



Gold Tat Group International Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8266

First 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 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 Gold Tat Group International 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. 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.

RESULTS

The board of Directors (the "Board") of Gold Tat Group International Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 June 2017, together with the unaudited comparative figures for the corresponding period in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2017

	<i>Note</i>	Three months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenue		138,329	150,598
Cost of sales		(133,044)	(144,530)
Gross profit		5,285	6,068
Other net income		16	8
Employment costs		(7,319)	(7,185)
Research and development expenses		(457)	(445)
Depreciation		(254)	(287)
Transportation expenses		(291)	(309)
Other operating expenses		(4,620)	(5,037)
Loss from operations		(7,640)	(7,187)
Finance costs	2	(1,477)	(1,045)
Share of (loss)/profit of associates		(53)	355
Loss before tax		(9,170)	(7,877)
Income tax (expense)/credit	3	(3)	1
Loss for the period		(9,173)	(7,876)

Three months ended 30 June			
		2017	2016
	Note	HK\$'000	HK\$'000
Attributable to:			
Owners of the Company		(8,776)	(8,063)
Non-controlling interests		(397)	187
		(9,173)	(7,876)
Loss per share (HK cents)			
	4		
Basic		(0.21)	(0.22)
Diluted		N/A	N/A

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

For the three months ended 30 June 2017

	Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Loss for the period	(9,173)	(7,876)
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange difference on translating foreign operations	(52)	(781)
Other comprehensive income for the period, net of tax	(52)	(781)
Total comprehensive income for the period	(9,225)	(8,657)
Attributable to:		
Owners of the Company	(8,684)	(8,752)
Non-controlling interests	(541)	95
	(9,225)	(8,657)

For the three months ended 30 June 2017

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated results for the three months ended 30 June 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively term include all applicable individually HKFRS, Hong Kong Accounting Standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2017.

2. Finance costs

	Unaudited Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Wholly repayable within five years		
– Interest on bank loans	613	412
– Interest on other loan	341	107
– Finance leases charges	3	5
Not wholly repayable within five years based on repayment schedule		
– Interest on bank loans	20	21
– Interest on long term bonds	500	500
	1,477	1,045

3. Income tax expense/(credit)

	Unaudited	
	Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Current tax – Hong Kong Profits Tax		
– Provision for the period	–	–
Current tax – PRC Enterprise Income Tax		
– Provision for the period	–	–
Deferred tax		
Hong Kong Profits Tax	3	(1)
Income tax expense/(credit)	3	(1)

No Hong Kong Profits Tax has been provided for as the Group has sufficient tax losses brought forward to set off against current period's estimated assessable profits. No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits for the three months ended 30 June 2017.

No provision for PRC Enterprise Income Tax is required since the Group has no assessable profits in the PRC for the three months ended 30 June 2017. The amount provided for the three months ended 30 June 2016 was calculated at 25%.

4. Loss per share

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$8,776,000 (2016: approximately HK\$8,063,000) and the weighted average number of ordinary shares of 4,120,899,946 (2016: 3,586,291,946) in issue during the period.

(b) Diluted loss per share

As the exercise of the Group's outstanding share options for the three months ended 30 June 2017 (2016: outstanding convertible bonds and share options) would be anti-dilutive, no diluted loss per share was presented in both periods.

5. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2017 (2016: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

The Group had been participating in the following activities:

- Trading of Electronic Hardware Components (Display and Touch Panel Modules) with Compatibility Solutions Advisory Services; and
- Real Estate Development and Investment

BUSINESS REVIEW

Trading of Electronic Hardware Components (Display Modules including LCD panel and IC Drivers) with Compatibility Solutions Advisory Services

The business segment has been facing enormous challenges; sales for the three months ended 30 June 2017 fell around 8.15%, from approximately HK\$150,598,000 in the same quarter last year to approximately HK\$138,329,000 in this year's first quarter. This segment obtained a turnaround from profit of approximately of HK\$426,000 to loss of approximately of HK\$1,243,000. Approximately 90% of income is contributed by IC driver sales. The IC driver is a component using with LCD panel. The drop in IC driver sales was resulted from decreasing demand of LCD panel in the market. It was because LCD panels fell short of supply and its price constantly increased, which affected customers' speed of placing order on LCD panel and thus our IC driver.

