New Wisdom Holding Company Limited
新 智 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

FIRST QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 30 JUNE 2018

Consolidated revenue of the Company and its subsidiaries (collectively the "Group") was approximately HK$67.3 million for the period under review, representing a decrease of approximately 12% compared with approximately HK$76.6 million recorded in the corresponding period last year.

Loss attributable to owners of the Company decreased to approximately HK$6.5 million from approximately HK$9.4 million compared with the corresponding period last year.

RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited condensed consolidated results of the Group for the three months ended 30 June 2018, together with the comparative unaudited consolidated figures for the corresponding period last year:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three months ended 30 June 2018

		For the three months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**67,329**	76,601
Cost of sales		**(21,958)**	(25,598)
Gross profit		**45,371**	51,003
Other income		**489**	717
Operating expenses		**(51,153)**	(60,520)
Operating loss		**(5,293)**	(8,800)
Finance costs		**(1,635)**	(1,088)
Loss before income tax		**(6,928)**	(9,888)
Income tax	*3*	**181**	260
Loss for the period		**(6,747)**	(9,628)
Loss for the period attributable to:			
Owners of the Company		**(6,544)**	(9,449)
Non-controlling interests		**(203)**	(179)
		(6,747)	(9,628)
Loss per share *(HK cents)*	*4*		
– Basic		**(0.16)**	(0.27)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 30 June 2018

	For the three months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Loss for the period	**(6,747)**	(9,628)
Other comprehensive income/(loss):–		
Items that may be subsequently reclassified to profit or loss:–		
Exchange gain/(loss) arising from translation of financial statements of foreign operations	**101**	(101)
Total comprehensive loss for the period	**(6,646)**	(9,729)
Total comprehensive loss for the period attributable to:–		
Owners of the Company	**(6,424)**	(9,551)
Non-controlling interests	**(222)**	(178)
	(6,646)	(9,729)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2018

	Attributable to owners of the Company									
	Share capital	Accumulated losses	Share premium	Special reserve	Exchange reserve	Convertible bonds equity reserve	Other reserve	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1.4.2017 (audited)	27,775	(253,346)	173,887	3,801	(742)	1,390	(143)	(47,378)	(1,366)	(48,744)
Rights Issue	13,887	–	85,002	–	–	–	–	98,889	–	98,889
Comprehensive loss										
Loss for the period	–	(9,449)	–	–	–	–	–	(9,449)	(179)	(9,628)
Other comprehensive loss:–										
Exchange (loss)/gain arising from translation of financial statements of foreign operations	–	–	–	–	(102)	–	–	(102)	1	(101)
Total comprehensive loss for the period	–	(9,449)	–	–	(102)	–	–	(9,551)	(178)	(9,729)
At 30.6.2017 (unaudited)	41,662	(262,795)	258,889	3,801	(844)	1,390	(143)	41,960	(1,544)	40,416
At 1.4.2018 (audited)	**41,662**	**(291,033)**	**258,889**	**3,801**	**(1,403)**	**1,390**	**(143)**	**13,163**	**(2,418)**	**10,745**
Comprehensive loss										
Loss for the period	**–**	**(6,544)**	**–**	**–**	**–**	**–**	**–**	**(6,544)**	**(203)**	**(6,747)**
Other comprehensive income:–										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**120**	**–**	**–**	**120**	**(19)**	**101**
Total comprehensive loss for the period	**–**	**(6,544)**	**–**	**–**	**120**	**–**	**–**	**(6,424)**	**(222)**	**(6,646)**
At 30.6.2018 (unaudited)	**41,662**	**(297,577)**	**258,889**	**3,801**	**(1,283)**	**1,390**	**(143)**	**6,739**	**(2,640)**	**4,099**

Notes:

1. BASIS OF PREPARATION

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

These unaudited condensed consolidated quarterly results should be read in conjunction with the consolidated financial statements for the year ended 31 March 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$6,747,000 for the three months ended 30 June 2018 and as of that date, the Group had net current liabilities of approximately HK$45,760,000 as the Directors considered that:–

(1) Ms. Huang, being the sole beneficial owner and director of the controlling shareholder of the Company will provide continuing financial support to the Group;

(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 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 period. An analysis of the revenue recorded for the period is set out below:

	For the three months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Provision of food and beverage services and others	**67,329**	76,601

3. INCOME TAX

Taxation in the profit or loss represents:

	For the three months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax	**267**	–
Deferred tax	**(448)**	(260)
	(181)	(260)

(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 is based on the loss attributable to owners of the Company of HK$6,544,000 (2017: HK$9,449,000) and the weighted average number of ordinary shares of 4,166,175,000 (2017: 3,510,456,567 ordinary shares) in issue during the three months ended 30 June 2018.

