



**ODELLA LEATHER HOLDINGS LIMITED**

**愛特麗皮革控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8093

1st Quarterly Report

**2017**

## **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 Odella Leather Holdings 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.*

## UNAUDITED CONDENSED CONSOLIDATED RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2016 together with the comparative figures for the corresponding period in 2015 as follows:

		<b>Three months ended 30 September</b>	
	Notes	<b>2016 HK\$'000 (Unaudited)</b>	2015 HK\$'000 (Unaudited)
<b>REVENUE</b>	3	<b>10,519</b>	19,596
Cost of sales		<b>(6,966)</b>	(10,740)
<b>Gross profit</b>		<b>3,553</b>	8,856
Other revenue and other income		<b>18</b>	128
Selling and distribution expenses		<b>(504)</b>	(649)
Administrative expenses		<b>(2,851)</b>	(2,818)
<b>Profit before taxation</b>	4	<b>216</b>	5,517
Taxation	5	<b>(36)</b>	(907)
<b>Profit for the period attributable to owners of the Company</b>		<b>180</b>	4,610
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>7</b>	25
Other comprehensive income for the period		<b>7</b>	25
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>187</b>	4,635
<b>Earnings per Share attributable to owners of the Company</b>	6		
Basic and Diluted (HK cents)		<b>0.05</b>	1.15

# Notes

## 1. Group Reorganisation

The Company was incorporated in the Cayman Islands on 3 September 2014 as an exempted company with limited liability under the Companies Law (as revised from time to time) of the Cayman Islands. Its ordinary shares (the “Shares”) were first listed on the GEM on 12 February 2015 (the “Listing”). The Directors consider that the Company’s ultimate holding company is Quality Century Limited (“QCL”), which is a company incorporated in the British Virgin Islands with limited liability.

The principal activity of the Group is the manufacturing and sales of leather products.

Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the Listing, on 4 December 2014, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the section headed “History, Development and Reorganisation” in the prospectus issued by the Company dated 5 February 2015 (the “Prospectus”).

## 2. Basis of Presentation and Basis of Preparation

The unaudited condensed consolidated results of the Group for the three months ended 30 September 2016 and the unaudited comparative figures for the corresponding period in 2015 include the results of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control, where this is a shorter period.

All intra-group transactions and balances have been eliminated on consolidation in full.

The unaudited condensed consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretation, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. In addition, the unaudited condensed consolidated results include applicable disclosures required by the GEM Listing Rules.

This financial information has been prepared under the historical cost convention.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

# Notes

## 2. Basis of Presentation and Basis of Preparation (continued)

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand ("HK\$000") except when otherwise indicated.

The accounting policies applied in the preparation of the unaudited condensed consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 30 June 2016, except that the Group has adopted a number of new or revised HKFRSs newly effective during the period under review. Out of these new or revised HKFRSs, those relevant to the Group's operations affecting its significant accounting policies are set out below.

Amendments to HKAS 1

Disclosure Initiative

Amendments to HKAS 16 and HKAS 38

Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to HKFRSs

Annual Improvements to HKFRSs 2012–2014 Cycle

The adoption of these new or revised HKFRSs had no change in significant accounting policies and no significant effect on the financial results of the current period. Also, no prior period adjustment is required.

HKICPA has issued a number of new or revised HKFRS (including their subsequent amendments) which are not yet effective during the period.

The Group has not applied or early adopted these new or revised HKFRSs in the preparation of these unaudited condensed consolidated results. It is anticipated that all of the pronouncements will be adopted by the Group in its accounting policies when they first become effective. The Directors anticipate that the application of certain of these new or revised HKFRS in the future may impact the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

The unaudited condensed consolidated results have not been audited by the Company's auditor and have been reviewed by the audit committee of the Board ("Audit Committee").

## Notes

### 3. Revenue

Revenue represents the aggregate of the net invoiced value of leather products sold, after allowances for returns.

### 4. Profit Before Tax

The Group's profit before tax is arrived at after charging:

	Three months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	41	30

### 5. Taxation

Hong Kong Profits Tax is calculated at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period. The rate of the Corporate Income Tax of the People's Republic of China (the "PRC") of the Group's subsidiary operating in the PRC during the period was 25% (2015: 25%) on its assessable profits. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries on jurisdictions in which the Group operates for the periods.

