



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



INTERIM  
2018 REPORT



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# CORPORATE INFORMATION

## Executive Directors

Mr. Or Naam (*Chief Executive Officer*)

Ms. Chan Hoi Yan Polly

Mr. Or Huen

## Independent Non-executive Directors

Mr. Tan Chong Huat (*Chairman*)

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

# CORPORATE INFORMATION

## Compliance Adviser

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

## 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

Codan 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 WEBSITE

[www.takbogroup.com](http://www.takbogroup.com)

# HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2018 amounted to approximately HK\$62.7 million, representing an increase of approximately 21.6% over the corresponding period of the previous year.

Gross profit of the Group for the six months ended 30 June 2018 amounted to approximately HK\$18.0 million, representing a slight decrease of approximately 4.1% over the corresponding period of the previous year. The gross profit margin of the Group decreased from approximately 36.4% for the six months ended 30 June 2017 to approximately 28.7% for the six months ended 30 June 2018.

Loss attributable to equity holders of the Company for the six months ended 30 June 2018 amounted to approximately HK\$0.9 million, representing a decrease of loss of approximately 85.2% over the corresponding period of the previous year.

Loss per share for the six months ended 30 June 2018 was approximately HK0.2 cent, compared to that of approximately HK2.1 cents over the corresponding period of the previous year.

The Board does not recommend the payment of any interim dividend for six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Market Overview

Overall market conditions remain difficult to predict. The major economies in the world appear to remain strong and stable during the six months ended 30 June 2018. Operating conditions including consumer confidence and consumer spending have remained solid in the United States of America (“US”), the key and main export market of the Group. As a result, the Group recorded a steady increase in overall revenue for the six months ended 30 June 2018.

However, continuous appreciation of RMB against HKD and USD over the first half of 2018 contributed unfavourable financial impact on the core operating business of the Group. In view of the recent outbreak of trade war between the People’s Republic of China and the US, the Group is of the view that the second half of 2018 will be a challenging period.

## 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 core business and revenue structure of the Group has remained unchanged during the six months ended 30 June 2018. The Group continued to leverage its reputation, sound track records as well as competitive pricing strategy to tender for contract. During the six months ended 30 June 2018, the Group successfully secured sale orders from five new customers of which one is a chain superstore in the US. In addition, the Group had participated in China Beauty Expo 2018 in Shanghai in May 2018 with an aim to further develop both local and international markets for our products.

Looking forward, the goal of the Group is to strengthen its 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 so as to increase overall profit. Despite the positive growth in revenue of the Group for the six months ended 30 June 2018, the Group remains cautious in its outlook as the business environment become more challenging and uncertain as a result of global political and trade tensions. With the remaining net proceeds from the share offer, the Group can implement the above business strategies and objectives and further enhance our operation efficiency.

# 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 six months ended 30 June 2018 and 2017:

	For the six months ended 30 June			
	2018		2017	
	HK\$'000	%	HK\$'000	%
Beauty products	<b>36,561</b>	<b>58.3</b>	22,008	42.7
Beauty bags	<b>26,153</b>	<b>41.7</b>	29,545	57.3
Total	<b>62,714</b>	<b>100</b>	51,553	100

Revenue of the Group for the six months ended 30 June 2018 amounted to approximately HK\$62.7 million, representing an increase of approximately 21.6% over the correspondence period of the previous year. The increase is mainly attributable to the successful marketing strategy to the launch of Mother's Day beauty products, and stable relationship with current customers who placed orders regularly.

The gross profit of the Group for the six months ended 30 June 2018 amounted to approximately HK\$18.0 million, representing a slight decrease of approximately 4.1% over the correspondence period of the previous year. The gross profit margin of the Group decreased from approximately 36.4% for the six months ended 30 June 2017 to approximately 28.7% for the six months ended 30 June 2018, which was mainly due to the increase in production costs as a result of appreciation of RMB against HK\$ of approximately 9% over the corresponding period of last year.

