



財華社
FINET

Finet Group Limited

(Continued in Bermuda with limited liability)
(Stock Code: 08317)

MOVING FORWARD 2018/19

Hong Kong
Shenzhen
Beijing

THIRD
QUARTERLY
REPORT



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 higher 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 Finet Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on GEM (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 in this report misleading.*



RESULTS HIGHLIGHTS

- The Group reported a turnover of approximately HK\$10,525,000 for the nine months ended 31 December 2018, representing a decrease of approximately 16.1% from approximately HK\$12,545,000 for the same period in 2017.
- The Group's unaudited consolidated loss attributable to owners of the Company for the nine months ended 31 December 2018 was approximately HK\$(26,248,000).
- The Board does not recommend the payment of dividend for the nine months ended 31 December 2018.



The board of Directors (the “Board”) is pleased to present the unaudited results of the Group for the three months and nine months ended 31 December 2018, together with the comparative unaudited figures for the corresponding period in 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2018

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	3	2,674	4,055	10,525	12,545
Cost of sales		(420)	(340)	(1,806)	(1,971)
Gross profit		2,254	3,715	8,719	10,574
Other income and other losses	3	69	571	(1,178)	9,598
Selling and marketing expenses		(12)	—	(82)	(11)
General and administrative expenses		(10,893)	(13,350)	(32,590)	(41,243)
Finance costs	5	(92)	(1,750)	(343)	(6,902)
Loss before income tax		(8,674)	(10,814)	(25,474)	(27,984)
Income tax expense	6	(36)	(37)	(231)	(107)
Deferred tax credit		199	268	598	838
Loss for the period		(8,511)	(10,583)	(25,107)	(27,253)
Loss for the period attributable to:					
Owners of the Company		(9,260)	(10,449)	(26,248)	(24,983)
Non-controlling interests		749	(134)	1,141	(2,270)
		(8,511)	(10,583)	(25,107)	(27,253)
Loss per share for loss attributable to the owners of the Company during the period					
— Basic and diluted (in HK cents)	8	(1.39)	(1.88)	(3.94)	(4.65)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2018

Notes	For the three months ended 31 December		For the nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Loss for the period	(8,511)	(10,583)	(25,107)	(27,253)
Other comprehensive income				
Currency translation differences	1,492	224	6	2,117
Other comprehensive income for the period	1,492	224	6	2,117
Total comprehensive expense for the period	(7,019)	(10,359)	(25,101)	(25,136)
Total comprehensive expense for the period, attributable to:				
Owners of the Company	(7,768)	(10,225)	(26,242)	(22,866)
Non-controlling interests	749	(134)	1,141	(2,270)
	(7,019)	(10,359)	(25,101)	(25,136)



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The principal activity of Finet Group Limited (the “Company”) is investment holding. The Company and its subsidiaries (together the “Group”) are principally engaged in (i) the development, production and provision of financial information services and technology solutions to corporate and retail clients in Hong Kong and Greater China; (ii) media business; (iii) the securities and futures business that specializes in the provision of online securities and futures trading; (iv) money lending business; and (v) property investments.

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 24 June 2002. On 16 June 2011, the Company was deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The Company’s registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company’s principal place of business is situated at 30/F, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong.

The Company’s immediate and ultimate holding company is Maxx Capital International Limited incorporated in the British Virgin Islands (“BVI”) with limited liability and Pablos International Limited incorporated in the BVI with limited liability, respectively. The ultimate controlling party is Ms. LO Yuk Yee, who controls Pablos International Limited and is also the Chairman and executive Director of the Company.

The Company’s shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 7 January 2005.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) unless otherwise stated. These consolidated financial statements were approved and authorized for issue by the board of directors on 13 February 2019.



2. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the GEM Listing Rules.

The principal accounting policies and methods of computation used in the preparation of these accounts are consistent with those adopted in the preparation of the annual report of the Company for the year ended 31 March 2018.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual report, and should be read in conjunction with the Group’s annual report for the year ended 31 March 2018.

