



**MANSION INTERNATIONAL HOLDINGS LIMITED**  
民 信 國 際 控 股 有 限 公 司

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

Stock Code: 8456

## THIRD QUARTERLY REPORT 2017/18

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### 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 Main Board of 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 of Mansion International Holdings Limited (our “**Company**” and the “**Directors**”, respectively) 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 our 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.*



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Ms. Fung Sau Ying (*Chairlady and Chief Executive Officer*)  
Mr. Cheung Desmond Lap Wai (*Chief Operating Officer*)  
Ms. Ho Lai Ying

#### *Non-Executive Director*

Ms. Luk Sau Kuen

#### *Independent Non-Executive Directors*

Mr. Choi Wing San Wilson  
Mr. Cheung Ping Kwan Timothy  
Mr. Leung Wai Yin

### BOARD COMMITTEES

#### *Audit Committee*

Mr. Leung Wai Yin (*Chairman*)  
Ms. Luk Sau Kuen  
Mr. Cheung Ping Kwan Timothy

#### *Remuneration Committee*

Mr. Choi Wing San Wilson (*Chairman*)  
Ms. Luk Sau Kuen  
Mr. Leung Wai Yin

#### *Nomination Committee*

Ms. Fung Sau Ying (*Chairlady*)  
Mr. Cheung Desmond Lap Wai  
Mr. Choi Wing San Wilson  
Mr. Cheung Ping Kwan Timothy  
Mr. Leung Wai Yin

### COMPLIANCE OFFICER

Mr. Cheung Desmond Lap Wai

### COMPANY SECRETARY

Mr. Cho Yee Chun

### AUTHORISED REPRESENTATIVES

Mr. Cheung Desmond Lap Wai  
Mr. Cho Yee Chun

### INDEPENDENT AUDITOR

BDO Limited

### COMPLIANCE ADVISER

Alliance Capital Partners Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive,  
PO Box 2681, Grand Cayman,  
KY1-1111, Cayman Islands

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

### REGISTERED OFFICE

Cricket Square, Hutchins Drive,  
PO Box 2681, Grand Cayman,  
KY1-1111, Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG HONG

7/F., 822 Lai Chi Kok Road,  
Kowloon,  
Hong Kong

### PRINCIPAL BANKER

DBS Bank Limited

### COMPANY WEBSITE

[www.mansionintl.com](http://www.mansionintl.com)

### STOCK CODE

8456

## FINANCIAL HIGHLIGHTS

- Based on the unaudited condensed consolidated financial results of our Group for the nine months ended 31 December 2017, our Group's revenue for the nine months ended 31 December 2017 was approximately HK\$211.1 million, representing a decrease of approximately 21.5% as compared to approximately HK\$268.9 million for the corresponding period in 2016.
- During the nine months ended 31 December 2017, our Group's gross profit was approximately HK\$92.1 million, representing a decrease of approximately 5.0% as compared to approximately HK\$97.0 million for the corresponding period in 2016. Our Group's gross profit margin increased from approximately 36.1% for the nine months ended 31 December 2016, to approximately 43.6% for the nine months ended 31 December 2017.
- During the nine months ended 31 December 2017, our Group's net profit was approximately HK\$0.6 million. For the nine months ended 31 December 2016 and 2017, the one-off listing expenses were approximately HK\$0.7 million and HK\$8.3 million respectively. Excluding the one-off listing expenses, our Group's adjusted net profit for the nine months ended 31 December 2016 and 2017 amounted to approximately HK\$10.7 million and HK\$9.0 million respectively, and the adjusted net profit margin increased from approximately 4.0% to 4.2% respectively. After the exclusion of the one-off listing expenses, the decrease of the adjusted net profit was approximately 16.1%.
- The Board has resolved not to declare the payment of any dividend for the nine months ended 31 December 2017. (2016: Nil)

The Board of Directors (the “**Board**”) announces the unaudited condensed consolidated financial results of our Company and its subsidiaries (collectively, our “**Group**”) for the nine months ended 31 December 2017, together with the comparative figures for the corresponding period in 2016, as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 31 December 2017