Loss attributable to equity holders of the Company for the six months ended 30 June 2018 amounted to approximately HK\$0.9 million, representing a significant decrease of loss of approximately 85.2% over the correspondence period of the previous year, amounted approximately of HK\$6.3 million. Such change was due to the net effect of higher sales demand, exchange loss due to RMB appreciation and there being no listing expenses incurred for the six months ended 30 June 2018.



## Liquidity and Financial Resources

The Group practiced prudent financial management and maintained a strong and sound financial position during the six months ended 30 June 2018. The Group finances its daily operations through a combination of funds generated from operations and net proceeds from the share offer. As of 30 June 2018, the Group had cash and cash equivalents of approximately HK\$83.9 million (31 December 2017: approximately HK\$96.4 million). The decrease in cash and cash equivalents were mainly attributable to the capital expenditure for our PRC factory expansion.

The current ratio, calculated as the total current assets divided by total current liabilities, was approximately 6.8 times as at 30 June 2018 (31 December 2017: approximately 9.0 times). As at 30 June 2018, 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 decreased by approximately HK\$7.1 million or approximately 34.8% from approximately HK\$20.4 million for the six months ended 30 June 2017 to approximately HK\$13.3 million for the six months ended 30 June 2018. The decrease was mainly attributable to the listing expenses of approximately HK\$9.6 million incurred for the six months ended 30 June 2017.

## Selling expenses

The selling expenses of the Group increased by approximately HK\$2.2 million or approximately 56.3% from approximately HK\$3.8 million for the six months ended 30 June 2017 to approximately HK\$6.0 million for the six months ended 30 June 2018. The increase was mainly attributable to our extensive selling activities and thus their costs such as transportation and courier costs, sample charges, inspection and testing fees as well as marketing expenses incurred for more sales transactions taken place during the six months ended 30 June 2018.

# 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 in the USA and purchases from suppliers in the PRC. The Directors are of the opinion that the foreign exchange risk arising from US\$ against RMB of the Group is manageable.

During the six months ended 30 June 2018, the Group has not entered into any agreement or commit to any financial instruments 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 and no derivative financial instrument was held by the Group as at 30 June 2018.

## Contingent Liabilities and Capital Commitments

As at 30 June 2018, the Group does not have any material contingent liabilities (31 December 2017: Nil). The Group had capital commitment of approximately HK\$10.3 million in relation to expenditure on our factory expansion (31 December 2017: HK\$8.2 million) and operating leases of approximately HK\$26.8 million (31 December 2017: HK\$27.8 million) as at 30 June 2018.

## Pledge of Assets

The Group does not have any pledged assets as at 30 June 2018 (31 December 2017: Nil).

## Share Capital and Capital Structure

During the six months ended 30 June 2018, there has been no change to the shares in issue and capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserve. The Group finances its operations, working capital and capital expenditures requirements through a combination of funds generated from operations and net proceeds from the share offer.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Interim Dividend

The board of the Directors of the Company (the “Board”) does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

## Future Plans for Material Investment and Capital Assets

The Group does not have any other plans for material investment and capital assets as at 30 June 2018 save for the factory expansion plan, details of which are set out in the Company’s prospectus dated 13 October 2017 (the “Prospectus”).

## Significant Investments Held

As at 30 June 2018, the Group does not have any significant investment in equity interest in any other company and did not own any properties (31 December 2017: Nil).

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group does not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

## Employees and Remuneration Policies

As at 30 June 2018, the Group had 118 full-time employees in Hong Kong and the PRC (31 December 2017: 115 employees), including the Directors. Total staff costs (including Directors’ emoluments) were approximately HK\$7.3 million for the six months ended 30 June 2018 as compared to approximately HK\$6.7 million for the six months ended 30 June 2017. Such increase was mainly due to increase in full-time employees including management staffs and the appreciation of RMB against HKD.

