



**KIRIN GROUP  
HOLDINGS LIMITED**  
**麒麟集團控股有限公司**  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 8109)

# 2019

## First Quarterly Report



*A Step Forward, A Leap for Life*

## **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized 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.**

**Given the emerging nature of companies listed on GEM are generally small and mid-sized companies, 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 Kirin Group 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.*

## FIRST QUARTERLY RESULTS

The board of directors (the “Board”) of Kirin Group Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2018 together with the comparative unaudited consolidated figures for the corresponding period in 2017, as set out below:

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

For the three months ended 30 September 2018

		Three months ended	
		30 September	
		2018	2017
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited and restated)
<b>Revenue</b>	3	<b>23,019</b>	13,896
Cost of sales and services		<b>(16,698)</b>	(7,944)
Other income		<b>9</b>	740
Distribution costs		<b>(6,240)</b>	(7,246)
Share of profit of an associate		<b>313</b>	–
Administrative expenses		<b>(14,358)</b>	(21,575)
Finance costs		<b>(7,535)</b>	(6,597)
		<hr/>	<hr/>
Loss before taxation		<b>(21,490)</b>	(28,726)
Taxation	4	<b>(151)</b>	(71)
		<hr/>	<hr/>
<b>Loss for the period</b>		<b>(21,641)</b>	(28,797)
<b>Other comprehensive expense</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations		<b>(962)</b>	(1,836)
		<hr/>	<hr/>
<b>Total comprehensive expenses for the period</b>		<b>(22,603)</b>	(30,633)
		<hr/> <hr/>	<hr/> <hr/>

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited and restated)
<b>Loss for the period attributable to:</b>		
– Equity shareholders of the Company	<b>(15,830)</b>	(27,940)
– Non-controlling interests	<b>(5,811)</b>	(857)
	<u><b>(21,641)</b></u>	<u>(28,797)</u>
<b>Total comprehensive expense for the period</b>		
<b>attributable to:</b>		
– Equity shareholders of the Company	<b>(16,792)</b>	(29,776)
– Non-controlling interests	<b>(5,811)</b>	(857)
	<u><b>(22,603)</b></u>	<u>(30,633)</u>
	<b><i>HK\$</i></b>	<i>HK\$</i>
		(Restated)
<b>Loss per share</b>		
Basic and diluted	5 <u><b>(7.14 cents)</b></u>	<u>(23.65 cents)</u>

## **1. GENERAL INFORMATION**

Kirin Group Holdings Limited (the “Company”) is a public limited company domiciled and incorporated in Bermuda and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## **2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The unaudited condensed consolidated financial statements for the three months ended 30 September 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which also include Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The unaudited condensed consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

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 30 June 2018.

The unaudited condensed consolidated financial statements for the three months ended 30 September 2018 are presented in Hong Kong dollars (“HK\$”), which is different from the presentation currency of Renminbi (“RMB”) used in the Company’s unaudited condensed consolidated financial statements for the three months ended 30 September 2017 and the consolidated financial statements for the year ended 30 June 2017. Since the principal operations of the Group are conducted in Hong Kong with substantially all of its transactions denominated and settled in HK\$, the directors of the Company consider that it is more appropriate to use HK\$ as the presentation currency in presenting the operating results and financial positions of the Group. It enables the Shareholders of the Company to have a more accurate picture of the Group’s financial performance.

The change in presentation currency have been applied retrospectively. The comparative figures in the unaudited condensed consolidated financial statements were then translated from RMB to HK\$ using the applicable average rates that approximated to actual rates for items in the unaudited condensed consolidated statement of profit or loss and other comprehensive income. Share capital, share premium and other reserves were translated at the exchange rate at the date when the respective amounts were determined (i.e. historical exchange rates).

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

### **3. REVENUE AND SEGMENT INFORMATION**

Information was reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. The Group is principally engaged in provision of energy saving service and related products, insurance brokerage service and related service, asset management and securities brokerage service, money lending service, information technology service and sales of livestocks.

Specifically, the Group's reportable segments same as operating under HKFRS 8 "Operating Segments" are as follows:

- (a) Energy saving service and related products;
- (b) Insurance brokerage and related service;
- (c) Asset management and securities brokerage service;
- (d) Money lending service;
- (e) Information technology services; and
- (f) Sales of livestocks.

An analysis of the Group's revenue is as follows:

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited and restated)
Sales of energy savings services and related products	–	3,130
Insurance brokerage and related services income	<b>14,935</b>	5,965
Asset management and securities brokerage service	<b>233</b>	–
Information technology service income	<b>3,023</b>	1,416
Money lending service income	<b>4,828</b>	3,385
	<u><b>23,019</b></u>	<u>13,896</u>

#### 4. TAXATION

##### (i) Overseas income tax

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda. The Company's subsidiaries established in the British Virgin Islands ("BVI") are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income taxes. The Company's subsidiary established in the Republic of Seychelles is exempted from payment of the Republic of Seychelles income tax.

