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SATU

SATU HOLDINGS LIMITED

舍圖控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8392)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2018**

The board of directors (the “**Board**”) of Satu Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 June 2018. This announcement, containing the full text of the first quarterly report of the Company for the three months ended 30 June 2018 (the “**2018 First Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (“**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of unaudited quarterly results. Printed version of the 2018 First Quarterly Report will be delivered to the shareholders of the Company and available for viewing on the websites of GEM at www.hkgem.com and of the Company at www.bnc.cc in due course.

By order of the Board
Satu Holdings Limited
She Leung Choi
Chairman

Hong Kong, 13 August 2018

As at the date of this announcement, the executive Directors are Mr. She Leung Choi, Ms. Chan Lai Yin, Mr. She Leung Ngai Alex; and the independent non-executive Directors are Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan.

This announcement, for which the Directors 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 of Hong Kong Limited 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication. This announcement will also be published on the Company’s website at www.bnc.cc.

CHARACTERISTICS OF 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 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 that the 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange 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 Satu 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.*

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MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017. The information should be read in conjunction with the prospectus of the Company dated 29 September 2017 (the “**Prospectus**”).

BUSINESS REVIEW AND OUTLOOK

The Group is a provider of homeware products with headquarters in Hong Kong. We are principally engaged in the design, development and production management of a wide variety of homeware products with operations in the People’s Republic of China (“**PRC**”) and Hong Kong, and has built a diverse global customer portfolio comprising international brand owners and licensee, chain supermarkets and renowned department stores. Our homeware products were exported to overseas principally, with Europe being our major shipment destination. Our Group also commenced the sales of our own branded products which are being sold through third party e-commerce platform since August 2016.

The Group’s competitive strengths include (i) well-established relationships with our major customers which are international brand owners and licensee, chain supermarkets and renowned department stores; (ii) strong and established product design and development capabilities; (iii) streamlined business model which allows us to manage our cost effectively; (iv) stringent quality assurance system and (v) experienced and dedicated management team with extensive industry experience.

Looking forward, we will continue to seize opportunities to strengthen our position in the homeware products industry by (i) broadening the existing customer base, increasing our market share in the existing target markets and expanding into new market; (ii) enhancing design and development capabilities to develop more new product lines to enrich our product portfolio; (iii) enhancing brand recognition and awareness and promoting our corporate reputation; and (iv) enhancing our quality assurance system.

MANAGEMENT DISCUSSION AND ANALYSIS

During the three months ended 30 June 2018, there was no material adverse change in the general economic and market conditions in the PRC and Hong Kong or the industry in which the Group operates that had affected or would affect the business operation or financial condition materially and adversely.

We expect that the coming years should continue to be challenging for the keen competition in our homeware sector in the European market, in view of the intense price competition for our products. To cope with the new market situation, the Group seizes the opportunity to work closer with our major customers by enhancing our quality and design services, and diversifying our product range. On the other side, our newly established America marketing team is exploring business opportunities in North/South American market. Revenue was yet to be generated from this new marketing team at this start-up stage. In addition, our e-commerce team is widening our product category in order to enlarge the market share in the fast-growing online distribution channel in the European and American markets.

FINANCIAL REVIEW

Revenue

The Group's revenue for the three months ended 30 June 2018 was approximately HK\$11.5 million, representing a slight decrease of approximately 1.7% as compared to that of approximately HK\$11.7 million for the three months ended 30 June 2017, maintaining stable sales demand from our customers.

Cost of Sales

The Group's cost of sales decreased by approximately 2.4% from approximately HK\$8.3 million for the three months ended 30 June 2017 to approximately HK\$8.1 million for the three months ended 30 June 2018, which was in line with the decrease in revenue during the three months ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

Gross profit decreased by 0.7% to approximately HK\$3.4 million for the three months ended 30 June 2018. The gross profit margin was relatively stable for the three months ended 30 June 2018 and 2017.

Selling and Distribution Expenses

During the three months ended 30 June 2018, selling and distribution expenses were approximately HK\$1.8 million, representing an increase of approximately 38.5%, from approximately HK\$1.3 million for the three months ended 30 June 2017. Such increase was mainly attributable to the establishment of the Group's new America marketing team and salary increment of marketing staff.