Remuneration is determined with reference to duties, responsibilities, experience and skills. On top of basic salaries, depending on the business performance and the Group’s development strategy, the Group provides discretionary bonuses to our senior management and key employees as incentive bonuses.

The Board of directors (the “Directors”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2018 (the “Period”), which has been reviewed by the audit committee of the Company, together with the comparative unaudited figures for the corresponding period in 2017, as follows:

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Revenue</b>	4	<b>18,302</b>	31,310	<b>62,714</b>	51,553
Cost of sales		<b>(12,818)</b>	(19,878)	<b>(44,705)</b>	(32,770)
Gross profit		<b>5,484</b>	11,432	<b>18,009</b>	18,783
Other income		<b>3</b>	6	<b>450</b>	12
Other gains/(losses)		<b>141</b>	(577)	<b>(628)</b>	(345)
Administrative expenses		<b>(6,267)</b>	(8,069)	<b>(13,296)</b>	(20,386)
Selling expenses		<b>(2,640)</b>	(2,302)	<b>(5,974)</b>	(3,822)
Finance income/(costs), net	5	<b>124</b>	2	<b>228</b>	(23)
(Loss)/profit before tax	6	<b>(3,155)</b>	492	<b>(1,211)</b>	(5,781)
Income tax credit/(expense)	7	<b>681</b>	(461)	<b>275</b>	(542)
(Loss)/profit for the period attributable to owners of the Company		<b>(2,474)</b>	31	<b>(936)</b>	(6,323)

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Other comprehensive loss for the period</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		—	—	—	(667)
<b>Total comprehensive (loss)/ income for the period attributable to owners of the Company</b>		<b>(2,474)</b>	31	<b>(936)</b>	(6,990)
Loss per share					
Basic and diluted (in HK cents)	9	<b>(0.6)</b>	—	<b>(0.2)</b>	(2.1)

The above unaudited interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	15,703	12,232
Intangible asset		480	516
Prepayments		9,474	4,791
Income tax assets		1,706	1,658
		<b>27,363</b>	19,197
<b>Current assets</b>			
Inventories		18,250	8,809
Trade receivables	11	21,079	23,971
Prepayments, deposits and other receivables		6,888	4,262
Amounts due from related parties		109	370
Current income tax assets		71	—
Financial assets at fair value through profit or loss	12	—	1,320
Cash and cash equivalents		83,862	96,412
		<b>130,259</b>	135,144
<b>Total assets</b>		<b>157,622</b>	154,341

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Capital and reserves			
Share capital	14	4,000	4,000
Share premium		56,188	56,188
Other reserves		3,718	3,718
Retained earnings		74,160	75,096
		<b>138,066</b>	139,002
Non-current liabilities			
Provision		393	393
Current liabilities			
Trade payables	13	13,449	7,132
Accruals, provision and other payables		3,352	4,844
Amounts due to related parties		479	535
Current income tax liabilities		1,883	2,435
		<b>19,163</b>	14,946
Total liabilities		<b>19,556</b>	15,339
Total equity and liabilities		<b>157,622</b>	154,341

The above unaudited interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

## Attributable to owners of the Company (Unaudited)

	Capital						Total
	Share capital	Share premium	and other reserve	Statutory reserve	Exchange reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018 (audited)	4,000	56,188	46	544	3,128	75,096	139,002
Loss for the period	—	—	—	—	—	(936)	(936)
Total comprehensive expense for the period	—	—	—	—	—	(936)	(936)
At 30 June 2018	4,000	56,188	46	544	3,128	74,160	138,066
At 1 January 2017 (audited)	—	—	46	472	2,143	78,638	81,299
Loss for the period	—	—	—	—	—	(6,323)	(6,323)
Other comprehensive expense for the period	—	—	—	—	(667)	—	(667)
Total comprehensive expense for the period	—	—	—	—	(667)	(6,323)	(6,990)
Transactions with owners in their capacity as owners							
Dividend declared and settled	—	—	—	—	—	(8,940)	(8,940)
At 30 June 2017	—	—	46	472	1,476	63,375	65,369