**(ii) The Philippines income tax**

Upon incorporation of the Company's subsidiary established in the Philippines, Red Rabbit International Technology Inc. ("Red Rabbit"), Cagayan Economic Zone Authority ("CEZA") approved Red Rabbit's registration as an Ecozone Export Enterprise for its business activities. Under the terms of its registration, Red Rabbit is entitled to certain incentives such as exemption in Value-Added Tax. Business establishments operating within the said economic zone shall be entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority, or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987. In lieu of paying national and local taxes, it shall pay 5% special tax rate on gross income earned as defined under Republic Act No. 7922, the law creating CEZA.

The provision for current income tax represents the income tax computed at the special tax rate of 5% applicable to CEZA registered enterprises.

**(iii) The PRC enterprise income tax**

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

**(iv) Hong Kong profits tax**

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the three months ended 30 September 2018, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime (2017: at a flat rate of 16.5% of the estimated assessable profits).



## 5. LOSS PER SHARE

### **Basic loss per share**

The calculation of basic loss per share is based on the loss attributable to the equity shareholders of the Company for the three months ended 30 September 2018 of approximately HK\$15,830,000 (2017: approximately HK\$27,940,000 (Restated)) and the weighted average number of 221,684,269 (2017: 118,144,239 (Restated)) ordinary shares in issue during the period.

The comparative figures for the basic loss per share for the three months ended 30 September 2018 are restated to take into account of the effect of the capital reorganisation completed during the three months ended 30 September 2018 as if they had been taken place since the beginning of the comparative period.

### **Diluted loss per share**

The diluted loss per share is equal to the basic loss per share as there were no potential dilutive ordinary shares outstanding during the three months ended 30 September 2018 and 2017.

## 6. RESERVES

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2018

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Contributed Surplus	Translation reserve	Other reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2017 (Restated)	63,338	253,563	-	9,428	30	(305,148)	21,211	671	21,882
Loss for the period (Restated)	-	-	-	-	-	(27,940)	(27,940)	(857)	(28,797)
Exchange difference arising from translation of financial statements of foreign operations (Restated)	-	-	-	(1,836)	-	-	(1,836)	-	(1,836)
Total comprehensive expenses for the period (Restated)	-	-	-	(1,836)	-	(27,940)	(29,776)	(857)	(30,633)
Issue of shares, under the right issue, net of expenses (Note a) (Restated)	158,346	60,013	-	-	-	-	218,359	-	218,359
At 30 September 2017 (Restated)	<u>221,684</u>	<u>313,576</u>	<u>-</u>	<u>7,592</u>	<u>30</u>	<u>(333,088)</u>	<u>209,794</u>	<u>(186)</u>	<u>209,608</u>
At 1 July 2018	<b>221,684</b>	<b>313,576</b>	<b>-</b>	<b>219</b>	<b>30</b>	<b>(383,397)</b>	<b>152,112</b>	<b>(3,006)</b>	<b>149,106</b>
Loss for the period	-	-	-	-	-	(15,830)	(15,830)	(5,811)	(21,641)
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	(962)	-	-	(962)	-	(962)
Total comprehensive expenses for the period	-	-	-	(962)	-	(15,830)	(16,792)	(5,811)	(22,603)
Cancellation of paid-up capital (Notes b and c)	(220,576)	-	220,576	-	-	-	-	-	-
Reduction of share premium and transfer to contributed surplus (Note d)	-	(313,576)	313,576	-	-	-	-	-	-
At 30 September 2018	<u>1,108</u>	<u>-</u>	<u>534,152</u>	<u>(743)</u>	<u>30</u>	<u>(399,227)</u>	<u>135,320</u>	<u>(8,817)</u>	<u>(126,503)</u>

*Notes:*

- (a) Pursuant to an ordinary resolution passed at a special general meeting of the Company on 6 July 2017, the shareholders of the Company have approved the increase in authorised share capital of the Company from HK\$150,000,000 (divided into 3,000,000,000 shares of a par value of HKD0.05 per share) to HK\$500,000,000 (divided into 10,000,000,000 shares of a par value of HKD0.05 per share) by the creation of an additional 7,000,000,000 unissued shares that rank pari passu with all existing shares. Details are set out in the announcements dated 16 May 2017 and 6 July 2017.

On 10 August 2017, the Company issued and allotted 3,166,918,125 rights shares at a price of HKD0.07 per rights share on the basis of five rights shares for every two existing shares to subscribers. Details are set out in the announcements dated 16 May 2017, 6 July 2017 and 9 August 2017.