	Three months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current income tax:		
Hong Kong Profits Tax	36	907
Total income tax expense for the period	36	907

### 6. Earnings Per Share Attributable to Owners of the Company

The calculation of the basic earnings per Share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the period of approximately HK\$180,000 (2015: HK\$4,610,000) and (ii) the number of 400,000,000 (2015: 400,000,000) Shares in issue during the period.

The diluted earnings per Share for the three months ended 30 September 2016 and 2015 are equal to the basic earnings per Share as there were no dilutive potential ordinary shares in issue during the period.

## Notes

### 7. Reserves

	Attributable to owners of the Company					
	Share premium HK\$'000	Statutory reserve HK\$'000 (note i)	Exchange fluctuation reserve HK\$'000 (note ii)	Other reserve HK\$'000 (note iii)	Retained earnings HK\$'000	Total HK\$'000
As at 1 July 2016 (audited)	<b>39,782</b>	<b>208</b>	<b>276</b>	<b>100</b>	<b>17,506</b>	<b>57,872</b>
Profit for the period (unaudited)	—	—	—	—	<b>180</b>	<b>180</b>
Other comprehensive income for the period (unaudited)	—	—	<b>7</b>	—	—	<b>7</b>
Total comprehensive income for the period (unaudited)	—	—	<b>7</b>	—	<b>180</b>	<b>187</b>
As at 30 September 2016 (unaudited)	<b>39,782</b>	<b>208</b>	<b>283</b>	<b>100</b>	<b>17,686</b>	<b>58,059</b>
As at 1 July 2015 (audited)	39,782	208	184	100	13,679	53,953
Profit for the period (unaudited)	—	—	—	—	4,610	4,610
Other comprehensive income for the period (unaudited)	—	—	25	—	—	25
Total comprehensive income for the period (unaudited)	—	—	25	—	4,610	4,635
As at 30 September 2015 (unaudited)	39,782	208	209	100	18,289	58,588



## Notes

### 7. Reserves (continued)

Notes to reserves:

#### (i) Statutory reserve

Pursuant to the relevant laws and regulations for business enterprises in the PRC, a portion of the profits of the entity which is registered in the PRC has been transferred to the statutory reserve which is restricted as to use. When the balance of such reserve reaches 50% of the capital of that entity, any further appropriation is optional. The statutory reserve can be utilised, upon approval of the relevant authority, to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum 25% of capital after such usage.

#### (ii) Exchange fluctuation reserve

Exchange fluctuation reserve represents exchange differences relating to the translation of the net assets of foreign operations of the Group from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar) that are recognised directly in other comprehensive income and accumulated in the exchange fluctuation reserve. Such exchange differences accumulated in the exchange fluctuation reserve are reclassified to profit or loss on the disposal of the foreign operations.

#### (iii) Other reserve

Other reserve represents the difference between the nominal value of the Shares issued by the Company in exchange for the nominal value of the share capital of its subsidiary arising from the Reorganisation.

## Interim Dividend

The Board does not recommend the payment of any interim dividend for the three months ended 30 September 2016 (2015: nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Listing on the GEM and Reorganisation

The Company was incorporated in the Cayman Islands in 2014. In preparation for the Listing of its Shares on the GEM by way of placing ("Placing") of 100,000,000 Shares at a placing price of HK\$0.55 per Share, the Group underwent the Reorganisation in 2015, pursuant to which the Company became the holding company of the subsidiaries now comprising the Group.

The Shares were first listed on the GEM on 12 February 2015. The total net proceeds from the Placing after deducting all related expenses was approximately HK\$25.3 million. The net proceeds were partially applied up to 30 September 2016, in line with the proposed applications set out in the Prospectus, as follows:

- (a) approximately HK\$1.0 million for strengthening the Group's business development capability by expanding its marketing function;
- (b) approximately HK\$0.3 million for enhancing the Group's manufacturing facilities through purchasing new production equipment and machineries;
- (c) approximately HK\$3.7 million for expansion of the Group's pre-production product development function;
- (d) approximately HK\$1.6 million for expansion of the Group's sourcing capability; and
- (e) approximately HK\$1.8 million for general working capital.