Administrative Expenses

The Group's administrative expenses increased by approximately 52.9% from approximately HK\$1.7 million for the three months ended 30 June 2017 to approximately HK\$2.6 million for the three months ended 30 June 2018. Such increase was mainly due to the increase in salaries, allowances and other benefits as a result of the Group's expansion on management team, and the increase in recurring corporate expenses after listing of the Company's shares (the "Shares") in October 2017.

Income Tax Expense

No income tax expenses was provided for the Group for the three months ended 30 June 2018 as no assessable profit was generated for the period, while approximately income tax expenses of HK\$0.1 million was provided for the three months ended 30 June 2017.

Loss for the Period

The Group recorded loss of approximately HK\$0.8 million for the three months ended 30 June 2018, while profit of approximately HK\$0.5 million for the three months ended 30 June 2017 was recorded. The decrease was mainly attributable to the increase in selling and distribution expenses and administrative and other operating expenses, in particular the staff costs and the recurring corporate expenses.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution of the then shareholders of the Company on 22 September 2017 to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No option has been granted up to 30 June 2018 and the date of this report.

DIVIDENDS

The Board takes into account, among other factors, the Group's overall results of operation, financial position and capital requirements in considering the declaration of dividends. The Board does not recommend a payment of a dividend for the three months ended 30 June 2018.

CORPORATE GOVERNANCE

Pursuant to code provision A.2.1 of the Corporate Governance Code (“**CG Code**”) and Corporate Governance Report in Appendix 15 to the GEM Listing Rules, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive and Mr. She Leung Choi (“**Mr. She**”) currently performs these two roles. Our Board believes that vesting the roles of both chairman and chief executive in Mr. She has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure enables our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive of our Company when it is appropriate and suitable, taking into account the circumstances of our Group as a whole.

Save for the deviation from the code provision of A.2.1 of the CG Code, the Company has adopted and complied with the code provisions of the CG Code as set out in Appendix 15 of the GEM Listing Rules, during the three months ended 30 June 2018.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors’ securities transactions 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 Company has made specific enquiry with all Directors and all Directors have confirmed, that they have complied with the required standard of dealings and the code of conduct regarding directors’ securities transactions adopted by the Company during the three months ended 30 June 2018.

OTHER INFORMATION

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, so far as our Directors are aware, the persons (other than the Directors and chief executive of the Company) who will have or be deemed or taken to have interests and/or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO will be as follows:

Name of Shareholder	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding
Hearthfire Limited ("Hearthfire")	Beneficial owner	611,250,000 (L) (Note 2)	61.125%
Top Clay Limited ("Top Clay")	Beneficial owner	52,500,000 (L) (Note 3)	5.25%
Ms. Sze Sau Taap ("Ms. Sze")	Interest of controlled corporation	52,500,000 (L) (Note 3)	5.25%
Present Moment Limited ("Present Moment")	Beneficial owner	86,250,000 (L) (Note 4)	8.625%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the Shares.
2. Hearthfire is wholly-owned by Mr. She, an executive Director, and by virtue of the SFO, Mr. She is deemed to be interested in all the Shares held by Hearthfire.
3. Top Clay is wholly-owned by Ms. Sze and by virtue of the SFO, Ms. Sze is deemed to be interested in all the Shares held by Top Clay.
4. Present Moment is wholly-owned by Ms. Chan Lai Yin ("Ms. Chan"), an executive Director, and by virtue of the SFO, Ms. Chan is deemed to be interested in all the Shares held by Present Moment.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules will be as follows:

(i) Interest in the Company

Name of Director	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding
Mr. She	Interest of controlled corporation	611,250,000 (L) (Note 2)	61.125%
Ms. Chan	Interest of controlled corporation	86,250,000 (L) (Note 3)	8.625%

Notes:

1. The letter "L" denotes a long position in the Director's interest in the Shares.
2. 611,250,000 Shares are held by Hearthfire, which is wholly-owned by Mr. She, an executive Director, and by virtue of the SFO, Mr. She is deemed to be interested in all the Shares held by Hearthfire.
3. 86,250,000 Shares are held by Present Moment, which is wholly-owned by Ms. Chan, an executive Director, and by virtue of the SFO, Ms. Chan is deemed to be interested in all the Shares held by Present Moment.