In the current reporting period, the Group has applied, for the first time, certain new standards, amendments to standards and interpretations issued by the HKICPA that are mandatorily effective for the current reporting period. Consequently, certain of the Group’s accounting policies have been changed to comply with these new standards including HKFRS 9 and HKFRS 15.

HKFRS 15 replaces the provisions of HKAS 18 “Revenue” (“HKAS 18”) and HKAS 11 “Construction Contracts” (“HKAS 11”) that relate to the recognition, classification and measurement of revenue and costs. The Group has adopted HKFRS 15 since 1 April 2018 and has elected to use the modified retrospective approach, with the cumulative effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated. The adoption of HKFRS 15 in the current period does not result in any material impact on the Group’s financial position and result of operations. Therefore, the Group considered no adjustment is necessary.

The adoption of other standards did not have any significant impact on the Group’s accounting policies and did not require retrospective adjustments.

The Group has not yet applied new or revised HKFRSs that have been issued but not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new or revised HKFRSs would have a material impact on its results of operations.

3. Revenue and Other Income and Gains

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied and services rendered. Revenue and other income and gains recognised during the period are as follows:

	Unaudited			
	For the three months ended 31 December		For the nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue				
Service income from provision of financial information services	319	144	746	822
Advertising, investor relationship and branding promotion and communication services income	1,703	3,087	8,053	8,933
Brokerage commission and service income from securities and futures business	271	—	274	4
Loan interest income	—	216	263	756
Rental income	381	608	1,189	2,030
	2,674	4,055	10,525	12,545
Other income and other losses				
Gain on a bargain purchase	—	—	—	4,000
Gain on early redemption of convertible bonds	—	—	—	558
Interest income	2	2	7	5
Incomes from sharing of administrative expenses	346	565	1,688	2,120
Fair value change on financial assets at fair value through profit or loss	(280)	—	(2,899)	75
Reversal of provision for impairment loss of loan receivable	—	—	—	2,750
Sundry income	1	4	26	90
	69	571	(1,178)	9,598
Total income	2,743	4,626	9,347	22,143

4. Movement of Reserves

For the nine months ended 31 December 2018 (Unaudited)

	Attributable to owners of the Company												Non-controlling interests	Total equity
	Share Capital	Share premium	Merger reserve	Employee compensation reserve	Other reserve	Translation reserve	Convertible bonds equity reserve	Property revaluation reserve	Investment revaluation reserve	Warrants reserve	Accumulated losses	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 1 April 2017	5,290	259,631	4,870	393	1,776	(1,562)	13,307	9,969	—	—	(197,773)	96,101	(8,223)	67,678
Loss for the period	—	—	—	—	—	—	—	—	—	—	(24,983)	(24,983)	(2,270)	(27,253)
Other comprehensive expenses														
Fair value loss on available-for-sale financial assets	—	—	—	—	—	2,117	—	—	—	—	—	2,117	—	2,117
Total other comprehensive expenses	—	—	—	—	—	2,117	—	—	—	—	—	2,117	—	2,117
Total comprehensive expenses	—	—	—	—	—	2,117	—	—	—	—	—	(24,983)	(22,866)	(25,136)
Transactions with owners														
Early redemption of convertible bonds	—	—	—	—	—	—	(3,490)	—	—	—	2,037	(1,453)	—	(1,453)
Conversion of convertible bonds	1,376	58,332	—	—	—	—	(11,757)	—	—	—	—	47,561	—	47,561
Released of deferred tax liabilities upon conversion of convertible bonds	—	—	—	—	—	—	1,940	—	—	—	—	1,940	—	1,940
Total transactions with owners	1,376	58,332	—	—	—	—	(13,307)	—	—	—	2,037	48,438	—	48,438
Balance at 31 December 2017	6,666	318,163	4,870	393	1,776	535	—	9,969	—	—	(220,719)	121,673	(10,493)	111,180

