



takbo

Takbo Group Holdings Limited

德寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8436

Third Quarterly Report 2017



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This report, for which the directors (the “Directors”) of Takbo 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 the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company and its subsidiaries (together, the “Group”). 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Or Naam
Ms. Chan Hoi Yan Polly
Mr. Or Huen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tan Chong Huat
Mr. Sung Chi Keung
Mr. Wong, Irving Holmes Weng Hoong

AUDIT COMMITTEE

Mr. Sung Chi Keung (*Chairman*)
Mr. Tan Chong Huat
Mr. Wong, Irving Holmes Weng Hoong

REMUNERATION COMMITTEE

Mr. Tan Chong Huat (*Chairman*)
Mr. Sung Chi Keung
Mr. Or Naam

NOMINATION COMMITTEE

Mr. Wong, Irving Holmes Weng Hoong
(*Chairman*)
Mr. Sung Chi Keung
Mr. Or Huen

COMPANY SECRETARY

Mr. Ng Chit Sing

AUTHORIZED REPRESENTATIVES

Mr. Or Naam
Ms. Chan Hoi Yan Polly

COMPLIANCE OFFICER

Ms. Chan Hoi Yan Polly

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room B, 35th Floor, EGL Tower
83 Hung To Road, Kwun Tong
Kowloon, Hong Kong

INDEPENDENT AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

COMPLIANCE ADVISER

Lego Corporate Finance Limited
Room 1601, 16/F, China Building
29 Queen's Road Central
Central, Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road, Hong Kong

Nanyang Commercial Bank Limited
151 Des Voeux Road Central
Central
Hong Kong

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

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**

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

STOCK CODE

8436

COMPANY'S WEBSITE

www.takbogroup.com

HIGHLIGHTS

The Company's shares were successfully listed on GEM of the Stock Exchange on 27 October 2017 (the "Listing Date").

Revenue of the Group for the nine months ended 30 September 2017 amounted to approximately HK\$163.9 million, representing an increase of approximately 13.9% over the corresponding period of the previous year.

Gross profit of the Group for the nine months ended 30 September 2017 amounted to approximately HK\$56.4 million, representing an increase of approximately 3.4% over the corresponding period of the previous year. The gross profit margin of the Group decreased from approximately 37.9% to approximately 34.4% .

Profit attributable to equity holders of the Company for the nine months ended 30 September 2017 amounted to approximately HK\$13.1 million (including one-time listing expenses of approximately HK\$10.9 million) as compared to a profit attributable to equity holders of the Company of approximately HK\$21.5 million for the nine months ended 30 September 2016.

Earnings per share for the nine months ended 30 September 2017 was approximately HK4.38 cents as compared with the earning per share of approximately HK7.16 cents for the nine months ended 30 September 2016.

The Board does not recommend the payment of an interim dividend for nine months ended 30 September 2017 (nine months ended 30 September 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group are principally engaged in (i) the design, development, manufacture and sale of beauty products; and (ii) the design, development and sale of beauty bags.

The Group's beauty products, comprising colour cosmetics, toiletries and fragrances, are typically sold to retailers and brand owners overseas. Not only can the Group manufacture and sale products based on customers' specifications and guidelines, the Group can also leverage on the capabilities of our design and research and development teams by creating designs in line with the current market trend, enabling customers to enjoy the Group's "one-stop service" in terms of design, development and production of quality and tailor-made products.

In respect of the design, development and sale of beauty bags, the Group provides solutions to customers on market research and analysis, design and development and production management. This line of business is mainly for complementing our main line of beauty products manufacturing business and to diversify the products and services we are able to offer to our customers. The majority of our beauty bags are sold to customers under their own brands.

For the nine months ended 30 September 2017, by strengthening our sales strategy and client management, we recorded increases in sales on both beauty products and beauty bags compared to the nine months ended 30 September 2016, by approximately 2.4% and approximately 37.1% respectively.

Looking forward, the goal of the Group is to strengthen the position as a beauty products manufacturer and solutions provider of beauty bags to the extent that it can complement the Group's manufacture of beauty products, and leverage on our competitive advantages to expand our operation scale and increase overall profit. The Group plans to achieve this goal by utilizing the net proceeds from the listing on (i) increasing the production capabilities and capacities; (ii) expanding our Hong Kong headquarters to cope with the expansion of operations; and (iii) conducting promotional and marketing activities such as participating in local and global beauty exhibitions to improve the Group's branding and exposure to customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The following table sets out a breakdown of revenue of the Group and the percentage contribution to total revenue by product category for the nine months ended 30 September 2017 and 2016:

	For the nine months ended 30 September			
	2017		2016	
	HK\$'000	%	HK\$'000	%
Beauty products	98,716	60.2%	96,423	67.0%
Beauty bags	65,170	39.8%	47,526	33.0%
Total	163,886	100.0%	143,949	100.0%

Revenue of the Group for the nine months ended 30 September 2017 amounted to approximately HK\$163.9 million, representing an increase of approximately 13.8% over the corresponding period of the previous year. The increase was mainly attributable to the higher sales demand for non-seasonal beauty products and beauty bags from our existing customers.