The Company intends to apply the remaining net proceeds in the manner as stated in the Prospectus. The unutilised proceeds are deposited with licensed banks and financial institutions in Hong Kong as short-term interest-bearing deposits.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### Overview

Revenue of the Group for the three months ended 30 September 2016 amounted to approximately HK\$10.5 million, representing a significant drop of approximately 46% as compared to the corresponding period in the previous financial year.

The Group's gross profit for the three months ended 30 September 2016 was approximately HK\$3.6 million, decreased by approximately HK\$5.3 million compared with the same period of last year.

Profit attributable to equity holders of the Company for the three months ended 30 September 2016 amounted to approximately HK\$0.2 million, which represented a decrease in profit of approximately HK\$4.4 million compared with the three months ended 30 September 2015.

The Board does not recommend the payment of any interim dividend for the three months ended 30 September 2016.

### Revenue

The Group's revenue principally represented income derived from the manufacturing and sales of leather products to higher end fashion brand customers, who have been affected by the tough economic environment for the year ended 30 June 2016 and the first quarter of this year. The Group saw a significant fall in term of revenue in the first quarter mainly due to deterioration of the business in some international brands and delays in orders until the second quarter from some brands in Australia and South Africa.

The Group's revenue for the three months ended 30 September 2016 was approximately HK\$10.5 million, recorded a significant reduction of approximately 46% from that of approximately HK\$19.6 million for the three months ended 30 September 2015.

### Cost of Sales and Gross Profit

Cost of sales mainly represented cost of raw materials, cost of accessories, labour costs and other manufacturing overheads.

The Group's cost of sales for the three months ended 30 September 2016 was approximately HK\$7.0 million, representing a decrease of approximately 35% from that for the three months ended 30 September 2015. This drop in cost of sales was lower than the corresponding drop in revenue during the period as higher per unit cost of productions was recognised due to lower production quantity and higher rate of production overhead absorption per unit.

## MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the above-mentioned reason, the gross profit margin, has been significantly dropped from approximately 45% for the three months ended 30 September 2015 to approximately 34% for the three months ended 30 September 2016.

### Other Revenue and Other Income

Other revenue and other income mainly represented sundry income that are incidental to the Group's business which principally including interest income and sales of scrap materials for the three months ended 30 September 2015 and 2016, and were approximately HK\$128,000 and approximately HK\$18,000, respectively.

### Selling and Distribution Expenses

Selling and distribution expenses comprised mainly logistic expenses and marketing expenses. The selling and distribution expenses for the three months ended 30 September 2016 were approximately HK\$0.5 million (2015: HK\$0.6 million). The decrease in selling and distribution expenses was mainly due to lower delivery costs in view of lower sales quantity.

### Administrative Expenses

Administrative expenses comprised mainly payroll expenses, rent and rates and other office administrative expenses. Administrative expenses were increased from approximately HK\$2.8 million for the three months ended 30 September 2015 to approximately HK\$2.9 million for the three months ended 30 September 2016, representing an increase of approximately 4%.

The higher administrative expenses for the three months ended 30 September 2016 were recorded mainly due to the increase in salaries and wages.

### Taxation

Income tax represents Hong Kong Profits Tax at 16.5% for the Company's subsidiary in Hong Kong and the PRC Corporate Income Tax at 25% for the Company's subsidiary in Foshan, the PRC.

### Profit for the Period

The Group recorded profit for the period of approximately HK\$0.2 million for the three months ended 30 September 2016 and approximately HK\$4.6 million for the three months ended 30 September 2015, respectively. The significant drop of approximately HK\$4.4 million in profit for the period was a result of significant drop in revenue as mentioned above.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Position, Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with banks in Hong Kong.

The Group has maintained its funds at a sound and healthy financial resource level during the period under review. As at both 30 September 2016 and 30 June 2016, the Group did not have any outstanding bank borrowings. There was no seasonality as to the Group's borrowing requirements and no committed borrowing facilities.

No gearing ratio (which is calculated by dividing the net debt by total equity where net debt comprise borrowings less cash and bank balances) was presented as the Group did not have net debt as at both 30 September 2016 and 30 June 2016.