	Attributable to owners of the Company												Non-controlling interests	Total equity
	Share Capital	Share premium	Merger reserve	Employee compensation reserve	Other reserve	Translation reserve	Convertible bonds equity reserve	Property revaluation reserve	Investment revaluation reserve	Warrants reserve	Accumulated losses	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 1 April 2018	6,665	320,095	4,870	—	1,776	274	—	9,989	—	—	(230,940)	112,729	(9,277)	103,452
Loss for the period	—	—	—	—	—	—	—	—	—	—	(26,248)	(26,248)	1,141	(25,107)
Other comprehensive income														
Currency translation differences	—	—	—	—	—	6	—	—	—	—	—	6	—	6
Total other comprehensive incomes	—	—	—	—	—	6	—	—	—	—	—	6	—	6
Total comprehensive incomes/ (expenses)	—	—	—	—	—	6	—	—	—	—	—	(26,242)	1,141	(25,101)
Transactions with owners														
Acquisition of a subsidiary	—	—	—	—	540	—	—	—	—	—	—	540	—	540
Total transactions with owners	—	—	—	—	540	—	—	—	—	—	—	540	—	540
Balance as at 31 December 2018	6,665	320,095	4,870	—	2,316	280	—	9,989	—	—	(257,188)	97,027	(8,136)	79,891

5. Finance Costs

	Unaudited			
	For the three months ended 31 December		For the nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Interest expenses on bank borrowings — not wholly repayable within five years	92	105	343	536
Effective interest expense on convertible bonds	—	1,645	—	6,366
	92	1,750	343	6,902

6. Income Tax Expense

The Company was incorporated in the Cayman Islands as an exempted company and, accordingly, was exempted from payment of Cayman Islands income tax. The Company was deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda effective on 16 June 2011. Accordingly, the Company is now exempted from payment of Bermuda income tax. The Company's subsidiaries established in the British Virgin Islands were exempted from payment of the British Virgin Islands income tax.

No Hong Kong profits tax has been provided for the three months and nine months ended 31 December 2018 (2017: Nil) as the Group had no assessable profit arising in or derived from Hong Kong for the period.

The PRC income tax of approximately HK\$231,000 during the nine months ended 31 December 2018 (2017: HK\$107,000) was mainly attributable to the net rental income from the investment properties of the Company in the PRC.



7. Dividend

The Board does not recommend the payment of dividend for the nine months ended 31 December 2018 (2017: Nil).

8. Loss Per Share

(i) Basic

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and nine months ended 31 December 2018 of approximately HK\$(9,260,000) and HK\$(26,248,000) respectively (three months and nine months ended 31 December 2017: approximately HK\$(10,449,000) and HK\$(24,983,000) respectively) and on the weighted average number of 666,538,774 ordinary shares in issue during the three months and nine months ended 31 December 2018 (weighted average number of 554,399,187 ordinary shares and 537,484,459 ordinary shares in issue during the three months and nine months ended 31 December 2017 respectively).

(ii) Diluted

The computation of diluted loss per share for the three months and the nine months ended 31 December 2018 did not assume the exercise of the Company's outstanding share options, warrants and convertible bonds during those periods since they are anti-dilutive, as their exercise would result in a decrease in loss per share.

For the three months and the nine months ended 31 December 2017, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options, warrants and convertible bonds during those periods since they are anti-dilutive as their exercise would result in a decrease in loss per share.

9. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following related party transactions during the period:

	Unaudited			
	For the three months ended 31 December		For the nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Incomes from sharing of administrative expenses received from International Links Limited <i>(note i)</i>	126	325	516	1,379
Incomes from sharing of administrative expenses received from Maxx Capital Finance Limited <i>(note i)</i>	220	480	1,172	1,221
Rental expenses paid to Avaya Lane Limited <i>(note i)</i>	—	—	—	138
Rental expenses paid to Cyber Feel Limited <i>(note i)</i>	991	978	2,972	2,653
Rental expenses paid to Great Heep International Investment Limited <i>(note i)</i>	87	87	261	145
Rental expenses paid to Maxon Management Limited <i>(note ii)</i>	—	—	—	594
Rental expenses paid to a director <i>(note iii)</i>	—	81	—	219