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

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 30 June 2018 and 2017.

INTERIM DIVIDEND

The Board does not recommend payment of interim dividend in respect of the three months ended 30 June 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited revenue for the first quarter ended 30 June 2018 amounted to approximately HK$67.3 million (2017: approximately HK$76.6 million), representing a decrease of approximately 12% as compared to the last corresponding period. Net loss attributable to owners of the Company decreased by approximately HK$2.9 million to approximately HK$6.5 million as compared to the last corresponding period.

Industry Overview

European stock markets fell given rising geopolitical risks and political instability in Italy and Spain. Major global economies were affected by the growing trade conflicts between the United Stated ("**US**") and China. A gradual pace of rate hikes by the US Federal Reserve led to a widening Hong Kong-US dollar interest rate spread, which in turn caused a weaker Hong Kong dollar exchange rate and a never-easing pressure on capital outflows. All those events increased instabilities in the global economy.

In the mainland, the Chinese economy maintains steady and rapid growth. In the second quarter of 2018, China's gross domestic product ("**GDP**") grew by 6.7% year-on-year, which were in line with market expectations. In the first half of the year, China's per capita disposable income and overall consumption power continued to rise. In the first half of the year, China's revenue from the food and beverage ("**F&B**") industry increased by approximately 10%. Moreover, the consumption pattern of mainland customers changed significantly, as shown by a decline in the ratio of high-end consumption and increasing demand for the quality product and overall customer experience. The development of online take-away market accelerated, introducing new impetus into the F&B industry. The industry maintained a healthy and steady development overall. However, there have been more and more subdivisions of F&B categories, and the differentiation speed is getting faster and faster, so the competition in the F&B industry is expected to intensify. High opening and elimination rate will become the new normal within the industry.

In the local, Hong Kong's GDP increased by 4.7% year-on-year in the first quarter of 2018, reflecting a high local demand and positive consumer sentiment. The number of visitors to Hong Kong increased significantly during the period under review, stimulating the local F&B industry. However, shop rent, labour cost and prices of certain mainland foods continued to rise. Also, a weaker renminbi in recent months negatively affected mainland visitors' desire to consume. Those factors increased pressure on the profit margin in the industry.

The majority of the Group's revenue stemmed from F&B businesses in Hong Kong. However, the recent years saw a gradual reliance on Chinese mainland visitors to consume in the retail sector. The F&B industry was inevitably affected by a changing structure and consumption pattern of mainland visitors. The Group has been devoting efforts to cope with these economic headwinds, thereby easing the problem of continuing margin squeeze.

Business Review

The F&B 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. 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 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 been 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 period under review, Italian Tomato maintains steady performance with its shops portfolio in the region and maintains 38 shops as at 30 June 2018. The management believes that after years of establishment and presence in Hong Kong, the mainland China and Taiwan island, lessons and experience are accumulated while weaknesses and strengths are identified, a thorough repositioning is undergoing for Italian Tomato.

Ginza Bairin, the Japanese tonkatsu, maintains 2 shops in Hong Kong and 1 shop in the PRC as at 30 June 2018. Ginza Bairin in Shanghai, the first shop in the PRC, reopened in the late December 2017 after closing for renovation for a period of time. Better contribution from this brand to the Group is therefore 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 30 June 2018. Meanwhile, its licensing business has made good progress and has 5 licensed shops as at 30 June 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 4 shops as at 30 June 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 forward, in the second half of the year, the trade war will more or less affect the overall consumption atmosphere in the mainland China and Hong Kong. The increase in labour cost and shop rents will continue to put pressure on the industry, and the market will still face many uncertainties. Despite the challenging business environment, the Group will continue to keep up with the market trends, attending to the customers' needs. We will also strive to innovate menus, strictly control food safety and quality to boost our brand competitiveness. Also, to capture the tremendous growth opportunities in the local and overseas F&B industry, we will strictly implement cost control measures and actively adjust our development strategy. Along with the opening of the Hong Kong-Zhuhai-Macao Bridge and the high-speed railway in the second half of the year, visitors from Guangdong Province and the Pearl River Delta region will be able to visit Hong Kong more conveniently. The number of visitors to Hong Kong is expected to increase further. Such an increase will be expected to stimulate the demand of local F&B industry and bring positive feedback to the entire industry.

