



**2017**  
**THIRD**  
**QUARTERLY**  
**REPORT**

**i-CONTROL**  
**i-Control Holdings Limited**  
**超智能控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock code: 8355

## **Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

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

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

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*This report, for which the directors (the “**Directors**”) of i-Control Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively refer to as the “**Group**”). 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.*



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The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2017 (the “**Period**”), together with the comparative figures for the corresponding period in 2016 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2017

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	42,723	50,820	104,463	109,268
Cost of inventories sold		(25,454)	(28,866)	(62,358)	(62,659)
Staff cost		(7,868)	(9,330)	(21,398)	(22,373)
Depreciation		(814)	(849)	(2,442)	(2,401)
Other income	3	58	281	299	910
Other operating expenses		(2,125)	(2,698)	(5,232)	(5,805)
Finance costs		(221)	(290)	(650)	(852)
Profit before taxation		6,299	9,068	12,682	16,088
Income tax expense	5	(1,181)	(1,560)	(2,386)	(2,864)
Profit for the period		5,118	7,508	10,296	13,224
Other comprehensive income Item that may be reclassified subsequently to profit or loss					
Exchange differences arising on translating a foreign operation		2	(9)	(16)	(70)
Total comprehensive income for the period		5,120	7,499	10,280	13,154
Earnings per share					
Basic and diluted	7	HK0.51 cents	HK0.75 cents	HK1.03 cents	HK1.32 cents

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	10,000	71,344	10,817	(22)	22,906	115,045
Profit and total comprehensive income for the period	-	-	-	(70)	13,224	13,154
2016 final dividend paid	-	(6,000)	-	-	-	(6,000)
At 31 December 2016 (unaudited)	10,000	65,344	10,817	(92)	36,130	122,199
At 1 April 2017 (audited)	<b>10,000</b>	<b>65,344</b>	<b>10,817</b>	<b>(122)</b>	<b>42,112</b>	<b>128,151</b>
Profit and total comprehensive income for the period	-	-	-	(16)	10,296	10,280
2017 final dividend paid	-	(10,000)	-	-	-	(10,000)
At 31 December 2017 (unaudited)	<b>10,000</b>	<b>55,344</b>	<b>10,817</b>	<b>(138)</b>	<b>52,408</b>	<b>128,431</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

### 1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 21 August 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The registered office of the Company is Estera Trust (Cayman) Limited, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business is at Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The Company is engaged in investment holding while its principal subsidiaries are principally engaged in multimedia audio-visual solutions and related system integration services.

The Directors consider that the Company's immediate and ultimate holding company is Phoenix Time Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI").

The Company's financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency. Other than the subsidiaries established in the Peoples' Republic of China (the "PRC") and Singapore whose functional currency is Renminbi and Singapore dollar respectively, the functional currency of the Company and other subsidiaries is HK\$.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The Company's condensed consolidated financial statements for the nine months ended 31 December 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the annual accounts for the year ended 31 March 2017. The Group has adopted new or revised standards, amendments to standards and interpretations of HKFRSs which are effective for accounting periods commencing on or after 1 April 2017. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impacts on the consolidated accounts and does not result in substantial changes to the Group's accounting policies.

## Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2017

**3. REVENUE AND OTHER INCOME**

Revenue represents the amounts received and receivable for services rendered in the normal course of business, net of discounts and sales related taxes and maintenance service income. Analysis of the Group's revenue and other income is as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Revenue</b>				
Service income				
Solution for audiovisual, conferencing, presentation and multimedia control systems including installation services	38,997	47,305	94,060	98,876
Audiovisual system maintenance services	3,726	3,515	10,403	10,392
	<b>42,723</b>	<b>50,820</b>	<b>104,463</b>	<b>109,268</b>
<b>Other income</b>				
Rental income	128	139	394	409
Bank interest income	1	18	8	51
Exchange (loss) gain	(71)	30	(104)	75
Sundry income	-	94	1	375
	<b>58</b>	<b>281</b>	<b>299</b>	<b>910</b>

## Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2017

**4. SEGMENT INFORMATION**

The Directors consider that there is only one operating and reportable business segment for the Group, being the provision of services in relation to video conferencing and multimedia audiovisual solutions. This operating segment is reported in a manner consistent with the information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and performance assessment.