Notes:

- (i) Maxx Capital Finance Limited, Avaya Lane Limited, Great Heep International Investment Limited, Cyber Feel Limited and International Links Limited are beneficially owned by Ms. LO, the chairman and the executive director of the Company.
- (ii) Maxon Management Limited was beneficially owned by Ms. LO, the chairman and the executive director of the Company before 24 August 2017. The acquisition of Maxon Management Limited (the "Acquisition") was completed on 24 August 2017 and Maxon Management Limited became an indirectly wholly-owned subsidiary of the Company.
- (iii) Rental expenses paid to Ms. LO, the chairman and the executive director of the Company.

10. Comparative Figures

Certain comparative figures have been re-classified in order to conform with the presentation of current period.



MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued its Internet, Mobile and Media (“IMM”) growth strategy, the Group further strengthened its hold on media business with focus on financial sector through the continuous development of the “FinTV” branding. Both the broadness and depth of programmes offered by FinTV have continued to multiply. Being the only Cantonese and Chinese bilingual financial TV in Hong Kong, FinTV brings investors and financial elites in Greater China the latest professional report, through television, internet and mobile channels at the same time. The Group believes that the FinTV will be one of the major driver for future growth in business.

Media Business

The Group mainly conducted its media business through the establishment of Xian Dai TV Limited together with a number of subsidiaries (“Xian Dai”). In addition to the production and distribution of programmes through the branding “FinTV”, Xian Dai also engaged in financial public relationship and creative advertising.

Property Investment Business

The investment property in the PRC continued to provide stable income and positive contribution to the financial results of the Group.

Money Lending Business

Due to the keen competition within the market, the improvement in Group’s money lending business is still a challenging task.

Financial Information, Advertising and Investor Relationship Service Business

The Group continued to generate service income from provision of financial information service business. The income from the financial information, advertising and investor relationship service business slightly decreased in this financial period.



Securities and Futures Business

The revenue generated from securities and futures business decreased because of decrease in special administration service income from handling of stock.

Financial Review

The Group reported a turnover of approximately HK\$10,525,000 for the nine months ended 31 December 2018, representing a decrease of approximately 16.1% from approximately HK\$12,545,000 for the same period in 2017.

During the nine months ended 31 December 2018, the Group recorded cost of sales amounting to approximately HK\$1,806,000, representing a decrease of 8.4% from approximately HK\$1,971,000 for the same period in 2017.

Other income and other losses of the Group for the nine months ended 31 December 2018 was a loss of approximately HK\$1,178,000 (2017: a gain of approximately HK\$9,598,000), which represented a decrease of approximately 112.3% when compared to that of last period. The decrease was mainly due to: (i) a gain on a bargain purchase arising from the acquisition of entire interest in Maxon Management Limited on 24 August 2017 of approximately HK\$4,000,000, which only included for the nine months ended 31 December 2017; (ii) a reversal of provision for impairment loss of loans receivable of approximately HK\$2,750,000 which only included for the nine months ended 31 December 2017; (iii) fair value loss on financial assets at fair value through profit or loss of approximately HK\$(2,899,000) for the nine months ended 31 December 2018 (2017: gain of HK\$75,000) and (iv) incomes from sharing of administrative expenses of approximately HK\$1,688,000 (2017: HK\$2,120,000).

General and administrative expenses of the Group for the nine months ended 31 December 2018 was approximately HK\$32,590,000 (2017: HK\$41,243,000), which represented a decrease of approximately 21.0% when compared to that of last period.



Finance costs for the nine months ended 31 December 2018 was approximately HK\$343,000, which represented interest expenses on bank borrowings. Finance costs for the nine months ended 31 December 2017 was approximately HK\$6,902,000, which included effective interest expenses on convertible bonds of approximately HK\$6,366,000, and interest expenses on bank borrowings of approximately HK\$536,000.

The Group's unaudited condensed consolidated loss attributable to the owners of the Company for the nine months ended 31 December 2018 was approximately HK\$26,248,000 (2017: loss of HK\$24,983,000).