The above unaudited interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash used in operating activities	<b>(10,092)</b>	(21,893)
Net cash (used in)/generated from investing activities	<b>(2,458)</b>	10,979
Net cash used in financing activities	—	(10,811)
Net decrease in cash and cash equivalents	<b>(12,550)</b>	(21,725)
Cash and cash equivalents at 1st January	<b>96,412</b>	41,054
Cash and cash equivalents at 30 June Represented by bank balances, deposits and cash	<b>83,862</b>	19,329

The above unaudited interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. Statement of Compliance

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”).

## 2. Basis of Preparation

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

## 3. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) including HKFRS 15 “Revenue from Contracts with Customers” and HKFRS 9 “Financial Instruments” issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements and effective for its accounting period beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations.

The application of these new and revised HKFRSs did not have material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective, and is in the process of assessing their impact on the Group’s results and financial position.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. Revenue and Segment Information

### (a) Revenue

The Group is principally engaged in the design, development, manufacture and sale of beauty products, and the design, development and sale of beauty bags. Since many of our products are produced for holiday season around year end, our sales in first half year would be generally lower compared to that of second half year. Revenue recognised during the period analysed by type of products is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Revenue</b>				
Sales of beauty products	7,840	11,084	36,561	22,008
Sales of beauty bags	10,462	20,226	26,153	29,545
	<b>18,302</b>	31,310	<b>62,714</b>	51,553

### (b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a product perspective and assess the performance of the operating segments based on a measure of gross profit for the purposes of allocating resources. No analysis of segment assets or segment liabilities is regularly provided to the chief operating decision-maker. These reports are prepared on the same basis as this consolidated financial statements.

The management has identified two operating segments based on the types of goods, namely (i) design, development, manufacture and sale of beauty products and (ii) design, development and sale of beauty bags.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 Revenue and Segment Information (Continued)

### (b) Segment information (Continued)

The segment information provided to the executive directors are as follows:

	Design, development, manufacture and sale of beauty products HK\$'000	Design, development and sale of beauty bags HK\$'000	Total HK\$'000
<b>For the six months ended 30 June 2018 (Unaudited)</b>			
Segment revenue from external customers	36,561	26,153	62,714
Cost of sales	(25,572)	(19,133)	(44,705)
Gross profit	10,989	7,020	18,009
Other income			450
Other losses, net			(628)
Administrative expenses			(13,296)
Selling expenses			(5,974)
Finance income, net			228
Loss before income tax			(1,211)
Income tax credit			275
Loss for the period			(936)
<b>For the six months ended 30 June 2017 (Unaudited)</b>			
Segment revenue from external customers	22,008	29,545	51,553
Cost of sales	(13,100)	(19,670)	(32,770)
Gross profit	8,908	9,875	18,783
Other income			12
Other losses, net			(345)
Administrative expenses			(20,386)
Selling expenses			(3,822)
Finance costs, net			(23)
Loss before income tax			(5,781)
Income tax expense			(542)
Loss for the period			(6,323)

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 Revenue and Segment Information (Continued)

### (b) Segment information (Continued)

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

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Customer A (Design, development, manufacture and sale of beauty products and design, development and sale of beauty bags)	14,383	N/A <sup>(a)</sup>
Customer B (Design, development, manufacture and sale of beauty products and design, development and sale of beauty bags)	13,609	12,126
Customer C (Design, development and sale of beauty bags)	11,383	16,115
Customer D (Design, development, manufacture and sale of beauty products and design, development and sale of beauty bags)	8,330	8,920

Note:

- (a) The corresponding customer did not contribute over 10% of the total revenue of the Group for the six months ended 30 June 2017.