The gross profit of the Group before income tax for the nine months ended 30 September 2017 amounted to approximately HK\$56.4 million, representing an increase of approximately 3.4% over the corresponding period of the previous year. The gross profit margin of the Group decreased from approximately 37.9% to approximately 34.4% due to more sales portion on beauty bags with relatively lower gross profit margin.

Profit attributable to equity holders of the Company for the nine months ended 30 September 2017 amounted to approximately HK\$13.1 million (including one-time listing expenses of approximately HK\$10.9 million) as compared to a profit attributable to equity holders of the Company of approximately HK\$21.5 million for the nine months ended 30 September 2016. Excluding the one-off listing expenses of approximately HK\$10.9 million, profit attributable to equity holders of the Company for the nine months ended 30 September 2017 would amount to approximately HK\$24.0 million, representing an increase of approximately 11.6% over the corresponding period of the previous year. Such change was due to the improved sales performance for the nine months ended 30 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group practiced prudent financial management and maintained a healthy financial position during the nine months ended 30 September 2017. As of 30 September 2017, the Group had cash and cash equivalents of approximately HK\$16.3 million (31 December 2016: approximately HK\$41.1 million). The decrease in cash and cash equivalents was attributable to payment of listing expenses and seasonal operating cash outflow for the nine months ended 30 September 2017.

The current ratio, calculated as the total current assets divided by total current liabilities, was approximately 2.3 times as at 30 September 2017 (31 December 2016: approximately 2.1 times). During the nine months ended 30 September 2017, the Group has obtained short-term banking facilities in relation to overdraft and trade financing in aggregate of up to HK\$21.0 million, which was pledged by a restricted cash of approximately HK\$1.2 million as at 30 September 2017. Save as disclosed above, as at 30 September 2017, the Group did not have any outstanding borrowing and other indebtedness and no gearing ratio is presented.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group increased by approximately HK\$9.9 million or approximately 56.6% from approximately HK\$17.5 million for the nine months ended 30 September 2016 to approximately HK\$27.4 million for the nine months ended 30 September 2017. The increase was mainly attributable to the listing expenses as well as professional fees incurred for the listing of the Company.

SELLING EXPENSES

The selling expenses of the Group decreased by approximately HK\$2.1 million or approximately 18.4% from approximately HK\$11.4 million for the nine months ended 30 September 2016 to approximately HK\$9.3 million for the nine months ended 30 September 2017. The decreased was mainly a result of selling relatively less portion for non-recurring seasonal gift set products for the nine months ended 30 September 2017, the sampling charges, inspection and testing fees as well as marketing expenses of which were higher as opposed to recurring non-seasonal standalone products.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk, primarily with respect to US\$ and Chinese Renminbi ("RMB") denominated transactions arising from the sales of beauty products and bags to customers and purchases from suppliers. Since HK\$ is pegged to US\$, the Directors are of the opinion that the foreign exchange risk arising from US\$ of the Group is insignificant.

The Group has not entered into any agreement to hedge our exchange rate exposure relating to RMB and will continue to monitor its foreign exchange exposure. The Group will consider hedging significant foreign currency exposure should the need arises.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 September 2017, the Group did not have any material contingent assets/liabilities (31 December 2016: Nil), save for capital commitment of approximately HK\$5.9 million in relation to expenditure on our factory expansion (31 December 2016: HK\$2.2 million).

CAPITAL STRUCTURE

The Company was incorporated in the Cayman Islands on 8 February 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 29 September 2017, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each by the creation of an additional 9,962,000,000 shares of HK\$0.01 each which rank pari passu in all respect with the existing shares.

The shares of the Company was listed on GEM of the Stock Exchange on 27 October 2017. On the same day, the Company's total number of ordinary shares, which are issued and fully paid, increased to 400,000,000 shares by issuing 399,999,997 new shares at HK\$0.69 per share comprising 299,999,997 shares arising from the capitalisation issue and 100,000,000 shares from public offer.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination its cash and cash equivalents, cash flows generated from operations, bank facilities, and net proceeds from the share offer.

