

New Wisdom Holding Company Limited

新智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

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

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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.

FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

Consolidated revenue of the Company and its subsidiaries (collectively the “Group”) was HK\$227.5 million for the period under review, representing a decrease of 9.0% compared with HK\$250.0 million recorded in the corresponding period last year.

Loss attributable to owners of the Company decreased to HK\$21.7 million from HK\$33.8 million compared with the corresponding period last year.

RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated results of the Group for the period ended 31 December 2017, together with the comparative unaudited consolidated figures for the corresponding period last year:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the nine months ended 31 December 2017

| | Note | For the nine months ended 31 December | | For the three months ended 31 December | |
|---|------|--|------------------------|---|-----------------------|
| | | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Revenue | 2 | 227,532 | 249,969 | 75,436 | 86,567 |
| Cost of sales | | <u>(74,782)</u> | <u>(82,508)</u> | <u>(24,742)</u> | <u>(28,918)</u> |
| Gross profit | | 152,750 | 167,461 | 50,694 | 57,649 |
| Other income | | 1,742 | 1,542 | 551 | 505 |
| Operating expenses | | <u>(174,080)</u> | <u>(199,117)</u> | <u>(55,831)</u> | <u>(66,757)</u> |
| Operating loss | | (19,588) | (30,114) | (4,586) | (8,603) |
| Finance costs | | <u>(3,241)</u> | <u>(3,273)</u> | <u>(1,037)</u> | <u>(1,023)</u> |
| Loss before income tax | | (22,829) | (33,387) | (5,623) | (9,626) |
| Income tax | 3 | <u>770</u> | <u>(909)</u> | <u>182</u> | <u>(308)</u> |
| Loss for the period | | <u>(22,059)</u> | <u>(34,296)</u> | <u>(5,441)</u> | <u>(9,934)</u> |
| Loss for the period attributable to: | | | | | |
| Owners of the Company | | (21,669) | (33,826) | (5,306) | (9,781) |
| Non-controlling interests | | <u>(390)</u> | <u>(470)</u> | <u>(135)</u> | <u>(153)</u> |
| | | <u>(22,059)</u> | <u>(34,296)</u> | <u>(5,441)</u> | <u>(9,934)</u> |
| | | | (Restated) | | (Restated) |
| Loss per share (HK cents) | 4 | | | | |
| – Basic | | <u>(0.55)</u> | <u>(1.01)</u> | <u>(0.13)</u> | <u>(0.29)</u> |
| – Diluted | | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)*For the nine months ended 31 December 2017*

| | For the nine months ended 31 December | | For the three months ended 31 December | |
|---|--|-------------------------|---|-------------------------|
| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
| Loss for the period | <u>(22,059)</u> | <u>(34,296)</u> | <u>(5,441)</u> | <u>(9,934)</u> |
| 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 | <u>428</u> | <u>(346)</u> | <u>403</u> | <u>194</u> |
| Total comprehensive loss for the period | <u>(21,631)</u> | <u>(34,642)</u> | <u>(5,038)</u> | <u>(9,740)</u> |
| Total comprehensive loss for the period attributable to:– | | | | |
| Owners of the Company | <u>(21,255)</u> | <u>(34,157)</u> | <u>(4,913)</u> | <u>(9,580)</u> |
| Non-controlling interests | <u>(376)</u> | <u>(485)</u> | <u>(125)</u> | <u>(160)</u> |
| | <u>(21,631)</u> | <u>(34,642)</u> | <u>(5,038)</u> | <u>(9,740)</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2017