Looking forward in 2017, the business segment still faces considerable difficulties. Our customers have adopted prudent and stable marketing strategies for their businesses. It is estimated that, as from the beginning of the second half of the year, the gradual consumption of customers' overstock, coupled with the rise of sales on the market from a low level will make the business promising.

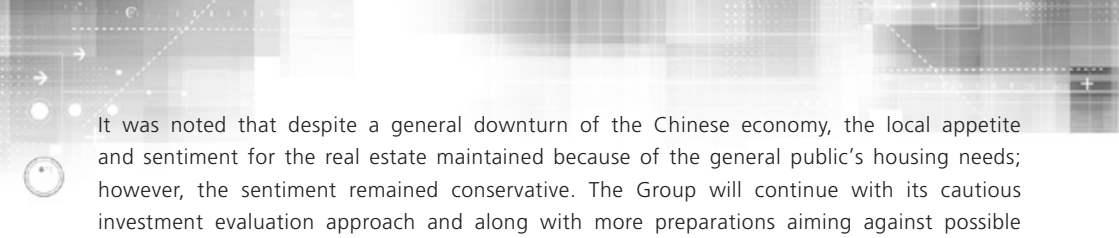
Under the experienced management leadership of ETC Technology Limited (“ETC”), the business unit will continue efforts to expand potential market and customers. Given the volatility of the prices in the electronic hardware components, the management team of ETC has been closely monitoring the overall changes in the relevant markets, so that a better product-mix, better margins and more stable selling prices for trading of our products can be achieved.

Real Estate Development and Investment

The Group has a real estate development portfolio of two projects concentrated in the area of Yangjiang City after disposal of investment in 陽江市中裕房地產開發有限公司 (Yangjiang Zhongyu Property Development Company Limited (“Zhongyu”)). One of the two property development projects held had been in active sales by the respective partners on the few remaining residential and commercial units. The other project meanwhile had been slowly in developments meanwhile observing local market conditions.

As at 27 June 2017, the Group disposed its 50% interests in “Zhongyu”, which is the property developer of Xiangjiang Peninsula. The purchasers are the owners of the other 50% of Zhongyu. The terms and conditions were determined after arm’s length negotiations among the parties and the final consideration was proposed by the Purchasers and subsequently accepted by the Group taking into account: (i) the carrying amount of the investment in Zhongyu as at 31 March 2016 of approximately HK\$95,000,000; and (ii) the expected carrying amount of the investment in Zhongyu as at 31 March 2017 if the Disposal is not materialised. The expected carrying amount of the investment in Zhongyu as at 31 March 2017 was determined from the value in use calculations which involves the projection of cash flows. Based on the results of the value in use calculation, the expected carrying amount of the investment in Zhongyu was lower than the consideration for the sale and purchase of 50% registered capital of Zhongyu.

On the same date, the Group also acquired 9 villas and 36 commercial units of Xiangjiang Peninsula. The reason is that, the pace of the sale of properties of Xiangjiang Peninsula has been improving throughout the year, which would mean the people flow within the complex would be on an upward trend. This, thus, would help to minimise the risks of making such acquisition; and taking into account of the valuation performed by an independent professional valuer being greater than the acquisition amount, it would represent a good opportunity to invest in the property market. The Group intended to sell the 9 villas and to lease out the 36 commercial units.



It was noted that despite a general downturn of the Chinese economy, the local appetite and sentiment for the real estate maintained because of the general public's housing needs; however, the sentiment remained conservative. The Group will continue with its cautious investment evaluation approach and along with more preparations aiming against possible adverse conditions.