Significant Investments Held

At 31 December 2018, the Group held financial assets at fair value through profit or loss of approximately HK\$1,419,000 (At 31 March 2018: HK\$5,813,000) representing highly liquid equity securities listed in the Stock Exchange of Hong Kong Limited. The equity investment as at 31 December 2018 consists of (i) 1,000,000 shares (At 31 March 2018: 12,500,000 shares) of equity securities of Daisho Microline Holdings Limited (SEHK: 567) which were acquired through placement in March 2017, (ii) 91,200 shares (At 31 March 2018: Nil) of equity securities of Xiaomi Corporation (SEHK: 1810).

During the nine months ended 31 December 2018, the Group recognized a loss on disposal of financial assets at fair value through profit or loss of HK\$(2,415,000) (2017: a gain of HK\$75,000) by disposal of 11,500,000 equity shares (2017: 7,500,000 equity shares) of Daisho Microline Holdings Limited and recognized a gain on disposal of financial assets at fair value through profit or loss of HK\$22,000 (2017: HK\$ Nil) by disposal of 4,700 equity shares (2017: Nil) of Tencent Holdings Limited. The Group had an unrealized loss on financial assets at fair value through profit or loss of approximately HK\$(506,000) (2017: an unrealized loss of HK\$(2,750,000)) for nine months ended 31 December 2018.

Set out below is a breakdown of the significant investments of the Group as at 31 December 2018 and 31 March 2018:

	Unaudited 31 December 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Current assets		
Financial assets at fair value through profit or loss		
Daisho Microline Holdings Limited (SEHK: 0567)	241	5,813
Xiaomi Corporation (SEHK: 1810)	1,178	—
	1,419	5,813

At 31 December 2018 (Unaudited)

Name of company	Fair value as at 31 March 2018 HK\$'000	Percentage to the Group's total assets as at 31 March 2018	Investment cost during the period ended 31 December 2018 HK\$'000	Investment cost of disposal of shares during the period ended 31 December 2018 HK\$'000	Fair value change on financial assets at fair value through profit or loss for the period ended 31 December 2018 HK\$'000	Fair value as at 31 December 2018 HK\$'000	Percentage to the Group's total assets as at 31 December 2018
Daisho Microline Holdings Limited (SEHK: 0567)	5,813	4.0%	—	(2,933)	(2,639)	241	0.3%
Tencent Holdings Limited (SEHK: 0700)	—	—	1,458	(1,489)	31	—	—
Xiaomi Corporation (SEHK: 1810)	—	—	1,469	—	(291)	1,178	1.4%
	5,813	4.0%	2,927	(4,422)	(2,899)	1,419	1.7%



Performance and Prospects of the Financial Assets at Fair Value through Profit or Loss

Daisho Microline Holdings Limited

Daisho Microline Holdings Limited (“Daisho Microline”) and its subsidiaries (together, the “Daisho Microline Group”) are principally engaged in investment holding, the manufacturing and trading of printed circuit boards (“PCB”) and the trading of petroleum and energy products.

Pursuant to the interim report of Daisho Microline for the period ended 31 September 2018, the Daisho Microline Group’s total revenue for the period ended 31 September 2018 was approximately HK\$348 million, representing an increase of 94% as compared with approximately HK\$179 million for the last period. The increase was resulted from the Daisho Microline Group engaging in the trading of petroleum and energy products and related business commenced since June 2017. The Daisho Microline Group’s net loss for the period ended 31 September 2018 was approximately HK\$17 million.

In the third quarter of the current year, the Group started the relocation of its PCB production activities to a newly furnished PCB plant from its industrial complex (the “Property”) in the Huizhou, PRC, which had been disposed of pursuant to the agreement entered into between Daisho Microline Limited and Juko Industrial Limited, wholly-owned subsidiaries of the Company, with an independent third party in August 2018. The relocation of the PCB production activities had nevertheless caused some disruptions in the Group’s production activities, which in turn led to the substantial increase in production costs. Even though the one-off relocation costs had brought about the adverse impact on the gross profit margin, the implementation of the new design of the production line in the new PCB plant and the replacement of certain obsolete machines will greatly improve the production efficiency by reducing the labour and production costs.