- (b) The contributed surplus of the Company represents the credit arising from a capital reduction of the Company and the contributed surplus will be used to offset accumulated losses of the Company. Any credit standing in the contributed surplus account of the Company will be used in any manner permitted by laws of Bermuda and the bye-laws of the Company.

- (c) Capital reorganisation

Pursuant to an ordinary resolution passed at the special general meeting on 7 August 2018, the shareholders of the Company approved the capital reorganisation whereby every 20 issued and unissued shares of HK\$0.05 were consolidated into 1 consolidated share of HK\$1. Immediately upon the share consolidation became effective, the issued share capital of the Company was reduced by cancelling the paid up capital of the Company to the extent of HK\$0.995 on each of the then issued consolidated shares such that the par value of each issued consolidated share was reduced from HK\$1 to HK\$0.005.

- (d) A reduction of HK\$313,576,412 standing to the credit of the share premium account of the Company and the transfer such amount to the contributed surplus account was approved by the shareholders at the special general meeting on 7 August 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company acts as an investment holding company and the Group was principally engaged in (a) energy saving service and related products; (b) provision of insurance brokerage and related services in Hong Kong; (c) the provision of asset management services in Hong Kong; (d) provision of money lending services in Hong Kong; (e) provision of information technology services in the Philippines; and (f) livestock business in Mainland China during the three months ended 30 September 2018.

### **Business Review**

#### *Provision of energy saving solutions and the sale of related products*

The performance of energy saving business was significantly influenced by the competitive price of crude oil and the continuous decline in real estate sales in Mainland China. Given the poor performance of the energy saving business, the Company disposed two subsidiaries which were engaged in the provision of energy saving solutions and sale of energy saving products on 31 October 2017.

#### *Provision of insurance brokerage and related services*

Revenue increased by 150% to approximately HK\$14,935,000 because the marketing and promotion previously performed became effective during the period.

The Company has currently identified several overseas markets including but not limited to Japan, the Philippines and Thailand for the geographical expansion of its business.

#### *Asset management services*

In view of the limited financial resources of the Group and the change of key management staff, the Company decided not to develop asset management business in the foreseeable future. The goodwill amounting to HK\$4,258,000 arising from the acquisition of the asset management business segment was impaired in full during the year ended 30 June 2018. This segment did not generate any revenue for the three months ended 30 September 2018.

### ***Money lending business***

The money lending business of the Company recorded revenue of approximately HK\$4,828,000 which represents an increase of approximately 43% from the corresponding period in 2017.

Benefited from its successful marketing campaign, the Company will continue with its marketing campaign so as to get further market share in the money lending industry.

### ***Livestocks business***

The Group is constantly exploring opportunities in the diversification of business risk with a view to maximizing returns to the Group and the shareholders of the Company as a whole in the long run. As part of the Company's diversification plan, the Company has expanded into the industry of livestock business through developing the farms in Mainland China. This segment did not record any revenue during the period. The Company will closely monitor the performance of this new business segment.

### ***Information technology service***

The information technology service business mainly includes the provision of online gaming platforms and software applications in the Philippines. The segment revenue increased from approximately HK\$1,416,000 for the corresponding period in 2017 to HK\$3,023,000 for the three months ended 30 September 2018. The increase is mainly attributable to the increase in number of customers.

### **Financial Review**

The Group's revenue increased from approximately HK\$13,896,000 for the three months ended 30 September 2017 to approximately HK\$23,019,000 for the three months ended 30 September 2018, representing an increase of approximately HK\$9,123,000 or 66%. The increase in the Group's revenue for the three months ended 30 September 2018 was mainly because of the increase in revenue from the provision of insurance brokerage and related services.

The distribution costs for the period ended 30 September 2018 decreased by approximately 14% to approximately 6,240,000, as compared to the previous corresponding period (2017: approximately HK\$7,246,000). Decrease in distribution costs was mainly due to the decrease of marketing expenses.

Administrative expenses for the period ended 30 September 2018 was approximately HK\$14,358,000, a decrease of approximately HK\$7,217,000 or 33% as compared with the previous corresponding period (2017: approximately HK\$21,575,000). The increase in administrative expenses was due mainly to decrease in travelling and entertainment expenses.

The finance costs for the three months ended 30 September 2018 increased by approximately 14% to approximately HK\$7,535,000 as compared to previous year (2017: approximately HK\$6,597,000). Increase in finance costs was mainly the increase of interest expenses on corporate bonds and other borrowings.

The Group recorded a net loss of approximately HK\$21,641,000 for the three months ended 30 September 2018, representing a decrease of approximately HK\$7,156,000 or 25% as compared to the previous corresponding period (2017: approximately HK\$28,797,000 (restated)). Significant decrease in net loss was a result of the increase in revenue.

Loss per share for the three months ended 30 September 2018 was 7.14 cents (2017: 23.65 cents (restated)).