	Notes	For the three months ended		For the nine months ended	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	70,142	93,937	211,113	268,852
Cost of sales		(37,170)	(57,435)	(118,988)	(171,832)
Gross profit		32,972	36,502	92,125	97,020
Other income	4	303	655	598	2,345
Selling and distribution costs		(11,236)	(12,366)	(30,052)	(32,414)
Administrative and other expenses		(14,776)	(16,924)	(50,044)	(53,788)
Listing expenses		(400)	(667)	(8,323)	(667)
Finance costs	5	(819)	(684)	(2,097)	(1,562)
<b>Profit before tax</b>	6	<b>6,044</b>	6,516	<b>2,207</b>	10,934
Income tax expenses	8	(15)	(658)	(1,582)	(937)
<b>Total comprehensive income for the period attributable to owners of our Company</b>		<b>6,029</b>	5,858	<b>625</b>	9,997
<b>Earnings per share (HK cents):</b>					
Basic and diluted	9	0.0151	0.0146	0.0016	0.0250

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	Issued capital	Capital reserve	Statutory reserve	Other reserve	Exchange reserve	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2016 (Audited)	8	5,987	288	—	3,394	26,731	36,408
Profit for the period	—	—	—	—	—	9,997	9,997
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	(1,855)	—	(1,855)
Total comprehensive income for the period	—	—	—	—	(1,855)	9,997	8,142
Balance at 31 December 2016 (Unaudited)	8	5,987	288	—	1,539	36,728	44,550
Balance at 1 April 2017 (Audited)	8	5,987	288	—	1,013	37,000	44,296
Arising on reorganisation	(8)	—	—	8	—	—	—
Transactions with owners	(8)	—	—	8	—	—	—
Profit for the nine months ended 31 December 2017	—	—	—	—	—	625	625
Dividends recognised as distribution (Note 7)	—	—	—	—	—	(16,000)	(16,000)
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	1,224	—	1,224
Total comprehensive income for the nine months ended 31 December 2017	—	—	—	—	1,224	(15,375)	(14,151)
<b>Balance at 31 December 2017 (Unaudited)</b>	<b>—</b>	<b>5,987</b>	<b>288</b>	<b>8</b>	<b>2,237</b>	<b>21,625</b>	<b>30,145</b>

# NOTES TO THE UNAUDITED FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

### (a) *General information*

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 17 May 2017. The address of our Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at 7/F., 822 Lai Chi Kok Road, Kowloon, Hong Kong.

Our Company is an investment holding company and its subsidiaries are principally engaged in the sale of baby and children garments.

The immediate and ultimate holding company of our Company is Joyful Cat Limited ("**Joyful Cat**"), a company incorporated in the British Virgin Islands.

The issued shares of our Company (the "**Shares**") were initially listed on GEM of the Stock Exchange (the "**Listing**") on 26 January 2018 (the "**Listing Date**").

### (b) *Reorganisation and basis of presentation*

Pursuant to the reorganisation of our Group (the "**Reorganisation**") in connection with the Listing by way of public offer and placing, our Company became the holding company of its subsidiaries now comprising our Group on 23 June 2017. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the prospectus of our Company dated 12 January 2018 (the "**Prospectus**").

Accordingly, the unaudited condensed consolidated statement of comprehensive income and the unaudited condensed consolidated statement of changes in equity are prepared as if the current group structure had been in existence throughout the nine months ended 31 December 2017.

All companies now comprising our Group have adopted 31 March as their financial year end date.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statement for the nine months ended 31 December 2017 (the "**Unaudited Condensed Consolidated Financial Statements**") have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (collectively, the "**HKFRS**") and the provisions of the Hong Kong Companies Ordinance, which concern the preparation of financial statements. In addition, the Unaudited Condensed Consolidated Financial Statements include applicable disclosures required by the GEM Listing Rules.

The Unaudited Condensed Consolidated Financial Statements have been prepared under the historical cost convention. They are presented in Hong Kong Dollars ("**HK\$**"), which is the same as the functional currency of our Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

The Unaudited Condensed Consolidated Financial Statements have not been audited by our Company's independent auditor but have been reviewed by the audit committee of the Board (the "**Audit Committee**") and were approved for issue by the Board on 9 February 2018.



## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

### *New/revised HKFRSs that have been issued but are not yet effective*

The following new/revised HKFRSs, potentially relevant to our Group's financial statements, have been issued, but are not yet effective and have not been early adopted by our Group. Our Group's current intention is to apply these changes on the date they become effective.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 - 2016 Cycle <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Annual Improvements to HKFRSs 2014 - 2016 Cycle	Amendments to HKFRS1, First-time Adoption of Hong Kong Financial Reporting Standards <sup>1</sup>
Annual Improvements to HKFRSs 2014 - 2016 Cycle	Amendments to HKAS 28, Investment in Associates and Joint Ventures <sup>1</sup>

<sup>1</sup> Effective for annual period beginning on or after 1 January 2018

<sup>2</sup> Effective for annual period beginning on or after 1 January 2019

<sup>3</sup> The amendments were originally intended to be effective for period beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

### 3. REVENUE AND SEGMENT INFORMATION

#### Business segments

Our Group determines its operating segments based on the internal reports reviewed by the executive Directors, who are the chief operating decision makers, that are used to allocate resources and assess performance, which are analysed based on the business.

Segment results represent the profit before taxation earned by each segment and excluding unallocated expenses. Unallocated expenses mainly included staff costs, listing expenses and finance costs. This is the measure reported to the Executive Directors for the purpose of allocation of resources and assessment of segment performance.

The following is an analysis of our Group's turnover and results by business:

Three months ended 31 December 2017 (Unaudited)	Original Brand Manufacturing ("OBM")	Original Equipment Manufacturing ("OEM")	Total
	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	25,037	45,105	70,142
Reportable segment results	6,476	3,925	10,401
Unallocated expenses			(4,357)
<b>Profit before tax</b>			<b>6,044</b>

  

Three months ended 31 December 2016 (Unaudited)	OBM	OEM	Total
	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	25,814	68,123	93,937
Reportable segment results	5,817	6,331	12,148
Unallocated expenses			(5,632)
Profit before tax			6,516

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

Nine months ended 31 December 2017 (Unaudited)	OBM	OEM	Total
	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	57,890	153,223	211,113
Reportable segment results	8,672	18,652	27,324
Unallocated expenses			(25,117)
<b>Profit before tax</b>			<b>2,207</b>

Nine months ended 31 December 2016 (Unaudited)	OBM	OEM	Total
	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	59,972	208,880	268,852
Reportable segment results	8,028	20,103	28,131
Unallocated expenses			(17,197)
Profit before tax			10,934

#### 4. OTHER INCOME

	For the three months ended		For the nine months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Bank interest income	2	3	5	9
Service income	—	324	—	828
Sundry income	301	231	593	1,161
Exchange gain	—	97	—	347
	<b>303</b>	655	<b>598</b>	2,345

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

### 5. FINANCE COSTS

	For the three months ended		For the nine months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest on bank borrowings	715	585	1,790	1,359
Interest on shareholder's loan	103	98	303	198
Interest on finance lease	1	1	4	5
	<b>819</b>	684	<b>2,097</b>	1,562

### 6. PROFIT BEFORE TAX

Our Group's profit before tax is arrived at after charging/(crediting):

	For the three months ended		For the nine months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Directors' remuneration	1,743	1,879	5,309	6,433
Employee benefits expenses (excluding the Directors' remuneration):				
Salaries, allowances and other benefits	9,692	11,201	31,706	32,999
Pension scheme contributions	461	481	1,402	1,447
Total staff costs	<b>11,896</b>	13,561	<b>38,417</b>	40,879
Auditor's remuneration	59	28	440	93
Depreciation of property, plant and equipment	830	779	2,402	2,316
Write-off of property, plant and equipment	—	—	—	487
Amortisation of land use rights	16	54	21	160
Cost of inventories sold	37,170	57,435	118,988	171,832
Gain on disposal of property, plant and equipment	—	—	(100)	(44)
Listing expenses	400	667	8,323	667
Minimum lease payments under operating leases recognised as an expense	<b>8,043</b>	7,531	<b>21,633</b>	20,932

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

### 7. DIVIDENDS

During the nine months ended 31 December 2017 and prior to the Listing Date, our Company had declared a special dividend of HK\$16,000,000 to Joyful Cat, being the sole shareholder of our Company, in which Ms. Fung Sau Ying, the Chairlady, the Chief Executive Officer and the executive Director of our Company (“**Ms. Fung**”) holds 100% of its beneficial interest.

Saved as disclosed above, the Board has resolved not to declare the payment of any dividend for the nine months ended 31 December 2017 (2016: Nil).