Xiaomi Corporation

Xiaomi Corporation (“Xiaomi”) and its subsidiaries, including controlled structured entities (together, the “Xiaomi Group”) are principally engaged in development and sales of smartphones, internet of things (“IoT”) and lifestyle products, provision of internet services and investments holding in the PRC and other countries or regions.

Pursuant to the interim report of Xiaomi for the period ended 30 June 2018, the Xiaomi Group’s total revenue for the period ended 30 June 2018 was approximately RMB79,648 million, representing an increase of 75% as compared with approximately RMB45,411 million for the last period. The increase in revenue was driven by strong sales growth in Smartphones and IoT and lifestyle products segments. The Xiaomi Group’s profit attributable to owners of the Xiaomi Group for the period ended 30 June 2018 was approximately RMB7,646 million.

Xiaomi continued to expand the efficient offline channels to more rural parts of China while maintaining the online channels in the second quarter of 2018. Xiaomi has recently established strategic partnerships with several leading companies to further strengthen its business.

The board of Directors (the “Board”) acknowledges that the performances of the equity investments may mainly be affected by worldwide economy and the degree of volatility in the PRC and Hong Kong stock markets, and susceptible to other external factors that may affect its value. In order to mitigate possible financial risk related to the equity investments, the management will closely monitor the performances of the equity investments and the changes of market condition.

Exposure to Fluctuation in Exchange Rates

The Group holds investment properties in Renminbi. The Group is therefore exposed to currency risks, as the value of the assets will fluctuate due to change in exchange rates. The risk of currency exposure is considered to be insignificant by the Directors and specific hedges may be taken out if necessary in the future.



Contingent Liabilities

At 31 December 2018, the Group had no significant contingent liabilities (At 31 March 2018: Nil).

Employee Information

At 31 December 2018, the Group had 112 (At 31 March 2018: 128) full-time employees in Hong Kong and the PRC.

The total staff costs (including Directors' remuneration) for the nine months ended 31 December 2018 was approximately HK\$20,600,000 (2017: HK\$21,582,000). Other benefits provided by the Group to the employees include contribution to the mandatory provident fund under the Mandatory Provident Fund Schemes Ordinance and medical coverage.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2018, the interests and short positions of the Directors and the 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 Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO) or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the shares and underlying shares of the Company and its associated corporations

Name of Director	Name of Group member/associated corporations	Number of shares and capacity in which the shares were held		Number of underlying shares and capacity in which the shares were held		Total number of shares	% of shares in issue <i>(Note 2)</i>
		Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation		
Executive Directors:							
Ms. LO Yuk Yee ("Ms. LO")	The Company	43,458,058 (L)	391,597,678 (L)	—	—	—	65.27%
Ms. LO	Maxx Capital International Limited ("Maxx Capital") <i>(Note 1)</i>	—	2 shares of US\$1 each	—	—	2 shares of US\$1 each	100%
Ms. LO	Pablos International Limited ("Pablos") <i>(Note 1)</i>	1,000 shares of US\$1 each	—	—	—	1,000 shares of US\$1 each	100%

(L) denotes long positions

Notes:

- 343,997,678 ordinary shares of HK\$0.01 each were held by Maxx Capital International Limited ("Maxx Capital") which was wholly-owned by Pablos International Limited ("Pablos"), and Pablos was wholly owned by Ms. LO Yuk Yee, ("Ms. LO"). Accordingly, Ms. LO were deemed by virtue of the SFO to be interested in 435,055,736 ordinary shares of HK\$0.01 each.
- As at 31 December 2018, the Company had 666,538,774 ordinary shares of HK\$0.01 each in issue.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company nor their respective associates had any interests or 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 SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN THE SHARES OF THE COMPANY

As at 31 December 2018, so far as the Directors are aware, persons other than Directors or chief executives of the Company who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long Positions in the Shares and Underlying Shares of the Company