**Geographical information**

The Group's operations are located in Hong Kong (country of domicile), the PRC and Singapore. The Group's customers are mainly located in Hong Kong, the PRC and Macau.

An analysis of the Group's revenue from external customers is presented based on the location of customers as below:

	Revenue from external customers			
	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Hong Kong (country of domicile)	38,675	43,407	94,455	98,698
The PRC (other than Hong Kong and Macau)	3,956	1,454	9,645	3,296
Macau	92	5,953	363	6,537
Singapore	–	6	–	737
	<b>42,723</b>	50,820	<b>104,463</b>	109,268

## Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2017

**5. INCOME TAX EXPENSE**

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current income tax				
– Hong Kong Profits Tax	1,086	1,473	1,929	2,732
– PRC Enterprise Income Tax	95	–	427	–
– Singapore Corporate Tax	–	62	–	62
Deferred taxation	–	25	30	70
Total income tax expense for the period	1,181	1,560	2,386	2,864

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the nine months ended 31 December 2017 (for the nine months ended 31 December 2016: 16.5%).

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for the nine months ended 31 December 2017 (for the nine months ended 31 December 2016: 25%).

No provision for the Singapore Corporate Tax has been made as the Group has no assessable profits subject to Singapore Corporate Tax for the nine months ended 31 December 2017. Singapore Corporate Tax was calculated at the rate of 17% on the estimated assessable profits for the nine months ended 31 December 2016.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

## Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2017

**6. INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the nine months ended 31 December 2017 (for the nine months ended 31 December 2016: nil).

The payment of a final dividend of HK1.0 cent per share amounted to HK\$10,000,000 for the year ended 31 March 2017 (2016: final dividend of HK0.6 cents per share amounted to HK\$6,000,000) has been resolved and declared at the annual general meeting of the Company held on 8 August 2017. The date of payment was on 12 September 2017.

**7. EARNINGS PER SHARE**

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Earnings</b>				
Earnings for the purpose of basic earnings per share	5,118	7,508	10,296	13,224

	Three months ended 31 December		Nine months ended 31 December	
	2017 '000	2016 '000	2017 '000	2016 '000
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,000,000	1,000,000	1,000,000	1,000,000

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the three months and nine months ended 31 December 2017 and 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group maintained its market position as one of the leading service providers of video conferencing and multimedia audiovisual solutions, mainly in Hong Kong, and other geographical locations, such as the PRC and Macau. The Group's services can mainly be divided into two lines, namely the provision of (i) solutions for audiovisual, conferencing, presentation and multimedia control systems including installation services; and (ii) audiovisual system maintenance services.

The Group continues to maintain and strengthen its position as one of the leading video conferencing and multimedia audiovisual solution providers in Hong Kong and to expand its market share in the video conferencing and multimedia audiovisual solutions industry in the PRC.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by 4.4% from approximately HK\$109,268,000 for the nine months ended 31 December 2016 to approximately HK\$104,463,000 for the nine months ended 31 December 2017.

Revenue generated from solutions for audiovisual, conferencing, presentation and multimedia control systems including installation services decreased by 4.9% from approximately HK\$98,876,000 for the nine months ended 31 December 2016 to approximately HK\$94,060,000 for the nine months ended 31 December 2017 due to completion of a sizable project during the nine months ended 31 December 2016.

Revenue generated from audiovisual system maintenance services slightly increased by 0.1% from approximately HK\$10,392,000 for the nine months ended 31 December 2016 to approximately HK\$10,403,000 for the nine months ended 31 December 2017.

### Gross operating margin and gross operating margin ratio

Gross operating margin is calculated based on revenue for the Period minus cost of inventories sold for the Period. Gross operating margin ratio is calculated based on gross operating margin for the Period divided by revenue for the Period multiplied by 100%.