INTERIM DIVIDEND

The board of the Directors of the Company (the "Board") does not recommend any interim dividend for the nine months ended 30 September 2017 (2016: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

The Group did not have any other plans for material investment and capital assets as at 30 September 2017 save for the factory expansion plan, details of which are set out in the Company's prospectus dated 13 October 2017.

SIGNIFICANT INVESTMENTS HELD

As at 30 September 2017, the Group did not have any significant investment in equity interest in any other company and did not own any properties (31 December 2016: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the nine months ended 30 September 2017.

UNAUDITED FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") is pleased to present the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the three months and the nine months ended 30 September 2017 (the "Period"), which has been reviewed by the audit committee of the Company, together with the comparative unaudited figures for the corresponding periods in 2016, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Three months ended		Nine months ended	
		30 September	2016	30 September	2016
		2017	(Unaudited)	2017	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	112,333	92,219	163,886	143,949
Cost of sales		(74,726)	(59,127)	(107,496)	(89,424)
Gross profit		37,607	33,092	56,390	54,525
Other income	4	20	12	32	185
Other (loss)/gains, net	4	(1,277)	46	(1,622)	220
Administrative expenses		(6,967)	(6,236)	(27,352)	(17,482)
Selling expenses		(5,487)	(6,930)	(9,310)	(11,388)
Finance costs, net		8	39	(15)	(45)
Profit before income tax	5	23,904	20,023	18,123	26,015
Income tax expense	6	(4,436)	(3,539)	(4,978)	(4,538)
Profit for the period		19,468	16,484	13,145	21,477
Other comprehensive loss for the period					
<i>Item that may be reclassified to profit or loss</i>					
Currency translation difference		—	—	(667)	(1,299)
Total comprehensive income for the period		19,468	16,484	12,478	20,178

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2017	2016	2017	2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period attributable to:					
Owners of the Company		19,468	16,484	13,145	21,477
Total comprehensive income for the period attributable to:					
Owners of the Company		19,468	16,484	12,478	20,178
Earnings per share		HK cents	HK cents	HK cents	HK cents
Basic and diluted earnings per share	8	6.49	5.49	4.38	7.16

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company							Total
	Share capital	Combined capital	Other reserve	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2016 and 1 January 2017 (audited)	—	10	—	36	472	2,143	78,638	81,299
Profit for the period	—	—	—	—	—	—	13,145	13,145
Other comprehensive loss for the period	—	—	—	—	—	(667)	—	(667)
Total comprehensive income for the period	—	—	—	—	—	(667)	13,145	12,478
Transactions with owners:								
Dividends (note 7)	—	—	—	—	—	—	(8,940)	(8,940)
Issuance of shares and effect of a group reorganisation	—	(10)	10	—	—	—	—	—
	—	(10)	10	—	—	—	(8,940)	(8,940)
At 30 September 2017 (unaudited)	—	—	10	36	472	1,476	82,843	84,837
At 31 December 2015 and 1 January 2016 (audited)	—	10	—	36	305	3,442	65,145	68,938
Profit for the period	—	—	—	—	—	—	21,477	21,477
Other comprehensive loss for the period	—	—	—	—	—	(1,299)	—	(1,299)
Total comprehensive income for the period	—	—	—	—	—	(1,299)	21,477	20,178
Transactions with owners:								
Dividends (note 7)	—	—	—	—	—	—	—	—
At 30 September 2016 (unaudited)	—	10	—	36	305	2,143	86,622	89,116

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND GROUP REORGANISATION

Takbo Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 8 February 2017 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

In preparation for the listing of shares of the Company on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Group has undergone the reorganisation (“Reorganisation”) whereupon the Company became the holding company and the listing vehicle of the Group and the operating subsidiaries were transferred to the Company. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Group Structure” of the prospectus of the Company dated 13 October 2017 (the “Prospectus”).

Upon Reorganisation, the Company is an investment holding company and its subsidiaries now comprising the Group (together, the “Group”) are principally engaged in the design, development, manufacture and sale of beauty products, and the design, development and sale of beauty bags.

The shares of the Company were listed on GEM of the Stock Exchange on 27 October 2017.

The condensed consolidated financial information has not been audited but has been reviewed by the audit committee of the Company. The unaudited condensed consolidated financial information were approved and authorised for issue by the directors on 13 November 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial information for the nine months ended 30 September 2017 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules. The condensed consolidated financial information do not include all information and disclosures as required in the annual financial statements and should be read in conjunction with the Company’s combined financial statements for the year ended 31 December 2016, which have been prepared in accordance with HKFRSs issued by the HKICPA, as set out in the Prospectus.

