



Gold Tat Group International Limited

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

Third 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 December 2017, together with the unaudited comparative figures for the corresponding periods in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 31 December 2017

	Note	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue		182,561	136,832	496,813	457,840
Cost of sales		(175,474)	(130,828)	(477,321)	(438,853)
Gross profit		7,087	6,004	19,492	18,987
Other net income		18	637	51	655
Employment costs		(6,715)	(7,180)	(21,278)	(22,039)
Research and development expenses		(577)	(523)	(1,035)	(788)
Depreciation		(222)	(274)	(715)	(836)
Transportation expenses		(229)	(302)	(791)	(905)
Other operating expenses		(4,755)	(4,687)	(13,507)	(15,232)
Loss from operations		(5,393)	(6,325)	(17,783)	(20,158)
Finance costs	2	(2,138)	(1,170)	(4,859)	(3,262)
Share of (loss)/profit of associates		(292)	(91)	(462)	515
Loss before tax		(7,823)	(7,586)	(23,104)	(22,905)
Income tax (expense)/credit	3	(13)	1	(26)	3
Loss for the period		(7,836)	(7,585)	(23,130)	(22,902)
Attributable to:					
Owners of the Company		(7,735)	(7,474)	(22,759)	(22,985)
Non-controlling interests		(101)	(111)	(371)	83
		(7,836)	(7,585)	(23,130)	(22,902)
Loss per share (HK cents)	4				
Basic		(0.19)	(0.20)	(0.55)	(0.63)
Diluted		N/A	N/A	N/A	N/A

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

For the three months and nine months ended 31 December 2017

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Loss for the period	(7,836)	(7,585)	(23,130)	(22,902)
Other comprehensive income:				
<i>Items that have been or may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	(187)	(948)	(400)	(1,837)
Other comprehensive income for the period, net of tax	(187)	(948)	(400)	(1,837)
Total comprehensive income for the period	(8,023)	(8,533)	(23,530)	(24,739)
Attributable to:				
Owners of the Company	(7,757)	(8,311)	(22,718)	(24,608)
Non-controlling interests	(266)	(222)	(812)	(131)
	(8,023)	(8,533)	(23,530)	(24,739)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	28,025	410,472	16,375	2,943	(1,042)	3,764	(288,518)	172,019	224,436
Total comprehensive income									
for the period	-	-	-	-	-	-	(22,985)	(24,608)	(24,739)
Shares issued upon placement	4,170	32,718	-	-	-	-	-	36,888	36,888
Transaction costs attributable to issue of new shares	-	(1,141)	-	-	-	-	-	(1,141)	(1,141)
At 31 December 2016	32,195	442,049	16,375	2,943	(2,665)	3,764	(311,503)	183,158	235,444
At 1 April 2017	32,194	442,050	16,375	2,943	(2,004)	3,764	(379,263)	116,059	143,383
Total comprehensive income									
for the period	-	-	-	-	41	-	(22,759)	(22,718)	(23,530)
Shares issued upon placement	-	-	-	-	-	-	-	-	-
Lapse of share options	-	-	-	-	-	(3,764)	3,764	-	-
Transaction costs attributable to issue of new shares	-	-	-	-	-	-	-	-	-
At 31 December 2017	32,194	442,050	16,375	2,943	(1,963)	-	(398,258)	93,341	119,853

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated results 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 Interpretations 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 included 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 31 December		Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Wholly repayable within five years				
– Interest on bank loans	569	525	1,847	1,343
– Interest on other loan	1,045	120	1,443	343
– Finance lease charges	2	5	8	15
Not wholly repayable within five years based on repayment schedules				
– Interest on bank loans	22	20	61	61
– Interest on long term bonds	500	500	1,500	1,500
	2,138	1,170	4,859	3,262

3. Income tax expense/(credit)

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2017 HK\$'000	2016 HK\$'000	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	14	–	29	–
	14	–	29	–
Deferred tax				
Hong Kong Profits Tax	(1)	(1)	(3)	(3)
Income tax expense/(credit)	13	(1)	26	(3)

No Hong Kong Profits Tax has been provided for as the Group has sufficient tax losses brought forward to set off against current periods' estimated assessable profits. No Hong Kong Profits Tax has been provided for the three months and nine months ended 31 December 2016 as the Group has no estimated assessable profits.

PRC Enterprise Income has been provided at rate of 25% (2016: 25%).

4. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is as follows:

	Unaudited			
	Three months ended 31 December		Nine months ended 31 December	
	2017	2016	2017	2016
Loss for the period attributable to owners of the Company (HK\$'000)	<u>(7,735)</u>	<u>(7,474)</u>	<u>(22,759)</u>	<u>(22,985)</u>
Weighted average number of ordinary shares in issue during the period (in '000)	<u>4,120,900</u>	<u>3,679,267</u>	<u>4,120,900</u>	<u>3,633,034</u>
Basic loss per share (HK cents)	<u>(0.19)</u>	<u>(0.20)</u>	<u>(0.55)</u>	<u>(0.63)</u>

(b) Diluted loss per share

As the exercise of the Group's outstanding share options for the three months ended and nine months ended 31 December 2017 and 2016 would be anti-dilutive, no diluted loss per share was presented for the three months and nine months ended 31 December 2017 and 2016.

5. Dividend

The Directors have not declared nor proposed any dividends in respect of the nine months ended 31 December 2017 (nine months ended 31 December 2016: Nil).

6. Event after the reporting period

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2017 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

The Group had been participating in the following activities:

- Trading of Electronic Hardware Components (Display Modules including mainly IC Drivers and LCD panel) with Compatibility Solutions Advisory Services; and
- Real Estate Development and Investment

BUSINESS REVIEW

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

This business segment has been facing continued challenges, sales for the nine months ended 31 December 2017 were approximately HK\$496,813,000, increase 8.5% from approximately HK\$457,840,000 for the same period last year. Nevertheless, this segment obtained a loss of approximately of HK\$555,000 in this year's period while having a profit of approximately of HK\$913,000 for the corresponding prior period primarily due to increase in finance costs.

Real Estate Development and Investment

The Group has a real estate development portfolio of two projects concentrated in the area of Yangjiang City. One of the two property development projects has been developed slowly while observing the local market conditions. It is noted that despite more and larger real estate developers have entered into Yangjiang City, the local appetite and sentiment for the real estate remain conservative. The other project the Group held is still in active sales by the associate company on the few remaining residential and commercial units. The Group will continue with its cautious investment approach and will make necessary preparations against possible adverse conditions due to market competition and tightened government policies for the sector.

The Group also has 9 villas and 36 shops in Yangjiang City as investment properties. In Hong Kong, we currently have one investment property which just finished renovation and we are looking for tenant to fill the void.

Prospects

Looking forward in the last quarter of the financial year ended 31 March 2018, the trading of electronic hardware components will still face considerable difficulties due to low margins and increasing finance costs. In addition, our customers have adopted prudent and stable marketing strategies for their businesses. Under the leadership of ETC Technology Limited's ("ETC") experienced management, the business unit will continue the efforts to expand customer base. Given the volatility of the prices in the electronic hardware components, the management team of ETC has been closely monitoring the overall market changes, so as to achieve a better product-mix, better margins and more stable selling prices for our products.

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. Recent trend of PRC government policies is to restrict price increase and to make housing more affordable to mass population. Looking ahead, the Group will continue to closely monitor our existing property investments and property development projects, and will actively adjust development strategies to capture new market opportunities, in order to improve the Real Estate Segment's performance.

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

Revenue and Results

For the nine months ended 31 December 2017, the Group recorded an unaudited turnover of approximately HK\$496,813,000 (2016: approximately HK\$457,840,000), representing an increase of 8.5% as compared to the corresponding period of last year. All the revenue was contributed by the trading of electronic parts and components business.

The Group recorded a loss for the nine months ended 31 December 2017 of approximately HK\$23,130,000 (2016: approximately HK\$22,902,000), representing an increase of 1% as compared with the corresponding period of last year.

Loss attributable to owners of the Company for the nine months ended 31 December 2017 was approximately HK\$22,759,000, representing a decrease of 1% as compared with approximately HK\$22,985,000 for the corresponding period in 2016.

Conditional Mandatory Cash Offers and sufficiency of public float

On 4 October 2017, Pine Cypress Development Limited (the "Offeror") acquired from Fuze Investments Limited ("Fuze Investments"), Mr. Fang Gang ("Mr. Fang") and Mr. Su Peilin ("Mr. Su") an aggregate of 1,296,278,979 Shares (the "Sale Shares") (as to 466,198,979 Shares by Fuze Investments, 433,808,000 Shares by Mr. Fang and 396,272,000 Shares by Mr. Su respectively), representing approximately 31.46% of the entire issued share capital of the Company, for the aggregate consideration of HK\$108,628,178.44. Completion took place on 6 October 2017. On 24 October 2017 and 25 October 2017, the Offeror further acquired an aggregate of 505,824,000 Shares. On 25 October 2017, the Offeror and parties acting in concert with it owned an aggregate of 1,802,102,979 Shares, representing approximately 43.73% of the entire issued share capital of the Company. Pursuant to the Hong Kong Code on Takeovers and Mergers, a conditional mandatory cash offers were required (a) for all the Shares other than those already owned or to be acquired by the Offeror and parties acting in concert with it; and (b) for the cancellation of the outstanding share options of the Company.