| | Attributable to owners of the Company | | | | | | | | | | |
|--|---------------------------------------|--------------------------------|---------------------------|-----------------------------|------------------------------|---|--|---------------------------|-------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Accumulated losses HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 | Exchange reserve HK\$'000 | Employee 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 (audited) | 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) | - | - | - | - | - |
| Comprehensive loss | | | | | | | | | | | |
| Loss for the period | - | (33,826) | - | - | - | - | - | - | (33,826) | (470) | (34,296) |
| Other comprehensive loss:- | | | | | | | | | | | |
| Exchange loss arising from translation of financial statements of foreign operations | - | - | - | - | (331) | - | - | - | (331) | (15) | (346) |
| Total comprehensive loss for the period | - | (33,826) | - | - | (331) | - | - | - | (34,157) | (485) | (34,642) |
| At 31.12.2016 (unaudited) | 27,775 | (239,839) | 173,887 | 3,801 | (541) | - | 1,390 | (258) | (33,785) | (1,298) | (35,083) |
| At 1.4.2017 (audited) | 27,775 | (253,346) | 173,887 | 3,801 | (742) | - | 1,390 | (143) | (47,378) | (1,366) | (48,744) |
| Rights Issue | 13,887 | - | 85,002 | - | - | - | - | - | 98,889 | - | 98,889 |
| Comprehensive loss | | | | | | | | | | | |
| Loss for the period | - | (21,669) | - | - | - | - | - | - | (21,669) | (390) | (22,059) |
| Other comprehensive income:- | | | | | | | | | | | |
| Exchange gain arising from translation of financial statements of foreign operations | - | - | - | - | 414 | - | - | - | 414 | 14 | 428 |
| Total comprehensive loss for the period | - | (21,669) | - | - | 414 | - | - | - | (21,255) | (376) | (21,631) |
| At 31.12.2017 (unaudited) | 41,662 | (275,015) | 258,889 | 3,801 | (328) | - | 1,390 | (143) | 30,256 | (1,742) | 28,514 |

1. BASIS OF PREPARATION

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

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

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

(b) Adoption of the going concern basis

When preparing the unaudited condensed consolidated quarterly results, the Group’s ability to continue as a going concern has been assessed. These unaudited condensed consolidated quarterly results have been prepared by the Directors on a going concern basis notwithstanding that the Group incurred a loss of HK\$22,059,000 for the period ended 31 December 2017 and as of that date, the Group had net current liabilities of HK\$24,688,000 as the Directors considered that:–

- (1) Mr. Tang Sing Ming Sherman (“Mr. Tang”), who is the sole beneficial owner of the convertible bonds issued by the Company in the aggregate outstanding principal amount of HK\$40,000,000 and provided loans to the Group of approximately HK\$114,099,000 as at 31 December 2017, will provide continuing financial support to the Group;
- (2) Mr. Chan Kin Chun Victor (“Mr. Chan”), the controlling shareholder of the Company, will provide continuing financial support to the Group; and
- (3) Upon completion of the rights issue took place on 14 June 2017, the Company raised approximately HK\$100 million, before expenses, by way of allotting and issuing 1,388,725,000 Rights Shares at the subscription price of HK\$0.072 per Rights Shares, on the basis of one (1) Rights Shares for every two (2) existing Shares held on 19 May 2017.

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

2. REVENUE

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

| | For the nine months ended 31 December | |
|--|--|-------------------------|
| | 2017 | 2016 |
| | (unaudited) HK\$'000 | (unaudited) HK\$'000 |
| Provision of food and beverage services and others | <u>227,532</u> | <u>249,969</u> |

3. INCOME TAX

Taxation in the profit or loss represents:

| | For the nine months ended 31 December | |
|--------------|--|-------------------------|
| | 2017 | 2016 |
| | (unaudited) HK\$'000 | (unaudited) HK\$'000 |
| Current tax | 229 | 265 |
| Deferred tax | <u>(999)</u> | <u>644</u> |
| | <u>(770)</u> | <u>909</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 the BVI.
- (ii) The Company’s subsidiaries incorporated/established in Hong Kong, the People’s Republic of China (“PRC”) and Taiwan are subject to Hong Kong Profits Tax, PRC Enterprise Income Tax and Taiwan Profit-Seeking-Enterprise Income Tax at the rates of 16.5%, 25% and 17% respectively (2016: Hong Kong – 16.5%, PRC – 25% and Taiwan – 17%).

4. LOSS PER SHARE

The calculation of basic loss per share for all periods presented is based on loss attributable to owners of the Company and the weighted average number of ordinary shares of 3,949,191,809 (2016: 3,359,818,548 ordinary shares as restated) in issue during all periods.

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

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 December 2016 and 2017.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 31 December 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited revenue for the nine months ended 31 December 2017 amounted to HK\$227.5 million (2016: HK\$250.0 million), representing a decrease of 9.0% compared with the same period of the last financial year. Net loss attributable to owners of the Company decreased by HK\$12.1 million to HK\$21.7 million as compared with the same period of the last financial year.