In Hong Kong, we currently have one investment property which is now renovation and we are looking for tenant to fill the void in due course.

Prospects

For the real estate market in the PRC, especially in the third and fourth-tier cities, is still in an adjustment period whereas the growth rate of real estate investment has also decreased significantly accordingly. Policies by the PRC Government and/or other regulatory policies, are believed to be conducive to long term stable development of the real estate market in China. The Group will continue to closely monitor the development of our property development projects in Guangdong Province and/or surrounding provinces, and will actively adjust development strategies to capture new market opportunities.

Looking ahead, the Group will continue to build our existing businesses, and will actively looking for new investment opportunities to steadily enhance the Group's profitability and the return to the shareholders.

FINANCIAL REVIEW

For the three months ended 30 June 2017, the Group recorded an unaudited turnover of approximately HK\$138,329,000 (2016: approximately HK\$150,598,000), representing a decrease of 8.15% as compared to the corresponding period of last year.

The Group recorded a loss for the three months ended 30 June 2017 of approximately HK\$9,173,000 (2016: approximately HK\$7,876,000), representing a increase of 16.47% as compared with the corresponding period of last year.

Loss attributable to owners of the Company for the three months ended 30 June 2017 was approximately HK\$8,776,000, representing a decrease of 8.84% as compared with approximately HK\$8,063,000 for the corresponding period in 2016.

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

As at 30 June 2017, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), 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 or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Aggregate long positions in the shares and underlying shares of the Company

Name of Directors	Capacity	Nature of interest	Number of shares held	Number of shares issuable under share options granted (Note 1)	Approximate percentage of the issued share capital
Mr. Su Minzhi	Beneficial owner	Personal interest	46,496,000	–	1.12%
Mr. Chiu Wai Piu	Beneficial owner	Personal interest	–	1,650,000	0.04%

Notes:

- Details are set out in the Share Options section below. All of the share options are physically settled equity derivatives.
- As at 30 June 2017, the Company had a total of 4,120,899,946 shares in issue.

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), 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 which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2017, the Company had been notified of the following substantial shareholders' interest and short positions, being 5% or more of the issued share capital of the Company.

Aggregate long positions in the shares of the Company

Name of substantial shareholders	Capacity	Nature of interest	Number of shares held	Total	Approximate percentage of the issued share capital
Mr. Fang Gang	Beneficial owner	Personal interest (Note 1)	433,808,000	900,006,979	21.84%
	Interest in controlled corporation	Corporate interest (Note 1)	466,198,979		
Fuze Investments Limited	Beneficial owner	Corporate interest (Note 1)	466,198,979	466,198,979	11.31%
Su Peilin	Beneficial owner	Personal interest	396,272,000	396,272,000	9.62%
China Oil Resources Group Limited ("China Oil")	Beneficial owner	Corporate interest (Note 2)	355,571,722	355,571,722	8.63%
PetroAsian Energy Holdings Limited ("now known as Tou Rong Chang Fu Group Limited")	Interest in controlled corporation	Corporate interest (Note 2)	355,571,722	355,571,722	8.63%

Notes:

1. Fuze Investments Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Fang Gang. Mr. Fang Gang and Fuze Investments Limited pledged his 433,808,000 shares and its 466,198,979 shares respectively to Kingston Finance Limited. Kingston Finance Limited is 100% controlled by Ample Cheer Limited, Ample Cheer Limited is 80% controlled by Best Forth Limited which is in turn 100% controlled by Ms. Chu Yuet Wah.
2. China Oil is wholly and beneficially owned by PetroAsian Energy Holdings Limited (now known as Tou Rong Chang Fu Group Limited). PetroAsian Energy Holdings Limited is a company incorporated in the Cayman Islands whose shares are listed on the Main Board (stock code: 850).

Save as disclosed above, the Directors and chief executive of the Company were not aware of any person (other than the Directors and chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 30 June 2017.