Gross operating margin decreased by 9.7% from approximately HK\$46,609,000 for the nine months ended 31 December 2016 to approximately HK\$42,105,000 for the nine months ended 31 December 2017 mainly due to the (i) decrease in revenue and (ii) increase in sales contribution from projects located in the PRC for which generally the gross operating margin is lower than in other jurisdictions.

## Management Discussion and Analysis

The gross operating margin ratio decreased from approximately 42.7% for the nine months ended 31 December 2016 to approximately 40.3% for the nine months ended 31 December 2017. The decrease in gross operating margin ratio was mainly due to the increase in sales contribution from projects located in the PRC for which generally the gross operating margin is lower than in other jurisdictions.

### Staff cost

Staff cost decreased by 4.4% from approximately HK\$22,373,000 for the nine months ended 31 December 2016 to approximately HK\$21,398,000 for the nine months ended 31 December 2017, which was mainly due to decrease in sales commission in relation to the decrease in revenue.

### Other operating expenses

Other operating expenses mainly comprise of legal and professional expenses, rental expenses, building management fee, carriage cost, trip and travelling expenses and other office expenses. Other operating expenses decreased by 9.9% from approximately HK\$5,805,000 for the nine months ended 31 December 2016 to approximately HK\$5,232,000 for the nine months ended 31 December 2017. The decrease was mainly due to completion of a sizable project during the nine months ended 31 December 2016.

### Income tax expense

Income tax expense decreased by 16.7% from approximately HK\$2,864,000 for the nine months ended 31 December 2016 to approximately HK\$2,386,000 for the nine months ended 31 December 2017, which was mainly due to decrease in assessable profits in Hong Kong and Singapore for tax purpose.

### Profit for the period

Profit for the period decreased by 22.1% from approximately HK\$13,224,000 for the nine months ended 31 December 2016 to approximately HK\$10,296,000 for the nine months ended 31 December 2017, which was mainly due to (i) decrease in revenue; netted off against (ii) decrease in staff cost; and (iii) decrease in other operating expenses.

## OTHER INFORMATION

### PROSPECTS

The Company was listed on GEM on 27 May 2015 which enhanced the Group's reputation, strengthened its corporate governance and compliance management, as well as established a good foundation for its further expansion.

With reference to the Company's announcement dated 13 October 2017, the Board was informed by Dr. Wong King Keung, Mr. Tong Sai Wong, Mr. Chan Wing Yiu, Mr. Chan Wing Lun, all being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, and Mr. Lin Wing Ching (together as "**Vendors**") on 6 October 2017 that the Vendors entered into a sale and purchase agreement pursuant to which the Vendors agreed to sell 600,000,000 shares of the Company, representing 60.00% of the then entire issued share capital of the Company to Phoenix Time Holdings Limited (the "**Offeror**") at the aggregate consideration of HK\$216,000,000. Completion of the sale and purchase agreement took place on 6 October 2017.

The sole ultimate beneficial owner of the Offeror is Mr. Zhong Naixiong ("**Mr. Zhong**"). Immediately following completion, the Offeror and parties acting in concert with it were interested in 600,000,000 shares of the Company, representing 60.00% of the then entire issued share capital of the Company. The Company believes that Mr. Zhong's business experience in the PRC will strengthen the Company's ability to effectively pursue its goal of developing its business in the video conferencing and multimedia audiovisual solution industry in the PRC.

### CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2017 (31 March 2017: nil).

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed 70 (31 March 2017: 73) full time employees. The remuneration policy of the Group to award its employees and executives is based on both the Group's and individual's performance, qualification, working experience, competence displayed and selected market comparables. The Group regards quality staff as one of the key factors to corporate success.