The accounting policies and method of computation used in the preparation of these condensed financial statements are consistent with those used in the Company’s combined financial statements for the year ended 31 December 2016.

The companies now comprising the Group, were under the common control of Mr. Or Naam, Ms. Chu Sin Fong and Ms. Chan Hoi Yan Polly (the “Controlling Shareholders”), immediately before and after the Reorganisation. For the purpose of this report, the financial results for the nine months ended 30 September 2016 has been prepared on a combined basis.

The financial results for the nine months ended 30 September 2016 has been prepared by including the financial information of the companies, under common control of the Controlling Shareholders immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the years presented, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is the shorter period.

The net assets of the combining companies were combined using the existing book values from the Controlling Shareholder’s perspective, no amount is recognised in consideration for goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party’s interest.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

The unaudited condensed consolidated financial information has been prepared under the historical cost basis. These unaudited condensed consolidated financial information are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

3. REVENUE

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Sales of beauty products	76,658	72,477	98,716	96,423
Sales of beauty bags	35,675	19,742	65,170	47,526
	112,333	92,219	163,886	143,949

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. OTHER INCOME AND OTHER (LOSS)/GAINS, NET

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income				
Sample income	20	12	32	185
Other (loss)/gains, net				
Exchange (loss)/gain, net	(1,277)	46	(1,622)	85
Gain on disposal of property, plant and equipment	—	—	—	88
Others	—	—	—	47
	(1,277)	46	(1,622)	220

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. PROFIT BEFORE INCOME TAX

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	331	386	1,022	1,135
Amortisation of intangible asset	16	17	49	51
Listing expenses	1,632	—	10,896	—

6. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Hong Kong profits tax from subsidiaries operating in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profit for the relevant periods. Corporate income tax on profits from a subsidiary operating in Mainland China have been calculated at 25% in accordance with the relevant People's Republic of China tax laws and regulations. No overseas profits tax has been calculated for subsidiaries of the Group that are incorporated in the BVI or the Cayman Islands as they are exempted from tax.

At 30 September 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company's subsidiary established in the PRC. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2017.

No dividend has been paid or declared by the Company since its incorporation on 8 February 2017 and except for the below, no dividend has been paid or declared by the companies now comprising the Group to the then equity holders of these companies in nine months ended 30 September 2016 and 2017.

On 6 March 2017, the directors of Takbo Limited declared to its then shareholders, Mr. Or Naam and Ms. Chu a special dividend of HK\$8,940,000 and such dividend was distributed by way of setting-off against amounts due from related companies.

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 25 September 2017 and the capitalisation shares, as part of the Reorganisation, which took place on 27 October 2017.

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary share outstanding as at 30 September 2016 and 2017.

SUPPLEMENTARY INFORMATION

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (“Share Option Scheme”), which was approved by written resolutions passed by its sole Shareholder on 29 September 2017 and became unconditional on 27 October 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The purpose of the Share Option Scheme is to advance the interests of the Company and the shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons’ contribution to further advance the interests of the Group.

The Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption, after which period no further options will be granted or offered.

As at 30 September 2017, there was no option outstanding, granted, cancelled, exercised or lapsed.

DIRECTORS AND CHIEF EXECUTIVE’S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

The shares of the Company were listed on GEM of the Stock Exchange on 27 October 2017. As at 30 September 2017, none of the Directors and chief executive of the Company had any interest and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which would have to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO).

SUPPLEMENTARY INFORMATION

Immediately following completion of the share offer and the capitalisation issue, as at the date of this report, the interests or short positions of Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(I) Long Position in the Ordinary Shares and Underlying Shares of the Company

(i) Interests in the Company *Interests in ordinary shares*

Name of director	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued voting shares
Mr. Or Naam ^{Note}	—	—	300,000,000	300,000,000	—	300,000,000	75%
Ms. Chan Hoi Yan Polly ^{Note}	—	—	300,000,000	300,000,000	—	300,000,000	75%

Note : The 300,000,000 shares are beneficially held by Classic Charm Investments Limited, which is legally and beneficially owned as to 50.8% by Mr. Or Naam, as to 39.7% by Ms. Chu Siu Fong and 9.5% by Ms. Chan Hoi Yan Polly. As Mr. Or Naam, Ms. Chu Siu Fong and Ms. Chan Hoi Yan Polly are parties acting in concert, they are deemed to be interested in 300,000,000 Shares held by Classic Charm Investments Limited by virtue of the SFO.