OTHER INFORMATION

(ii) Interest in associated corporations

Name of Director	Name of associated corporation	Capacity	Number of shares in associated corporation held (L)	Approximate percentage of shareholding
Mr. She	Hearthfire	Beneficial owner	1 share of US\$1.00 each	100%

Note: The letter “L” denotes a long position in the Director’s interest in the shares of the associated corporation.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the three months ended 30 June 2018.

INTERESTS OF COMPLIANCE ADVISER

As at 30 June 2018 and the date of this report, as notified by the Company’s compliance adviser, Sunfund Capital Limited (the “**Compliance Adviser**”), except for the compliance adviser agreement dated 12 June 2017 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the three months ended 30 June 2018.

OTHER INFORMATION

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 22 September 2017 with its written terms of reference in compliance with the GEM Listing Rules. The Audit Committee, comprising three independent non-executive Directors, namely Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan, has reviewed the accounting standards and policies adopted by the Group and the quarterly report including the unaudited condensed consolidated financial information of the Group for the three months ended 30 June 2018.

By order of the Board
Satu Holdings Limited
She Leung Choi
Chairman

Hong Kong, 13 August 2018

As at the date of this report, the executive Directors are Mr. She Leung Choi, Ms. Chan Lai Yin, Mr. She Leung Ngai Alex; and the independent non-executive Directors are Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2018

		Three months ended 30 June	
		2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
	<i>Notes</i>		
Revenue	4	11,466	11,700
Cost of sales		(8,114)	(8,324)
Gross profit		3,352	3,376
Other income and net gains	4	204	213
Selling and distribution expenses		(1,820)	(1,330)
Administrative and other operating expenses		(2,576)	(1,650)
(Loss)/profit from operations		(840)	609
Finance costs	5	(7)	(16)
(Loss)/profit before tax		(847)	593
Income tax expense	6	–	(110)
(Loss)/profit for the period attributable to owners of the Company	7	(847)	483
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
Basic and diluted	8	HK(0.08) cents	HK0.05 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2018

	Three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
(Loss)/profit for the period	(847)	483
Other comprehensive income: <i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(16)	6
Other comprehensive income for the period, net of tax	(16)	6
Total comprehensive income for the period attributable to owner of the Company	(863)	489

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	
At 1 April 2017	20	–	–	8	(38)	23,401	23,391
Profit and total comprehensive income for the period	–	–	–	–	6	483	489
At 30 June 2017 (unaudited)	20	–	–	8	(32)	23,884	23,880
At 1 April 2018	10,000	36,793	(360)	8	(10)	11,467	57,898
Loss and total comprehensive income for the period	–	–	–	–	(16)	(847)	(863)
At 30 June 2018 (unaudited)	10,000	36,793	(360)	8	(26)	10,620	57,035

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 June 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability and is domiciled in Hong Kong. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is Unit 2504, 25/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange on 16 October 2017.

The Company is an investment holding company. The principal activities of its principal subsidiaries are the design, development and production management of a wide variety of homeware products.

In the opinion of the Directors, as at 30 June 2018, Hearthfire Limited, a company incorporated in the British Virgin Islands (the "BVI") is the immediate and ultimate parent, and Mr. She who is the director of the Company, is the ultimate controlling party.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the three months ended 30 June 2018 has been prepared in accordance with the applicable disclosure requirement of the GEM Listing Rules, and with applicable Hong Kong Accounting Standard ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Pursuant to the group reorganisation as set out in the section headed "History, Development and Reorganisation" in the Prospectus, which was completed on 21 September 2017 (the "Reorganisation"), the Company became the holding company of its subsidiaries now comprising the Group. The shares of the Company were listed on GEM of the Stock Exchange on 16 October 2017. The unaudited condensed consolidated financial information of the Group has been prepared as if the Group had always been in existence throughout both periods presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

The unaudited condensed consolidated financial information have been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 March 2018, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3. The preparation of the unaudited condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 June 2018

2. BASIS OF PREPARATION (CONTINUED)

The unaudited condensed consolidated financial information have been prepared under the historical cost convention. The unaudited condensed consolidated financial information are unaudited but has been reviewed by the Company's audit committee.