The Company is domiciled in the Cayman Islands. All non-current assets, other than deferred income tax assets of the Group as at 30 June 2018 are located in Hong Kong amounted to approximately HK\$1,030,000 (As at 31 December 2017: HK\$732,000) and the PRC amounted to approximately HK\$24,627,000 (As at 31 December 2017: HK\$16,807,000).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 Revenue and Segment Information (Continued)

### (b) Segment information (Continued)

Revenue from external customers by country, based on the location to which the goods were delivered:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
United States of America ("USA")	59,460	44,983
United Arab Emirates ("UAE")	3,009	3,704
PRC	163	2,169
Other countries	82	697
	<b>62,714</b>	<b>51,553</b>

## 5. Financial Income/(Costs), net

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Finance income</b>				
Bank interest income	124	2	228	4
<b>Finance costs</b>				
Interest expense on bank borrowings	—	—	—	(27)
<b>Finance income/(costs), net</b>	<b>124</b>	<b>2</b>	<b>228</b>	<b>(23)</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. Loss/(Profit) before Tax for the Period

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss/(profit) for the period has been arrived at after charging/(crediting):				
Amortisation of prepaid lease payments	17	17	35	33
Depreciation of property, plant and equipment	244	344	535	691
Reversal of provision for impairment of trade receivables	(26)	—	(26)	—
Listing expenses	—	2,800	—	9,561
and after charging/(crediting):				
Other income — sample income	—	(6)	(447)	(12)
Other income — others	(3)	—	(3)	—
Other (gains)/losses — exchange (gains)/losses	(141)	577	628	345

## 7. Income Tax (Credit)/Expense

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
The (credit)/charge comprises:				
Profits tax				
Hong Kong	(315)	647	(111)	726
Other jurisdictions	(136)	(53)	(116)	(23)
Deferred tax	(230)	(133)	(48)	(161)
	(681)	461	(275)	542

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7. Income Tax (Credit)/Expense (Continued)

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.

## 8. Dividends

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018.

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 the six months ended 30 June 2017 and 2018.

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.

## 9. Loss per share

Basic loss per share is calculated by dividing the loss 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 loss per share is of the same amount as the basic loss per share as there were no potentially dilutive ordinary share outstanding as at 30 June 2017 and 2018.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 10. Movement in Property, Plant and Equipment

During the six months ended 30 June 2018, the Group recognised additions of property, plant and equipment of approximately HK\$4.0m (2017: HK\$2.9m) mainly to expand and upgrade its production facilities.

## 11. Trade and other receivables

Trade receivables represent income receivable from customers. The credit terms granted by the Group generally ranged between 30 to 90 days (2017: 30 to 90 days).

As at 30 June 2018 and 31 December 2017, the ageing analysis of trade receivables based on invoice date and net of allowance is as follows:

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
1 to 30 days	<b>4,931</b>	5,037
31 to 60 days	<b>2,396</b>	2,752
61 to 90 days	<b>1,138</b>	3,359
91 days to 120 days	<b>7,412</b>	3,340
Over 121 days	<b>5,202</b>	9,483
	<b>21,079</b>	23,971

The carrying amounts of trade receivables approximate their fair value.

## 12. Financial Assets at Fair Value through Profit or Loss

The carrying amounts of the financial assets approximate their fair value. No material gain or loss on disposal and change in fair value is recognised during the six months ended 30 June 2017 and 2018.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13. Trade Payables

At at 30 June 2018 and 31 December 2017, the aged analysis of trade payables presented based on the invoice date are as follows:

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
Within 30 days	<b>10,565</b>	2,262
31–60 days	<b>1,569</b>	861
61–90 days	<b>302</b>	275
91 days to 120 days	<b>134</b>	1,440
Over 121 days	<b>879</b>	2,294
	<b>13,449</b>	7,132