As at 30 September 2016, included in net current assets were cash and bank balances (including pledged bank deposits) totalling approximately HK\$61.2 million (30 June 2016: HK\$52.0 million), the increase of which was mainly due to profit retained and lower level of trade receivables as comparing to 30 June 2016.

### Financial Management Policies

The Group in its ordinary course of business is exposed to market risks such as foreign currency risk and interest rate risk. The Group's risk management strategy aims to minimise the adverse effects of these risks on its financial performance.

Cash is generally deposited at banks in Hong Kong and denominated mostly in Hong Kong dollar and United States dollar. As at 30 September 2016, no related hedges were made by the Group (30 June 2016: nil).

As most of the Group's trading transactions, monetary assets and liabilities are denominated in United States dollar, Renminbi and Hong Kong dollar, the impact of foreign exchange exposure to the Group during the three months ended 30 September 2016 was minimal and there was no significant adverse effect on normal operations.

### Charge Over Assets of the Group

As at 30 September 2016, the Group's banking facilities were supported by pledged bank deposits of the Group of approximately HK\$3.0 million (30 June 2016: HK\$3.0 million).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Capital Commitments and Contingent Liabilities**

As at 30 September 2016, the Group did not have any significant capital commitment (30 June 2016: nil) and any significant contingent liability (30 June 2016: nil).

### **Material Acquisitions and Disposal**

During the three months ended 30 September 2016, the Group did not have any material acquisition and disposal.

### **Business Review and Outlook**

The Group is specialised in the manufacture and sales of private label leather garments for its customers on original equipment manufacturer basis. Its major customers are mostly fashion brands with price range of leather garments fall under the high-end and middle-end categories.

During the current period, some customers have delayed their delivery dates until second quarter in view of their forecasts of warmer weather in the Southern Hemisphere. As a result, the orders delivery will fall into the second quarter.

Despite the slow-down of global retail market for mid to high-end fashion, with the Group's stringent control on product quality and its highly experienced and professional product development team, the Directors are confident that the Group can strive through the low seasons and be well prepared for the blooming seasons of the market.

## DISCLOSURE OF INTERESTS AND OTHER INFORMATION

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2016, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO"), which were 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 which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, required to be notified to the Company and the Stock Exchange, were as follows:

#### Long Positions in Shares

Name of Director	Capacity	Notes	Number of ordinary Shares	Approximate percentage of total number of Shares
(Note 1)				
Ms. Cheung Woon Yiu	Interest in controlled corporation	2	204,000,000	51.00%
Ms. Lam Wai Si Grace	Interest in controlled corporation	3	51,000,000	12.75%
Mr. Ching Wai Man	Interest in controlled corporation	4	45,000,000	11.25%

Notes:

1. As at 30 September 2016, the Company had 400,000,000 Shares in issue.
2. QCL, a company incorporated in the British Virgin Islands, held 204,000,000 Shares, representing 51.00% of the total number of issued Shares. QCL is wholly owned by Ms. Cheung Woon Yiu.
3. Design Vanguard Limited ("DVL"), a company incorporated in the British Virgin Islands, held 51,000,000 Shares, representing 12.75% of the total number of issued Shares. DVL is wholly owned by Ms. Lam Wai Si Grace.
4. Olson Global Limited ("OGL"), a company incorporated in the British Virgin Islands, held 45,000,000 Shares, representing 11.25% of the total number of issued Shares. OGL is wholly owned by Mr. Ching Wai Man.

Save as disclosed above, as at 30 September 2016, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.