## Other Information

**USE OF PROCEEDS**

The net proceeds from the Company's issue of 250,000,000 new shares at the placing price of HK\$0.36 per share at the time of the Listing (the "**Placing**"), after deducting the underwriting fees and other expenses, were approximately HK\$66.3 million. On 30 March 2017, the Board resolved to implement a partial reallocation and change in use of net proceeds from the Placing to enhance the effectiveness of the Group's business operation.

The following table sets forth the status of the use of proceeds from the Placing:

	Planned use of proceeds as stated in the Prospectus HK\$' million	Change in use of proceeds resolved on 30 March 2017 HK\$' million	Planned use of proceeds subsequent to the change HK\$' million	Actual use of proceeds from the date of Listing up to 31 December 2017 HK\$' million
To recruit experienced sales staff to expand the video conferencing and multimedia audiovisual solution business in Hong Kong	11.5	4.4	15.9	7.9
To acquire a new warehouse in Hong Kong	32.7	5.0	37.7	37.7
To set up new regional offices with showrooms in Beijing, Shanghai and Singapore	13.7	(11.4)	2.3	2.0
To carry out marketing and promotion activities on both traditional and new media platforms to improve public awareness of the Group and further strengthen its position in Hong Kong, the PRC and Singapore	2.4	–	2.4	2.0
To upgrade the computer system and other office facilities	–	2.0	2.0	0.2
For working capital and other general corporate purposes	6.0	–	6.0	6.0
<b>TOTAL</b>	<b>66.3</b>	<b>–</b>	<b>66.3</b>	<b>55.8</b>

The unused net proceeds from the Placing amounting to approximately HK\$10.5 million were deposited in licensed banks in Hong Kong.

The Directors will constantly evaluate the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group. In the event that the Directors consider it necessary to further change the use of net proceeds from the Placing, the Company will make an appropriate announcement in accordance with the relevant provision of the GEM Listing Rules.

For further details, please refer to the Company's announcement dated 30 March 2017.

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

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

## **SHARE OPTION SCHEME**

The share option scheme of the Company (the "**Share Option Scheme**") was adopted under the written resolutions of the shareholders of the Company passed on 11 May 2015. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the Period and there were no outstanding share options under the Share Option Scheme as at 31 December 2017 and up to the date of this report.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rule 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiries with all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions during the Period.

**DISCLOSURE OF INTEREST****(a) Interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or the associated corporations**

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standards of dealings by Directors as referred to Rule 5.46 of the GEM Listing Rules, were as follows:

Name	Capacity/Nature of interest	Number of shares of the Company (Note 1)	Approximate percentage of issued shares of the Company
Mr. Zhong Naixiong	Interest of controlled corporation (Note 2)	600,000,000	60.00%
Dr. Wong King Keung	Beneficial owner	150,000,000	15.00%

Notes:

- (1) All interest stated are long positions.
- (2) These shares (the “Shares”) in the Company are held by Phoenix Time Holdings Limited, which is 100% owned by Mr. Zhong Naixiong. Pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Zhong Naixiong is deemed to have an interest in all Shares in which Phoenix Time Holdings Limited has, or deemed to have, an interest.

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and 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/or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by Directors as referred to Rule 5.46 of the GEM Listing Rules.

**(b) Interests and short positions of the substantial shareholders in the shares and underlying shares**

As at 31 December 2017, so far as is known to the Directors and chief executives of the Company, the following persons (other than the Directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name	Capacity/Nature of interest	Number of shares of the Company (Note 1)	Approximately percentage of issued shares of the Company
Phoenix Time Holdings Limited	Beneficial owner	600,000,000	60.00%
Ms. Chen Minling (Note 2)	Interest of spouse	600,000,000	60.00%
Ms. Wong Lau Sau Yee Angeli (Note 3)	Interest of spouse	150,000,000	15.00%

Notes:

- (1) All interest stated are long positions.
- (2) Ms. Chen Minling is the spouse of Mr. Zhong Naixiong. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Chen Minling is deemed to have an interest in all Shares in which Mr. Zhong Naixiong has, or deemed to have, an interest.
- (3) Ms. Wong Lau Sau Yee Angeli is the spouse of Dr. Wong King Keung. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Wong Lau Sau Yee Angeli is deemed to have an interest in all Shares in which Dr. Wong King Keung has, or deemed to have, an interest.