## 14. Share Capital

	<b>As at 30 June 2018 (Unaudited)</b>		As at 31 December 2017 (Audited)	
	Number of shares	Value HK\$'000	Number of shares	Value HK\$'000
Authorised: Ordinary shares at HK\$0.01 each	<b>10,000,000,000</b>	<b>100,000</b>	10,000,000,000	100,000
Issued and fully paid:	<b>400,000,000</b>	<b>4,000</b>	400,000,000	4,000

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15. Commitments

### (a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
Property, plant and equipment	<b>10,292</b>	8,213

### (b) Non-cancellable operating leases

#### *As a lessee*

As at the end of the reporting period, The Group leases office and residential premises under non-cancellable operating lease agreements with related companies. The leases terms are between 3 to 10 years (2017: 3 to 10 years) and are renewable at the end of the lease period at market rate.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15. Commitments (Continued)

### (b) Non-cancellable operating leases (Continued)

#### *As a lessee (Continued)*

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
No later than one year	<b>4,463</b>	4,259
Later than one year and no later than five years	<b>12,364</b>	13,136
Later than five years	<b>10,018</b>	10,429
	<b>26,845</b>	27,824

## 16. Related Party Transactions

The directors of the Group are of the view that the following companies were related parties that had transactions with the Group as at and during the reporting period:

Name of related party	Relationship with the Group
Sky Choice Development Limited	Controlled by Mr. Or Naam and Ms. Chu Siu Fong
Smart Path Development Limited	Controlled by Mr. Or Naam and Ms. Chan Hoi Yan Polly
Shantou Baoma Processing Complex Company Limited	Controlled by Ms. Chu and Mr. Or Tak Ming, spouse of Ms. Chu Siu Fong

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16. Related Party Transactions (Continued)

### (a) Transactions with related parties

The following transactions were undertaken by the Group with relate parties during the reporting period:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Shantou Baoma Processing Complex Company Limited		
— Purchases	2,482	6,672
— Utility expenses	348	255
— Rental expenses	1,012	477
Sky Choice Development Limited		
— Rental expenses	523	434
Smart Path Development Limited		
— Rental expenses	600	600

All of the above transactions with related parties were conducted in the normal commercial terms of ordinary course of the business of the Group.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16. Related Party Transactions (Continued)

### (b) Key management compensation

Key management personnel are deemed to be the members of the Board of Directors of the Company who have responsibility for the planning directing and controlling the activities of the Group.

The compensation paid or payable to key management personnel for employee services period is shown below:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Salaries and bonuses	1,618	1,614
Other allowances and benefits in kind	713	725
Defined contribution pension costs	27	27
	<b>2,358</b>	2,366

# SUPPLEMENTARY INFORMATION

## Comparison between Business Objectives and Actual Business Progress

The following is a comparison between the Group's business plans as set out in the Prospectus and the Group's actual business progress for the six months ended 30 June 2018:

Business Plan	Business Plan for the Six Months Ended 30 June 2018	Actual Business Progress as at 30 June 2018
Upgrade production hardware, and facilities and infrastructure	<ul style="list-style-type: none"> <li>— Undergo renovation of the New Cosbe Facility Phase 2</li> <li>— Pilot run of the New Cosbe Facility Phase 1</li> <li>— Purchase, installation, and testing of one filling machine, three emulsion mixers, six powder mixers and 10 liquid mixers</li> <li>— Commence formal commercial operation of the New Cosbe Facility Phase 1</li> </ul>	<ul style="list-style-type: none"> <li>— The Group is in the progress on upgrading production hardware and infrastructure in both phases, which are expected to be completed by the second half of 2018 or first quarter of 2019.</li> </ul>
Expand the Hong Kong headquarters	<ul style="list-style-type: none"> <li>— Rent and renovate a new office which is approximately double the size of our current office</li> <li>— Costs will be incurred as rent and utility expenses for the new Hong Kong headquarters</li> <li>— Costs will be incurred as remuneration payable to the three additional staff recruited for the expansion, and recruit approximately two senior sales officers, and four finance and administrative staff after relocating to the new office</li> </ul>	<ul style="list-style-type: none"> <li>— The Group has rented and renovated a new office premises for our showroom for displaying our beauty products and beauty bags for sales purpose since February 2018.</li> <li>— The Group has recruited a senior personnel for overseeing the overall operation of beauty bags and two sales officers for assisting on the sales operation.</li> </ul>