SHARE OPTIONS

(i) 2003 Share Option Scheme

The 2003 Share Option Scheme has terminated on 25 March 2013. The unexercised options under the 2003 Share Option Scheme will continue to be valid and exercisable subject to the provisions of the scheme until the end of the exercise periods.

Movements in the outstanding share options granted under the 2003 Share Option Scheme during the three months ended 30 June 2017 are set out below.

		Number of Share Options								
		Outstanding as at 1 April 2017	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2017	Approximate percentage of the issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
Name	Date of grant									
Independent Non-executive Directors										
Mr. Chiu Wai Piu	29 June 2011	500,000	–	–	–	500,000	0.01%	29 June 2011 – 28 June 2021	1.00	0.140
Other Participants										
Employees in aggregate (Note)	29 June 2011	7,000,000	–	–	–	7,000,000	0.17%	29 June 2011 – 28 June 2021	1.00	0.140
		7,500,000	–	–	–	7,500,000	0.18%			

Note: Employees working under employment contracts that are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

(ii) 2013 Share Option Scheme

The Company adopted the 2013 Share Option Scheme on 25 March 2013, pursuant to which certain Directors and participants have been granted options to subscribe for shares.

Movements in the outstanding share options granted under the 2013 Share Option Scheme during the three months ended 30 June 2017 are set out below.

Name	Date of grant	Number of Share Options				Outstanding as at 30 June 2017	Approximate percentage of the issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
		Outstanding as at 1 April 2017	Granted during the period	Exercised during the period	Lapsed during the period					
Independent Non-executive Directors										
Mr. Chiu Wai Piu	28 March 2013	1,150,000	–	–	–	1,150,000	0.03%	28 March 2013 – 27 March 2023	1.00	0.150
Other Participants										
Employees in aggregate (Note)	28 March 2013	34,500,000	–	–	–	34,500,000	0.84%	28 March 2013 – 27 March 2023	1.00	0.150
		35,650,000	–	–	–	35,650,000	0.87%			

Note: Employees working under employment contracts that are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 30 June 2017.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CORPORATE GOVERNANCE PRACTICES

During the three months ended 30 June 2017, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules except for the deviations from code provision A.2.1.

Under the code provision A.2.1, the role of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The chairman is responsible for management of the Board and strategic planning of the Group, ensures that the Board works effectively and discharges its responsibilities, encourages all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Group. The role of chief executive is responsible to undertake the day-to-day management of the Group's business.

Mr. So Loi Fat is the chairman of the Company and there was no chief executive officer appointed by the Company and the day-to-day management of the Group was led by Mr. So Loi Fat. There is no time schedule to change this structure, as the Directors consider that this structure provides the Group with consistent leadership in the Company's decision making process and operational efficiency.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions of the Company. The Company has made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the period ended 30 June 2017.

The Company's code of conduct also applies to all employees who are likely to be in the possession of inside information of the Company. No incident of non-compliance of the Company's code of conduct by the employees was noted by the Company.



AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all independent non-executive Directors namely Mr. Miu Hon Kit (as chairman), Mr. Chiu Wai Piu and Mr. Li Shiu Ki, Ernest.

The audit committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing and monitoring the external auditor's independence; reviewing the quarterly reports, interim report, annual report and accounts of the Group; and overseeing the Company's financial reporting system, risk management and internal control systems.

The audit committee has reviewed the unaudited results for the three months ended 30 June 2017 and has provided advice and comments thereon.

By order of the Board
Gold Tat Group International Limited
Chen Dongquan
Executive Director

Hong Kong, 11 August 2017

As at the date of this report, the Board comprises three executive Directors, namely, Mr. So Loi Fat (Chairman), Mr. Su Minzhi and Mr. Chen Dongquan; and three independent non-executive Directors, namely, Mr. Chiu Wai Piu, Mr. Miu Hon Kit and Mr. Li Shiu Ki, Ernest.