### 8. INCOME TAX EXPENSES

	For the three months ended		For the nine months ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Current tax				
– tax for the periods	1,021	1,611	2,283	2,942
– under/(over) provision in respect of prior periods	(1,006)	(953)	(701)	(1,225)
	<u>15</u>	<u>658</u>	<u>1,582</u>	<u>1,717</u>
Deferred tax				
– current period	—	—	—	(780)
Income tax expenses	<u>15</u>	<u>658</u>	<u>1,582</u>	<u>937</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the periods ended 31 December 2017 and 2016. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which our Group operates, based on existing legislation, interpretations and practices in respect thereof during the periods ended 31 December 2017 and 2016.

In accordance with The People’s Republic of China (the “**PRC**”) enterprise income tax law, enterprise income tax rates for domestic and foreign enterprises are unified at 25%.

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

### 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of our Company is based on the following data:

	For the three months ended		For the nine months ended	
	31 December 2017 (Unaudited)	31 December 2016 (Unaudited)	31 December 2017 (Unaudited)	31 December 2016 (Unaudited)
Earnings for the purposes of diluted earnings per share (HK\$'000)	<b>6,029</b>	5,858	<b>625</b>	9,997
<i>Number of Shares</i>				
Weighted average number of ordinary Shares for the purpose of diluted earnings per share ('000)	<b>400,000</b>	400,000	<b>400,000</b>	400,000

The number of ordinary Shares for the purpose of calculating basic earnings per share has been determined on the assumption that the 400,000,000 Shares are in issue as at the date of this report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Our Group principally derives revenue from manufacturing and selling our baby clothing products and clothing accessories for infants and toddlers through (i) our OEM business segment to overseas brand companies mainly in UK and US, and (ii) our OBM business mainly through our self-operated retail stores and department stores counters in Hong Kong under our Group's various proprietary trademarks including "mides" and "dear" as well as wholesale to Macau and PRC. Our revenue dropped from approximately HK\$268.9 million for the nine months ended 31 December 2016, to approximately HK\$211.1 million for the nine months ended 31 December 2017, representing a decrease of approximately 21.5%.

The revenue of OEM business decreased by approximately 26.6% to approximately HK\$153.2 million for the nine months ended 31 December 2017 as compared to the nine months ended 31 December 2016. Performance of OEM Business experienced a decline as compared to that of the same period last year mainly due to reduced orders from two largest customers for the nine months ended 31 December 2016, as disclosed in the prospectus of our Company dated 12 January 2018 ("Prospectus") and certain postponement in shipment from late 2017 to subsequent months as requested by the customers. On the other hand, the revenue from OBM business remained relatively stable as compared to the corresponding period in 2016. The following table sets forth the breakdowns of the revenue of our Group by segment for each of the nine months ended 31 December 2016 and 2017:

	For the nine months ended 31 December			
	2017		2016	
	HK\$' 000	%	HK\$' 000	%
OEM business	153,223	72.6	208,880	77.7
OBM business	57,890	27.4	59,972	22.3
	<u>211,113</u>	<u>100.0</u>	<u>268,852</u>	<u>100.0</u>

## OUTLOOK

For the OEM business, due to the trend of the deteriorating global economic environment, our customers have been conservative and delaying in placing orders. The Directors were informed that they have reported with decrease in sales during the last Thanksgiving and Christmas Holiday seasons. Despite that the coming year would still be a challenging one, we will continue to put effort in strengthening our customer base and improving our competitiveness in the market, and enhancing our sales and marketing effort as in line with our strategy described in the Prospectus.

For the OBM business, we have successfully launched the "Oriental Chic" series for the upcoming Chinese New Year and relevant revenue will be recognised in the next quarter. We will continue to launch different promotion campaigns to broaden the brand recognition and will closely monitor the consumers' behaviour. We remain positive towards the OBM business in the long run.

Looking ahead, the proceeds from listing will help our Group further develop. We will deploy the proceeds as described in the Prospectus and will continue to evaluate the overall performance and business opportunities to improve shareholders' value and strengthen the position of our Group.

### FINANCIAL REVIEW

#### *Cost of Sales, Gross Profit and Gross Profit Margin*

The cost of sales of our Group amounted to approximately HK\$119.0 million for the nine months ended 31 December 2017 (2016: approximately HK\$171.8 million), representing a decrease of HK\$52.8 million or 30.8% compared to the corresponding period in 2016. The decrease was due to the decrease in quantity of products sold resulting from the change in strategy as described in the section headed “Business” in the Prospectus. Our gross profit for the same period amounted to approximately HK\$92.1 million (2016: approximately HK\$97.0 million), representing a decrease of approximately HK\$4.9 million or 5.0%, resulting from the decrease in our revenue as compared to the corresponding period in 2016.