On 25 April 2018, Oceanic Fortress Holdings Limited has acquired from Win Union Investment Limited, a company incorporated in the 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 30 June 2018). Oceanic Fortress Holdings Limited has vast resources and networks, which will offer strong growth momentum to the Group's business, thereby expanding the source of income of the Group.

The Group will step up efforts to reinforce its core business. The management will keep reviewing the existing businesses and the shops' operating conditions of the Group to grasp business opportunities and expand more diversified businesses. The management will actively explore business opportunities beyond the F&B industry to create new growth points, thereby enhancing the overall competitiveness of the Group and achieving a better return for our shareholders.

FINANCIAL REVIEW

Consolidated results of operations

For the three months ended 30 June 2018, the Group recorded revenue of approximately HK$67.3 million (2017: approximately HK$76.6 million), the revenue decreased by approximately 12% compared with the corresponding period last year.

Loss attributable to owners of the Company was approximately HK$6.5 million (2017: approximately HK$9.4 million).

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

Total operating expenses decreased by approximately 15% to approximately HK$51.2 million (2017: approximately HK$60.5 million) and was in line with the decrease of revenue.

USE OF PROCEEDS FROM THE 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.

Among the net proceeds of the Rights Issue approximately HK$99 million, as at 30 June 2018, approximately HK$3.0 million and HK$10.1 million have been used as operation and expansion of the existing F&B business and the Company's corporate expenses respectively. Of which, the Company's corporate expenses comprising (i) approximately HK$1.8 million as Directors' remuneration and staff cost; (ii) approximately HK$1.2 million as rental expenses; (iii) approximately HK$1.0 million as compliance and professional fee; (iv) approximately HK$1.0 million for general office expenses; (v) approximately HK$4.8 million as the settlement of the Company's payable in relation to the corporate expenses; and (vi) approximately HK$0.3 million as general working capital. As a result, approximately HK$85.9 million of the net proceeds from the Rights Issue remained unutilized as at 30 June 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.

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

During the three months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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, 26 June 2018, 25 July 2018 and 9 August 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 quarterly report (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 the BVI with limited liability and as at the date of this quarterly report, and is wholly owned by Ms. Huang Li ("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 quarterly report. 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, 26 June 2018, 25 July 2018 and 9 August 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 quarterly 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, is the uncle of Mr. Huang.

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

As at 30 June 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 30 June 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 Holdings Limited *(Note 1)*	Beneficial owner	2,172,417,439	–	2,172,417,439	52.14%
Ms. Huang Li *(Note 1)*	Interest of corporation controlled by Ms. Huang Li	2,172,417,439	–	2,172,417,439	52.14%
Mr. Tang Sing Ming Sherman *(Note 2)*	Beneficial owner	–	571,428,571	571,428,571	13.72%
Ms. Ho Ming Yee *(Note 3)*	Interest of a substantial shareholder's spouse	–	571,428,571	571,428,571	13.72%

Notes:

(1) The ordinary shares are held by the Oceanic Fortress Holdings Limited, 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 of the Company 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 30 June 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 30 June 2018.

Save as disclosed above, as at 30 June 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 30 June 2018 and 2017, there was no outstanding share option.

COMPETING INTERESTS

As at 30 June 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 three months ended 30 June 2018, the audit committee had held one meeting and had reviewed the draft quarterly report and accounts for the three months ended 30 June 2018 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the three months ended 30 June 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 three months ended 30 June 2018.

On behalf of the Board
Chan Kin Chun Victor
Chairman

Hong Kong, 10 August 2018

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

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