Industry Overview

In 2017, geopolitical risks continued to be amplified as black-swan events remain the prime global concerns. US President Trump's recognising of Jerusalem as the capital of Israel heightened Middle East political tensions. The tense standoff between North Korea and the United States continued to escalate; whilst Catalan independence referendum, Brexit, Italy's decision to dissolve the parliament for general elections, as well as France and Austria's voting for younger leaders have all contributed to the fact that right-wing convictions still affected the Eurozone. These events have created uncertainties to the global economy.

For domestic economy, China benefitted from the recovery of real estate market, among other things, and witnessed a 6.9% growth in gross domestic products ("GDP") in 2017, which met market estimate. Food and beverage sector and other services trades continued to improve, with the sector presenting significant growth potential. However, the sector has become increasingly diversified and fragmented with changing consumption pattern and intensified competition.

At the local level, Hong Kong's GDP expanded by 3.6% in the third quarter of 2017, marking the fourth consecutive quarter of above-trend economic expansion. The external demand stayed vibrant, supported by the broadly benign global economic conditions. Domestic demand attained solid growth, led by the brisk expansion of private consumption. Therefore, the government revised upwards its whole-year GDP growth forecast from 3.7%. Nevertheless, the food and beverage sector of the city continues to endure pressures of rising labour costs, high turnover rate and increasing rental rates, as the market conditions have shown no substantial improvement.

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

Business Review

High rental and labour costs are inevitable challenges to most industries without exception to the food and beverage industry, in which high food and utilities costs are additional challenges. Customers are price sensitive and their preferences are ever changing, the competition in food and beverage 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. In the meantime, 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 food and beverage 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 become a well-recognized brand in Hong Kong. Leveraged on our success in Hong Kong, we expended Italian Tomato's network to PRC and Taiwan. However, the performance during the period under review is not satisfactory to the management and the total shop number has been decreased from 42 to 40 during the period under review. The management believes that after years of establishment and presence in Hong Kong and PRC, a thorough repositioning is needed for Italian Tomato, the closure of certain cake shops now is actually expecting a fresh return. On the other side of Taiwan Strait, the management is trying to release the brand's market potential and uplifting its performance.

Ginza Bairin, the Japanese Tonkatsu, has 2 shops in Hong Kong and 1 shop in the PRC as at 31 December 2017. 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 the corresponding period of last year. 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 December 2017. Meanwhile, its licensing business has made good progress and has 5 franchise shops as at 31 December 2017. As Shirokuma's network becomes larger, the management will concentrate on its quality control. 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 31 December 2017. 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. Although Enmaru's current contribution to the Group is not satisfactory, the management expects Enmaru's growth will be back on its track once an innovative dining ambiance is created to this brand.

Future Prospects

Although there has been a slowdown of the increase in lease rates of commercial space, the ever upward adjustment of statutory minimum wage shows its impact on the operating cost at the same time. The Group anticipates that the operating environment of food and beverage industry will remain difficult in the short term.

Looking ahead, global economic risks are still evident. With the US Federal Reserve raising interest rate and shrinking its balance sheet, liquidity of global markets is expected to be affected. Political risks continue to loom large and influence the oil, commodity and foreign exchange markets, and thereby the economy. China and Hong Kong enjoy a rather stable economy; however, the Group is prudent about the impact of future interest rate hike on economic growth and rental rate. Fortunately, with the opening of Hong Kong-Zhuhai-Macau Bridge and high-speed railway, more visitors from Guangdong Province and Pearl River Delta Region will be brought to Hong Kong, thereby boosting the demand for local food and beverage sector. The Group will look into different measures to cope with the changing business environment of the industry and consumption pattern, timely adjust its strategies to enhance its efficiency and improve its operating results.

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

FINANCIAL REVIEW

Consolidated results of operations

For the nine months ended 31 December 2017, the Group recorded revenue of HK\$227.5 million (2016: HK\$250.0 million), the revenue decreased by 9.0% compared with the corresponding period last year.

Loss attributable to owners of the Company was HK\$21.7 million (2016: HK\$33.8 million).

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

Total operating expenses decreased by 12.6% to HK\$174.1 million (2016: HK\$199.1 million) as a result of tighten control on expenditure.