The gross profit margin of our Group improved from approximately 36.1% for the nine months ended 31 December 2016 to approximately 43.6% for the nine months ended 31 December 2017, due to our strategy to sell products with higher profit margins to our OEM customers.

#### *Expenses*

The selling and distribution costs of our Group amounted to approximately HK\$30.1 million (2016: approximately HK\$32.4 million), representing a decrease of approximately 7.3% or HK\$2.4 million compared to the corresponding period in 2016. The administrative and other expenses of our Group amounted to approximately HK\$50.0 million (2016: approximately HK\$53.8 million), representing a decrease of approximately 7.0% or HK\$3.7 million compared to the corresponding period in 2016. The decrease was consequential to the decrease in revenue.

#### *Profit before income tax expense*

As a result of the foregoing and the incurrence of the Listing expenses of approximately HK\$8.3 million for the nine months ended 31 December 2017, our Group’s financial performance changed from a profit before income tax expenses of approximately HK\$10.9 million for the nine months ended 31 December 2016 to that of approximately HK\$2.2 million for the nine months ended 31 December 2017. Excluding the non-recurring Listing expenses of approximately HK\$8.3 million incurred during the nine months ended 31 December 2017, our Group would have recorded a profit before income tax expenses of approximately HK\$10.5 million for the nine months ended 31 December 2017.

#### *Liquidity, Financial Resources and Capital Structure*

Our Group’s source of funds was mainly from cash generated from operations. As at 31 December 2017, our Group had bank balances and cash of approximately HK\$18.7 million (2016: approximately HK\$22.6 million), and approximately 90.8% (2016: 95.1%) and approximately 9.2% (2016: 4.9%) were denominated in HK\$ and Renminbi respectively.

As at 31 December 2017, our Group’s interest-bearing borrowings amounted to approximately HK\$67.3 million (31 December 2016: approximately HK\$47.4 million).

Our Group did not use any financial instruments for hedging purposes (2016: Nil).



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY OR ANY ASSOCIATED CORPORATION

The Shares were initially listed on the GEM of the Stock Exchange on 26 January 2018 and our Company was not required to keep any register under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as at 31 December 2017.

As at the date of this report, the interests and short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to our 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 (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange were as follows:

#### LONG POSITION IN THE SHARES

Name of Director	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding
Ms. Fung	Interest of a controlled company	300,000,000 <sup>(Note)</sup>	75%

*Note:* These Shares are held by Joyful Cat. The entire issued share capital of Joyful Cat is legally and beneficially owned by Ms. Fung. Accordingly, Ms Fung is deemed to be interested in all the Shares in which Joyful Cat is interested under Part XV of the SFO.

#### LONG POSITION IN THE ORDINARY SHARE OF THE ASSOCIATED CORPORATION

Name of associated corporation	Name of Director	Capacity/Nature of interest	Number of Share held	Percentage of shareholding
Joyful Cat	Ms. Fung	Beneficial owner	1	100%

Save as disclosed above, as at the date of this report, none of the Directors nor the chief executive of our Company had any interest or short positions in the shares or underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to our 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 (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to our Company and the Stock Exchange.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the date of this report, so far as is known by or otherwise notified to any Directors, the particulars of the corporations or persons (other than a Director or the chief executive of our Company) which/who had 5% or more interests in the Shares and underlying Shares as recorded in the register required to be kept by our Company under section 336 of the SFO were as follows:

#### LONG POSITION IN THE SHARES

Name of shareholder	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding
Joyful Cat	Beneficial owner	300,000,000	75%

Save as disclosed above, as at the date of this report, so far as is known by or otherwise notified to the Directors, no other corporation or person (other than a Director or the chief executive of our Company) had interests and short positions in the Shares and the underlying Shares as required to be recorded in the register pursuant to section 336 of the SFO.

#### *Acquisitions, Disposals and Significant Investment*

Our Company did not have any significant investment, material acquisition or disposal of subsidiaries and affiliated companies during the nine months ended 31 December 2017.

#### *Loan*

As at 31 December 2017, our Company had outstanding bank loan of approximately HK\$67.3 million (31 December 2016: HK\$47.4 million).