## **Prospects**

The Group is taking positive steps to restructure the Group's business operations in order to maximise the returns to the shareholders of the Company.

Looking forward, the Group will continue to look for appropriate investment opportunities with reasonable and potential returns to enhance the Group's future development opportunity. Besides, the Company may carry out fund raising activities including but not limited to placing of new shares and issuance of corporate bonds.

## **Capital Structure**

Other than as disclosed under the section “MAJOR EVENT DURING THE PERIOD”, the Company had no capital raising activity during the year under review.

## **DIVIDENDS**

The directors do not recommend the payment of any dividend for the period ended 30 September 2018 (30 September 2017: Nil).

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme (the “Scheme”) pursuant to a resolution passed by the shareholders of the Company on 5 November 2010. Under the Scheme, the Board may grant share options to the eligible persons to subscribe for such number of shares during such period of time as the board of directors may determine.

As at 30 September 2018, none of the Directors, employees and other eligible persons of the Company or its subsidiaries were granted options to subscribe for the shares of the Company.

## **MAJOR EVENTS DURING THE PERIOD**

Pursuant to a special resolution passed at a special general meeting of the Company held on 7 August 2018, every twenty issued and unissued shares of nominal value of HK\$0.05 each in the share capital of the Company be consolidated into one issued share of nominal value of HK\$1. Any fractional consolidated share in the issued share capital of the Company arising from the share consolidation shall be cancelled and the nominal value of all the issued consolidated shares shall be reduced from HK\$1 each to HK\$0.005 each and the issued share capital of the Company shall be reduced by HK\$0.995 per consolidated share in issue. The amount standing to the credit of the share premium account of the Company be reduced to nil. Details are set out in the announcement dated 26 June 2018, 17 July 2018 and 7 August 2018 and circular dated 17 July 2018.

## **EVENTS AFTER THE REPORTING PERIOD**

The Group had no material event after the reporting period.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) with written terms of reference, for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The unaudited financial results for the three months ended 30 September 2018 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial results complied with the applicable accounting standards and requirements and adequate disclosure have been made.

## **PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY**

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **OTHER INFORMATION**

### **Directors’ and chief executives’ interests or short positions in the shares, underlying shares or debentures of the company or any associated corporations**

As at 30 September 2018, none of the directors or chief executives of the Company had any interests and short positions 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 under the 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 any interests and short positions which they have taken or deemed to have taken 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 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

### **Directors’ and chief executives’ rights to acquire shares or debt securities**

Other than the share option scheme adopted by the Company on 5 November 2010, at no time during the three months ended 30 September 2018 was Company nor any of its subsidiaries a party to any arrangement to enable the directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the three months ended 30 September 2018.



## Substantial shareholders

As at 30 September 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name	Capacity/ Nature of interest	No. of shares (Note 1)	Approximate percentage of interest
Button Hill Limited (Note 2)	Beneficial owner	37,987,401 (L)	17.14%
Sino Ahead Holdings Limited (Note 2)	Interest in a controlled corporation	37,987,401 (L)	17.14%
Mr. Hui Chi Kwan (Note 2)	Interest in a controlled corporation	37,987,401 (L)	17.14%

### Notes:

1. The Letter “L” – denotes a long position in shares.
2. The interest disclosed represents the corporate interest in 37,996,683 shares held by Button Hill Limited, which is wholly owned by Sino Ahead Holdings Limited. Sino Ahead Holdings Limited is wholly owned by Mr. Hui Chi Kwan.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 30 September 2018.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at 30 September 2018, none of the directors of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group during the period.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 15 to the GEM Listing Rules.

The Company is in compliance with the CG Code contained in Appendix 15 of the GEM Listing Rules and the code provisions of the CG Code save for the deviation as explained below:

The code provision A4.1 provides that non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from the provision in that all independent non-executive Directors are not appointed for specific term. They are, however, subject to retirement by rotation and re-election. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long time interest of the Company's shareholders and the retirement and the re-election requirements of independent non-executive Directors have given the Company's shareholders the right to approve continuation of independent non-executive Directors' offices.

Save as the aforesaid and in the opinion of the Directors, the Company has met all relevant code provisions set out in the CG Code during the three months ended 30 September 2018.

## ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings (“Standard Dealings”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and all the Directors confirmed that they have complied with the Standard Dealings during the three months ended 30 September 2018.

By order of the Board

**Chow Yik**

*Chairman*

Hong Kong, 12 November 2018

*As at the date of this report, the board of directors of the Company comprises Mr. Chow Yik and Mr. Leung King Fai as executive directors, and Mr. Ng Chi Ho, Dennis, Ms. Chan Sin Wa, Carrie and Mr. Chung Shu Kun Christopher as independent non-executive directors.*

*This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.*