Name of Shareholders	Capacity	Number of Shares held	Number of Underlying Shares held	Total Number of Shares	Approximate percentage of existing shareholding (Note 2)
Substantial shareholders					
Ms. LO (Note 1)	Beneficial Owner	43,458,058 (L)	—	435,055,736 (L)	65.27%
	Interest of Controlled Corporation	391,597,678 (L)			
Pablos (Note 1)	Interest of Controlled Corporation	343,997,678 (L)	—	343,997,678 (L)	51.61%
Maxx Capital (Note 1)	Beneficial Owner	343,997,678 (L)	—	343,997,678 (L)	51.61%
Broadgain International Limited	Beneficial Owner	43,800,000 (L)	—	43,800,000 (L)	6.57%
HKSCC Nominees Limited	Beneficial Owner	39,000,000 (L)	—	39,000,000 (L)	5.85%

(L) denotes long positions

Notes:

- 343,997,678 ordinary shares of HK\$0.01 each were held by Maxx Capital, which was wholly-owned by Pablos and Pablos was wholly-owned by Ms. LO, a director of the Company. Ms. LO is a director of each of Maxx Capital and Pablos.
- As at 31 December 2018, the Company had 666,538,774 ordinary Shares held HK\$0.01 each in issue.



PUBLIC FLOAT

The Directors will not repurchase the Shares on GEM if the repurchase would result in the number of the listed securities which are in the hands of the public falling below 25%, being the relevant minimum prescribed percentage for the Company as required by the GEM Listing Rules.

OUTSTANDING OPTIONS

As at 31 December 2018, the Company did not have any outstanding options.

OUTSTANDING UNLISTED WARRANTS

As at 31 December 2018, the Company did not have any outstanding warrants.

OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS

Save as disclosed above, the Directors are not aware of other person who, as at 31 December 2018, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the nine months ended 31 December 2018.



AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules. The audit committee of the Company comprises three members who are independent non-executive directors, namely, Mr. WONG Wai Kin, Mr. SIU Siu Ling, Robert and Mr. LEUNG Chi Hung with Mr. WONG Wai Kin as the chairman thereof.

The principal duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control procedures of the Group.

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2018 have been reviewed by the audit committee of the Company.

DIRECTORS' INTEREST IN CONTRACTS

Except for the transactions stated in Note 9 to the unaudited condensed consolidated financial statements, no contracts of significance in relation to the Group's business to which the Group was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted during or at the end of the nine months ended 31 December 2018 or at any time during such period (2017: Nil).

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 dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the nine months ended 31 December 2018. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions throughout the nine months ended 31 December 2018.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the nine months ended 31 December 2018.



CHANGE OF DIRECTOR AND COMPLIANCE OFFICER

With effect from 5 October 2018 Mr. Yiu Wing Hei (“Mr. Yiu”), resigned from the position as the executive Director and compliance officer of the Company. The reason for his resignation is to avoid any potential conflict of interests arising from his future ownership and/or commitments in relation to a business, which is in the same industry of the Company. Mr. Yiu confirmed that there is no disagreement with the Board and there is no matter which is required to draw the attention of the shareholders of the Company in relation to his resignation.

Ms. Lo Yuk Yee, chairman of the Board and executive Director, has been appointed as the compliance officer of the Company with effect from 5 October 2018

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 15 to the GEM Listing Rules during the nine months ended 31 December 2018, except for the following deviation:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be the same individual. During the nine months ended 31 December 2018, as the post of chief executive officer was vacant, the duties of chief executive officer have been undertaken by other executive members of the Board. The Board is in the process of identifying a suitable candidate to be appointed as the chief executive officer and will make further commitment upon the appointment.

By Order of the Board

LO Yuk Yee

Chairman and Executive Director

Hong Kong, 13 February 2019

As at the date of this report, the executive Directors are Ms. Lo Yuk Yee and Mr. Chow Wing Chau; and the independent non-executive Directors are Mr. Wong Wai Kin, Mr. Siu Siu Ling, Robert and Mr. Leung Chi Hung.