RIGHTS ISSUE

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

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

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

USE OF PROCEEDS FROM THE RIGHTS ISSUE

Among the net proceeds of the Rights Issue approximately HK\$99 million, as at 31 December 2017, approximately HK\$8.1 million has been used as the Company’s corporate expenses, comprising (i) approximately HK\$1.2 million as Directors’ remuneration and staff cost; (ii) approximately HK\$0.6 million as rental expenses; (iii) approximately HK\$0.8 million as compliance and professional fee; (iv) approximately HK\$0.5 million for general office expenses; and (v) approximately HK\$5.0 million as the settlement of the Company’s payable in relation to the corporate expenses. The remaining balance of approximately HK\$91 million is kept in the Company’s bank account and the Directors intend to utilize such proceeds as stated in the Rights Issue Prospectus.

ADJUSTMENTS IN RELATIONS TO THE CONVERTIBLE BONDS

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

CHANGE OF AUDITOR

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

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

During the nine months ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 31 December 2017, so far as the Directors were aware, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Interest or short positions in the shares

| Name | Capacity/nature of interest | Number of shares interested | Approximately percentage of interest in the issued share capital % |
|----------------------------|---|-----------------------------|--|
| Mr. Chan (<i>Note 1</i>) | Interest of controlled corporations and | 2,172,417,439(L) | 52.14 |
| | beneficial owner | 2,106,417,439(S) | 50.56 |

Notes:

- 2,172,417,439 ordinary shares is held by Win Union Investment Limited ("Win Union"), which is wholly-owned by the Mr. Chan, an executive Director of the Company.
- Out of the 2,172,417,439 ordinary shares as 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 December 2017.

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

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

As at 31 December 2017, 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 5% or more of the issued voting shares of any other member of the Group or had any options in respect of such capital:

| Name of shareholder | Capacity/nature of interest | Number of shares | Number of underlying shares | Total number of shares and underlying shares | Approximate percentage of interest in issued share capital % |
|--|--|-------------------|-----------------------------|--|---|
| Win Union (<i>Notes 1 and 2</i>) | Beneficial owner | 2,172,417,439 (L) | – | 2,172,417,439(L) | 52.14 |
| | | 2,106,417,439 (S) | – | 2,106,417,439(S) | 50.56 |
| STI LSN 1 Limited (<i>Note 2</i>) | Beneficial owner (Person having a security interest in shares) | 2,106,417,439 (L) | – | 2,106,417,439(L) | 50.56 |
| Tung Sun Tat Clement (<i>Note 2</i>) | Interest of controlled corporation | 2,106,417,439 (L) | – | 2,106,417,439(L) | 50.56 |
| Mr. Tang (<i>Note 3</i>) | Beneficial owner | – | 571,428,571(L) | 571,428,571(L) | 13.72 |
| Ms. Ho Ming Yee (<i>Note 3</i>) | Interest of spouse | – | 571,428,571(L) | 571,428,571(L) | 13.72 |

Notes:

1. 2,106,417,439 ordinary shares are held by Win Union, which is wholly-owned by Mr. Chan, an executive Director.
2. Out of the 2,172,417,439 ordinary shares as 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 December 2017. Pursuant to the SFO, Ms. Ho Ming Yee, the spouse of Mr. Tang, is deemed to be interested in all the shares in which Mr. Tang is interested.
4. “L” denotes a long position whilst the letter “S” denotes a short position.
5. Based on 4,166,175,000 ordinary shares of the Company in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, so far as the Directors were aware, the Directors were not aware of any person (other than the Directors whose interests are disclosed above) who had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such capital.

SHARE OPTIONS

Share Option Schemes

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

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

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

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

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

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

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

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

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

As at 31 December 2017, no share options were outstanding.

COMPETING INTERESTS

As at 31 December 2017, none of the directors, the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group or had any other conflicts of interests with the Group.

AUDIT COMMITTEE

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

Up to the date of approval of the Group’s unaudited results for the nine months ended 31 December 2017, the audit committee had held three meetings and had reviewed the draft quarterly report and accounts for the nine months ended 31 December 2017 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the nine months ended 31 December 2017, the Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company's directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions.

UPDATE ON INFORMATION OF DIRECTOR AND CHIEF EXECUTIVE

Mr. Chan Yee Ping Michael, an independent non-executive Director, was appointed as an independent non-executive director of Tic Tac International Holdings Company Limited on 20 September 2017, shares of which are listed on the Main Board of the Stock Exchange (stock code: 01470).

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

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

CORPORATE GOVERNANCE

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 December 2017.

On behalf of the Board
Chan Kin Chun Victor
Chairman

Hong Kong, 9 February 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. Yip Tai Him, Mr. Chan Yee Ping, Michael and Mr. Deng Guozhen.

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