Immediately after the closing time of the Offers on 22 December 2017 (as set out in the Composite Document dated 30 November 2017), the Offeror had received (i) valid acceptances in respect of a total of 818,864,914 Offer Shares, representing approximately 19.87% of the total number of Shares in issue. The Offeror and parties acting in concert with it held an aggregate of 2,620,967,893 Shares, representing approximately 63.60% of the total number of Shares in issue; and (ii) valid acceptances in respect of a total of 39,150,000 Share Options under the Option Offer, representing 100% of the total number of outstanding Share Options as at the Closing Date.

After the close of the Offers on 22 December 2017, subject to the due registration of the transfer of the Offer Shares acquired under the Share Offer to the Offeror (in respect of which valid acceptances were received), 1,499,932,053 Shares are held by the public (as defined in the GEM Listing Rules), representing approximately 36.40% of the total number of Shares in issue as at the date of this joint announcement. Accordingly, as at the date of this joint announcement, the Company continues to satisfy the minimum public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules.

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

As at 31 December 2017, the interests and short positions of each Director and chief executives 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 Director	Capacity	Nature of interest	Approximate percentage	
			Number of shares held	of the issued share capital
Mr. Ma Chao	Interest in a controlled corporation	Corporate interest (Note 1)	2,620,967,893	63.60%

Note:

1. Mr. Ma Chao beneficially owns the entire Share Capital of Pine Cypress Development Limited which directly holds 63.6% of shares of the Company. Therefore, Mr. Ma Chao is deemed to be interested in all the shares held by Pine Cypress in pursuant to the Securities and Futures Ordinance.

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executives 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 31 December 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 and underlying shares of the Company

Name of substantial shareholders	Capacity	Nature of interest	Number of shares held	Approximate percentage of the issued share capital
Mr. Ma Chao	Interest in controlled corporation	Corporate interest (Note 1)	2,620,967,893	63.60%
Pine Cypress Development Limited	Beneficial owner	Corporate interest (Note 1)	2,620,967,893	63.60%

Notes:

1. Pine Cypress Development Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ma Chao. Therefore Mr. Ma Chao is deemed to be interested in the 2,620,967,893 shares held by Pine Cypress Development Limited for the purpose of the SFO.

Save as disclosed above, the Directors and chief executives of the Company were not aware of any person (other than the Directors or chief executives 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 31 December 2017.

SHARE OPTIONS

All Option holders of the 2003 Share Option Scheme and the 2013 Share Option Scheme accepted the Option Offer as set out in the Composite Document dated 30 November 2017 in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Share Options in exchange for cash (US\$0.001 each option). A total of 39,150,000 Share Options, representing 100% of the total number of outstanding Share Options were cancelled as at the Closing of Share Options offer on 22 December 2017.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 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 nine months ended 31 December 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, with the exceptions of code provisions A.2.1 and E.1.2.

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. Ma Chao 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. Ma Chao. 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.

Under the code provision E.1.2, the chairman of the Board should attend the annual general meeting of the Company. Mr. So Loi Fat, the chairman of the Board at the time did not attend the annual general meeting of the Company held on 30 August 2017 ("AGM") due to his other prior business engagement. The other two executive Directors, the chairman and all the members of the audit and remuneration committees of the Board, and the external auditor attended the AGM. The Company considers that their presence is sufficient for addressing the queries from, and maintaining effective communication with, the shareholders attending the AGM.

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 have confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the nine months ended 31 December 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 auditors' 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 nine months ended 31 December 2017 and has provided advice and comments thereon.

By Order of the Board
Gold Tat Group International Limited
Ma Chao
Chairman

Hong Kong, 14 February 2018

As at the date of this report, the Board comprises three executive Directors, namely, Mr. Ma Chao (Chairman), Mr. Zhang Shourong and Mr. Fu Yong; and three independent non-executive Directors, namely, Mr. Chiu Wai Piu, Mr. Miu Hon Kit and Mr. Li Shiu Ki, Ernest.