## DISCLOSURE OF INTERESTS AND OTHER INFORMATION

### Interests and Short Positions of Substantial Shareholders

As at 30 September 2016, so far as is known to any Director or chief executive of the Company, persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### *Long Positions in Shares*

Name of shareholders	Capacity	Notes	Number of ordinary Shares	Approximate percentage of total number of Shares
				(Note 1)
Mr. Lam Andrew Hung Yun	Interest of spouse	2	204,000,000	51.00%
QCL	Beneficial owner	2	204,000,000	51.00%
Mr. Lee Ben	Interest of spouse	3	51,000,000	12.75%
DVL	Beneficial owner	3	51,000,000	12.75%
OGL	Beneficial owner	4	45,000,000	11.25%

Notes:

1. As at 30 September 2016, the Company had 400,000,000 Shares in issue.
2. QCL held 204,000,000 Shares, representing 51.00% of the total number of issued Shares. QCL is wholly owned by Ms. Cheung Woon Yiu. Mr. Lam Andrew Hung Yun is the spouse of Ms. Cheung Woon Yiu and he is deemed to be interested in such Shares held by QCL by virtue of the SFO.
3. DVL held 51,000,000 Shares, representing 12.75% of the total number of issued Shares. DVL is wholly owned by Ms. Lam Wai Si Grace. Mr. Lee Ben is the spouse of Ms. Lam Wai Si Grace and he is deemed to be interested in such Shares held by DVL by virtue of the SFO.
4. OGL held 45,000,000 Shares, representing 11.25% of the total number of issued Shares. OGL is wholly owned by Mr. Ching Wai Man.

Save as disclosed above, as at 30 September 2016, so far as is known to any Director or chief executive of the Company, no persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **DISCLOSURE OF INTERESTS AND OTHER INFORMATION**

### **Rights to Acquire Shares or Debentures**

Save as disclosed in the paragraphs headed “Share Option Scheme” at no time during the period under review were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### **Directors’ and Controlling Shareholders’ Interest in Competing Business**

For the three months ended 30 September 2016, the Directors are not aware of any business or interest of the Directors, the Company’s controlling shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

### **Compliance Adviser’s Interests**

On 7 June 2016, Messis Capital Limited (“Messis”) was appointed as the compliance adviser of the Company pursuant to the requirements of Rule 6A.27 of the GEM Listing Rules.

The compliance adviser’s appointment entered into between Messis and the Company is for a period commencing on 7 June 2016 and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the dispatch of its annual report of the financial results for the second full financial year commencing after date of Listing, i.e. for the year ending 30 June 2017, or until the compliance adviser agreement is terminated in accordance with its terms and conditions, whichever is earlier. Pursuant to the compliance adviser agreement entered into between Messis and the Company, Messis will receive fees for acting as the Company’s compliance adviser.

Messis has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules in connection with the Listing from 1 July 2016 to 30 September 2016. Neither Messis nor any of their directors, employees or close associate who have been involved in providing advice to the Company, has or may have any interest in any securities of the Company or which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## **DISCLOSURE OF INTERESTS AND OTHER INFORMATION**

### **Compliance with Code of Conduct for Directors' Securities Transaction**

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she has complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the three months ended 30 September 2016.

### **Compliance with the Code on Corporate Governance**

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its shareholders. To accomplish this, the Company has adopted the principles and the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Company has complied with all the code provisions set out in the CG Code during the three months ended 30 September 2016.

### **Audit Committee and Review of Financial Results**

The Audit Committee was established by the Board on 28 January 2015 with written terms of reference in compliance with the GEM Listing Rules. Members of the Audit Committee comprise Dr. Wong Wai Kong (chairman of the Audit Committee), Mr. How Sze Ming and Mr. Philip David Thacker, all of them being independent non-executive Directors. The principal responsibilities of the Audit Committee include overseeing the Group's financial reporting system, risk management and internal control procedures, reviewing the Group's financial information and reviewing the Group's relationship with external auditors.

The Audit Committee has reviewed with the management the unaudited condensed consolidated results of the Group for the three months ended 30 September 2016, this quarterly report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee was satisfied 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 have been made.

The unaudited condensed consolidated results of the Group for the three months ended 30 September 2016 have not been audited.

## DISCLOSURE OF INTERESTS AND OTHER INFORMATION

### Share Option Scheme

A share option scheme was adopted and approved by the then shareholders of the Company on 28 January 2015 (the "Share Option Scheme"). No share options have been granted pursuant to the Share Option Scheme since its adoption up to 30 September 2016.

### Purchase, Sale or Redemption of the Company's Listed Securities

During the three months ended 30 September 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

By order of the Board

**Cheung Woon Yiu**

*Chairman*

11 November 2016