This unaudited condensed consolidated financial information are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK\$'000") unless otherwise indicated.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018, as described in those annual financial statements. In the current period, the Group has applied, for the first time, the following amendments issued by the HKICPA:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The application of the above amendments to HKFRSs in the current period has had no material effect on the amounts reported in the unaudited condensed consolidated financial information and/or disclosures set out in the unaudited condensed consolidated financial information.

The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective in the unaudited condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 June 2018

4. REVENUE AND SEGMENT INFORMATION

Revenue and other income and net gains recognised are as follows:

	Three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue		
Sales of homeware products	11,466	11,700
Other income and net gains		
Interest income	63	–
Packaging income	19	142
Sampling income	28	20
Foreign exchange gains, net	28	–
Others	66	51
	204	213

Segment information

The executive directors of the Company, being the chief operating decision maker, regularly review revenue analysis by customers and by locations. The executive directors of the Company considered the operating activities of designing and trading of homeware products as a single operating segment. The operating segment has been identified with reference to the internal management reports and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 June 2018

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers, based on location of delivery to customers is as follows:

	Three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue		
United Kingdom	5,763	4,495
Denmark	1,282	2,333
France	625	1,480
Russia	583	450
United States	582	680
Australia	500	182
Poland	422	650
Others	1,709	1,430
	11,466	11,700

An analysis of the Group's non-current assets by their geographical location is as follows:

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
	Hong Kong	862
PRC	62	124
	924	1,074

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 June 2018

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Customer A	3,516	2,351
Customer B	1,545	2,629
Customer C	N/A	2,267
Customer D	1,495	N/A

5. FINANCE COSTS

	Three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Finance lease charges	7	–
Interest on bank borrowings	–	16
	7	16

6. INCOME TAX EXPENSE

	Three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current tax — Hong Kong Profits Tax	–	110

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 June 2018

6. INCOME TAX EXPENSE (CONTINUED)

The Company was incorporated in the Cayman Islands and B & C Industries (BVI) Limited was incorporated in the BVI that are tax exempted as no business carried in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI respectively.

No provision for Hong Kong Profits Tax has been made for the three months ended 30 June 2018 as no assessable profit for the period. Hong Kong Profits Tax has been calculated at a rate of 16.5% on the estimated assessable profits for the three months ended 30 June 2017.

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

No PRC enterprise income tax has been made since the Group did not generate any assessable profits arising in the PRC for the three months ended 30 June 2018 and 2017.

7. (LOSS)/PROFIT FOR THE PERIOD

The Group's (loss)/profit for the period is stated after charging/(crediting) the following:

	Three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Cost of homeware products	8,114	8,324
Depreciation	154	92
Foreign exchange (gains)/losses, net	(28)	25
Operating lease charges in respect of:		
— Office premises	588	414
Staff costs including directors' emoluments		
— Salaries, allowances and bonus	1,788	1,245
— Retirement benefit scheme contributions	145	105

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 June 2018

8. (LOSS)/EARNING PER SHARE

Basic (loss)/earnings per share

The calculation of basic (Loss)/earnings per share is based on the (loss)/profit attributable to owners of the Company for the three months ended 30 June 2018 of loss of HK\$847,000 (Three months ended 30 June 2017: profit of HK\$483,000) and the weighted average of 1,000,000,000 ordinary shares in issue during the three months ended 30 June 2018 and 2017.

The number of ordinary shares for the purpose of calculating basic (loss)/earnings per share for the three months ended 30 June 2017 has been determined on the assumption that the Reorganisation and the capitalisation issue as set out in the section headed “History, Development and Reorganisation” to the Prospectus had been effective on 1 April 2017.

Diluted (loss)/earnings per share

There were no potential dilutive ordinary shares outstanding during the three months ended 30 June 2018 and 2017, and hence the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

9. DIVIDENDS

The Directors do not recommend a payment of dividend of the Company for the three months ended 30 June 2018 (2017: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 June 2018

10. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in this report, the Group had the following transactions with its related parties:

	Three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Rental expense to Pansino Homeware (Shenzhen) Co., Ltd.*	418	252

* For identification purpose only

- (b) The remuneration of directors and other members of key management was as follows:

	Three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Short-term benefits	648	271