Save as disclosed above, as at the date of this report, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and 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 standards of dealing by Directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

SUPPLEMENTARY INFORMATION

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The shares of the Company were listed on GEM of the Stock Exchange on 27 October 2017. As at 30 September 2017, there was no interest in the shares and underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to under Section 336 of the SFO.

Immediately following the completion of the share offer and the capitalisation issue, as at the date of this report, the following persons/entities (not being Directors or chief executive of our Company) have an interest or a short position in the Shares or the underlying Shares which were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, were as follows:

Long position in the ordinary shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares held	% of the Company's issued voting shares
Classic Charm Investments Limited	Beneficial owner	300,000,000	75%
Ms. Chu Siu Fong ^{Note}	Interest in controlled corporation	300,000,000	75%

Note: The 300,000,000 shares are beneficially held by Classic Charm Investments Limited, which is legally and beneficially owned as to 50.8% by Mr. Or Naam, as to 39.7% by Ms. Chu Siu Fong and 9.5% by Ms. Chan Hoi Yan Polly. As Mr. Or Naam, Ms. Chu Siu Fong and Ms. Chan Hoi Yan Polly are parties acting in concert, they are deemed to be interested in 300,000,000 Shares held by Classic Charm Investments Limited by virtue of the SFO.

SUPPLEMENTARY INFORMATION

Save as disclosed above, as at the date of this report, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme and as disclosed under the sections “Directors and Chief Executive’s Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation” above, at no time during the nine months ended 30 September 2017 was the Company or any of its subsidiaries, or any of its fellow subsidiaries or any associated corporations, a party to any arrangement to enable the directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS IN COMPETING BUSINESSES AND CONFLICT OF INTERESTS

Each of the Mr. Or Naam, Ms. Chan Hoi Yan Polly, Ms. Chu Siu Fong and Classic Charm Investments Limited (the “Covenantor”) entered into a deed of non-competition (the “Deed of Non-competition”) dated 29 September 2017 in favour of the Company, mainly to the effect that at any time the Covenantor individually or collectively with any other Covenantor(s) are interested, directly or indirectly, in 30% or more of the issued shares of the Company, any Covenantor and his/her/its close associates and any company directly or indirectly controlled by the Covenantor shall not, and shall procure their close associates not to carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on or contemplated to be carried on by any member of the Group from time to time or in which any member of our Group is engaged or has invested or is otherwise involved in or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) in any territory that our Group carries on its business from time to time.

SUPPLEMENTARY INFORMATION

During the nine months ended 30 September 2017 and up to the date of this report, none of the Directors, the controlling shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of our Group and any other conflict of interest with our Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

Since the Listing Date and up to the date of this report, the Board considers that the Company has complied with all the provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTIONS

On 29 September 2017, the Company has adopted the Code of Ethics and Securities Transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by our Company since the Listing Date and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As shares of the Company were first listed on GEM of the Stock Exchange on 27 October 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities since the Listing Date and up to the date of this report.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Lego Corporate Finance Limited, compliance adviser of our Company, neither Lego Corporate Finance Limited nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of Lego Corporate Finance Limited had any interest in the share capital of the Company or any member of our Group (including options or rights to subscribe for such securities, if any) which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2017.

SUPPLEMENTARY INFORMATION

AUDIT COMMITTEE

The Company established an audit committee on 29 September 2017 with written terms of reference in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules and paragraphs C3.3 and C3.7 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee comprises three independent non-executive Directors: Mr. Sung Chi Keung (chairman), Mr. Tan Chong Huat and Mr. Wong, Irving Holmes Weng Hoong. The primary duties of our audit committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the risk management and internal control systems of the Company.

The audit committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing and financial reporting matters. The audit committee has discussed and reviewed the unaudited financial information and the third quarterly report for the nine months ended 30 September 2017.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENT

The memorandum of association and the articles of association of the Company were initially adopted before the Listing Date.

During the nine months ended 30 September 2017, the Company has adopted the amended and restated memorandum of association and articles of association of the Company on 29 September 2017 and a consolidated version of the Company's constitutional documents is available on the website of the Stock Exchange at <http://www.hkgem.com> and the Company's website at www.takbogroup.com.

SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

On 27 October 2017, the shares of the Company were successfully listed on the GEM of the Stock Exchange. The listing of the Company enhances the Group's market position and further strengthens the Group's reputation in the industry, which in turn helps maintaining the existing business relationship with the network of suppliers and customers and exploring potential business opportunities with new suppliers and customers.