#### *Non-competition Undertakings*

As disclosed in our Company's Prospectus, our Company entered into a deed of non-competition with Joyful Cat and Ms. Fung (the "**Controlling Shareholders**") on 11 January 2018 regarding the non-competition undertakings given by each of the Controlling Shareholders in favour of our Company (for itself or as trustee for its subsidiaries) (the "**Non-Competition Undertakings**"). A summary of the principal terms of the Non-Competition Undertakings is set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

#### *Interests of Directors, Controlling Shareholders and their Respective Close Associates in Competing Business*

During the nine months ended 31 December 2017, save as disclosed in the section headed "Non-Competition Undertakings" above, none of the Directors, Controlling Shareholders and their respective close associates were considered to have interests in a business which competed or was likely to compete, either directly or indirectly, with the business of our Group and any other conflicts of interest, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

#### *Purchase, Sale and Redemption of our Company's Listed Securities*

The Shares were initially listed on the GEM of the Stock Exchange on the Listing Date. Our Company did not redeem any of its listed securities and neither our Company nor any of its subsidiaries repurchased or sold such securities during the nine months ended 31 December 2017.

### *Interests of Compliance Adviser*

As confirmed by our Group's compliance adviser, Alliance Capital Partners Limited (the "**Compliance Adviser**"), as at 31 December 2017 and up to the date of this report, save for the Compliance Adviser's agreement dated 12 July 2017 and entered into between our Company and the Compliance Adviser, neither the Compliance Adviser nor any of its directors, employees or close associates had any interests in relation to our Company or any member of our Group (including interests in the securities of our Company or any member of our Group, and options or rights to subscribe for such securities), which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules.

### *Corporate Governance Practices*

As the Shares were initially listed on GEM of the Stock Exchange on 26 January 2018, the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules was not applicable to our Company for the nine months ended 31 December 2017.

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of our Group and safeguard the interests of the shareholders of our Company. Our Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code. Our Company has adopted and, save for the deviation from code provision A.2.1 of the CG Code as disclosed below, has complied with all applicable code provisions as set out in the CG Code during the period from the date of listing and up to the date of this report.

In accordance with code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Fung is the Chairlady and the Chief Executive Officer of our Company. She is responsible for formulating the overall development strategies and business plans, including production development, and overseeing the general management and daily operation of our Group. In view of Ms. Fung's aforesaid responsibilities since June 2004, the Board believes that it is in the best interest of our Group to have Ms. Fung taking up both roles for effective management and business development. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired because of the diverse background and experience of the INEDs. Further, the Audit Committee consists of the non-executive Director and two INEDs, and all of the INEDs have free and direct access to our Company's external auditors and independent professional advisers when they consider necessary.

In order to maintain good corporate governance and to fully comply with code provision A.2.1 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairperson and chief executive officer separately and to make appropriate changes if considered necessary.

### *Dealings in Securities by Directors*

Our Company has adopted a code of conduct (the "**Own Code**") for dealings in the securities of our Company 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 (the "**Required Standard of Dealings**").

Following specific enquiries made by our Company on all Directors, each of them confirmed that he/she had complied with the Required Standard of Dealings and the Own Code regarding securities transactions by the Directors for the period from the Listing Date to the date of this report.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### *Dividend*

During the nine months ended 31 December 2017 and prior to the Listing Date, our Company had declared a special dividend of HK\$16,000,000 to Joyful Cat, being the then sole shareholder of our Company, in which Ms. Fung holds 100% of its beneficial interest.

Saved as disclosed above, the Board has resolved not to declare the payment of any dividend for the nine months ended 31 December 2017 (2016: Nil).

### *Audit Committee*

The Board has established the Audit Committee on 28 December 2017 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee internal control and risk management procedures of our Group. The Unaudited Condensed Consolidated Financial Statements and this report have been reviewed by the Audit Committee. As at the date of this report, the Audit Committee comprises two INEDs, namely Mr. Leung Wai Yin and Mr. Cheung Ping Kwan Timothy, and Ms. Luk Sau Kuen, a non-executive Director. Mr. Leung Wai Yin is the chairman of the Audit Committee.

By order of the Board

**Mansion International Holdings Limited**

**Fung Sau Ying**

*Chairlady, Chief Executive Officer and executive Director*

Hong Kong, 9 February 2018