14
		2,106,417,439(S)	–	2,106,417,439(S)	50.56
STI LSN 1 Limited (Note 2)	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 (Note 2)	Interest of controlled corporation	2,106,417,439(L)	–	2,106,417,439(L)	50.56
Mr. Tang (Note 3)	Beneficial owner	–	571,428,571(L)	571,428,571(L)	13.72
Ms. Ho Ming Yee (Note 3)	Interest of spouse	–	571,428,571(L)	571,428,571(L)	13.72

Notes:

1. 2,106,417,439 ordinary shares of the Company are held by Win Union, which is wholly-owned by Mr. Chan, an executive Director.
2. Out of the 2,172,417,439 ordinary shares of the Company held by Win Union, 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 31 March 2018. 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 31 March 2018.
6. Subsequent to 31 March 2018, Win Union sold an aggregate of 2,172,417,439 ordinary shares of the Company, representing approximately 52.14% of the entire issued share capital of the Company and the 2,106,417,439 ordinary shares of the Company as pledged to STI LSN 1 Limited has been released accordingly. Details of the Disposal are set out in the paragraph headed “Mandatory unconditional cash offers” in the section headed “Events After the Reporting Period” on pages 23 to 24 of this announcement.

Save as disclosed above, as at 31 March 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

No share option was granted during two years ended 31 March 2018 and 2017 and as at that dates, there was no outstanding share option.

COMPETING INTERESTS

As at 31 March 2018, none of the Directors, the controlling shareholders or their respective close 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 had established an Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee comprised of three independent non-executive Directors. With effect from 8 November 2016, Mr. Yip Tai Him has been appointed as the chairman of the Audit Committee of the Company and Mr. Chan Yee Ping Michael and Mr. Deng Guozhen have been appointed as members of the Audit Committee. Following Mr. Yip Tai Him resigned with effective from 28 March 2018, Mr. Chan Yee Ping Michael has been appointed as the chairman of the Audit Committee in his place and Mr. Zeng Shiquan has been appointed as a member of the Audit Committee. Mr. Yip Tai Him and Mr. Chan Yee Ping Michael possess the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

Up to the date of approval of the Group's unaudited results for the year ended 31 March 2018, the audit committee had held four meetings and had reviewed the draft report and accounts for the year ended 31 March 2018 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the financial year ended 31 March 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 have 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 year ended 31 March 2018.

SCOPE OF AUDITOR'S WORK ON ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary annual results announcement have been agreed by the Company's auditor, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on the preliminary annual results announcement.

By order of the Board
New Wisdom Holding Company Limited
Chan Kin Chun Victor
Chairman

Hong Kong, 26 June 2018

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

This announcement will remain on GEM website on the "Latest Company Announcements" page and the website of the Company at www.nwhcl.com for at least 7 days from the date of its posting.