Save as disclosed above, as at 31 December 2017, the Directors and chief executives of the Company are not aware of any other person, not being a Director or chief executive of the Company, who had, or was deemed or taken to have an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the Period was the Company, or any of its holding Company, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

## INTERESTS IN COMPETING BUSINESS

As at 31 December 2017, none of the Directors, the controlling shareholder of the Company (as defined under the GEM Listing Rules) or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Zhongtai International Capital Limited ("**Zhongtai**"), neither Zhongtai nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and Zhongtai) as at 31 December 2017 and as at the date of this report.

## CORPORATE GOVERNANCE PRACTICES

The Company maintains a high standard of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "**CG Code**"). To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the Period and up to the date of this report.

## CHANGES IN DIRECTOR'S INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Director is as follows:

- Mr. Lum Pak Sum, the independent non-executive Director, has been appointed as an independent non-executive director of Pearl Oriental Oil Limited (Stock code: 632) with effect from 6 December 2017.

## REVIEW OF RESULTS

The Company has an audit committee (the “**Audit Committee**”) which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group’s financial reporting process, risk management and internal controls. The Audit Committee currently comprises of three independent non-executive Directors, namely Mr. Lai Hing Kwong, Joseph, Mr. Fong Chi and Mr. Lum Pak Sum. Mr. Lum Pak Sum is the chairman of the Audit Committee.

The Audit Committee has reviewed with the Company’s management the unaudited condensed consolidated results of the Group for the Period and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

## SUFFICIENCY OF PUBLIC FLOAT

Immediately following completion of the sale and purchase agreement between the Vendors and the Offeror (as described on page 11 of this report), the Offeror and parties acting in concert with it were interested in 600,000,000 shares of the Company, representing 60.00% of the then entire issued share capital of the Company. Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, the Offeror was required to make an unconditional mandatory general offer in cash for all the issued shares of the Company other than those already owned by the Offeror and parties acting in concert with it (the “**Offer**”). Upon close of the Offer, the Offeror and parties acting in concert with it were interested in, held, controlled or directed 602,630,000 shares of the Company, representing 60.263% of the then entire issued share capital of the Company.

Immediately after the close of the Offer on 7 December 2017, 247,370,000 shares, representing 24.737% of the then entire issued share capital of the Company, were held by the public (within the meaning of the GEM Listing Rules). Accordingly, the minimum public float requirement of 25% as set out under Rule 11.23(7) of the GEM Listing Rules was not satisfied.

Other Information

As stated in the Company's announcements dated 12 December 2017 and 14 December 2017, the Company was informed that the Offeror entered into a placing agreement on 11 December 2017 with Upbest Securities Company Limited for the placing of 2,630,000 shares of the Company held by the Offeror at the placing price of HK\$0.36 per Share (the "**Placing**"). Completion of the Placing took place on 14 December 2017. Immediately after completion of the Placing, 250,000,000 shares of the Company, representing 25% of the entire issued share capital of the Company, was held by the public (within the meaning of the GEM Listing Rules).

As such, the minimum public float of 25% as required under Rule 11.23(7) of the GEM Listing Rules has then been restored. The Company is in compliance with the minimum public float requirement as at the date of this report based on the information publicly available to the Company and within the knowledge of the Directors.

By order of the Board

**Zhong Naixiong**

*Chairman*

Hong Kong, 8 February 2018

As at the date of this report, the executive Directors are Mr. Zhong Naixiong, Mr. Yau Wing Keung, Mr. Tong Sai Wong, Mr. Chan Wing Yiu and Mr. Chan Wing Lun; the non-executive Director is Dr. Wong King Keung; and the independent non-executive Directors are Mr. Lai Hing Kwong, Joseph, Mr. Fung Chan Man, Alex, Mr. Fong Chi and Mr. Lum Pak Sum.