## SUPPLEMENTARY INFORMATION

Business Plan	Business Plan for the Six Months Ended 30 June 2018	Actual Business Progress as at 30 June 2018
Participate in local and global exhibitions	— Generally participate in two exhibitions in the PRC and one exhibitions overseas	— The Group participated in China Beauty Expo 2018 in Shanghai in May 2018. — The Group is now developing relationship with various potential customers from the exhibition.

### Use of Listing Proceeds

The shares of the Company were listed on GEM of the Stock Exchange on 27 October 2017 (the “Listing Date”) for which the Company issued 100,000,000 new shares at HK\$0.69 per share. The net listing proceeds received by the Company, after deducting underwriting fees and other related expenses, are approximately HK\$42.1 million. These proceeds are intended to be applied in the manner as described in the section headed “Future Plans and Use of Proceeds” in the Prospectus up to the year ending 31 December 2019.

The future plan and scheduled use of proceeds as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied with consideration of the actual development of business and market. As of 30 June 2018, the Group does not anticipate any change to the plan as to the use of listing proceeds. The majority of the unused net proceeds have been placed as interest bearing short-term demand deposits with licensed bank in Hong Kong.



## SUPPLEMENTARY INFORMATION

As at 30 June 2018, the net listing proceeds has been applied and utilized as follows:

Use of net proceeds	Total net proceeds from share offer (HK\$'000)	Utilized as at 31 December 2017 (HK\$'000)	Total remaining net proceeds available as at 1 January 2018 (HK\$'000)	Planned use of net proceeds for the six months ended 30 June 2018 (HK\$'000)	Utilized as at 30 June 2018 (HK\$'000)	Total remaining net proceeds available as at 30 June 2018 (HK\$'000)
Upgrade production hardware, and facilities and infrastructure	23,670	4,604	19,066	9,573	9,017	10,049
Expand the Hong Kong headquarters	11,245	14	11,231	3,150	656	10,575
Participate in local and global exhibitions	3,538	267	3,271	589	704	2,567
General working capital	3,665	522	3,143	700	948	2,195
<b>Total</b>	<b>42,118</b>	<b>5,407</b>	<b>36,711</b>	<b>14,012</b>	<b>11,325</b>	<b>25,386</b>

## Principal Risks and Uncertainties

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarized below:

## SUPPLEMENTARY INFORMATION

The sales and profitability of our products are dependent on our customers' business performance. We sell our products mainly to retailers, beauty products brand owners and trading companies. The business performance of our customers could underperform due to a number of factors, such as changes in business strategies, failure to develop successful marketing strategies, changes in the market demand for our customers' products and adverse market or economic conditions in the markets in which our customers operate, in particular, the US. If the business performance of our customers deteriorates, they could reduce the amount of their purchases for our products, or terminate their business relationship from us, which could have a material and adverse impact on our business, financial condition, results of operations and prospect.

Any shortage in labour, increase in labour costs, strikes, labour unrests or other adverse factors affecting our labour force may have a material adverse effect on our business operations.

As we expand our production capabilities and capacities, we will require more production personnel. There is no assurance that we will not experience any shortage of labour for our production. Given the economic growth in the PRC, competition for labour is substantial and labour costs have been increasing generally, and we cannot assure that we can retain and attract sufficient qualified employees and/or on commercially reasonable terms in the future. If we fail to retain and attract sufficient labour, we may not be able to effectively implement our expansion plans, our business, financial conditions and results of operations would be materially and adversely affected.

The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations.

The Group maintained substantial amount of business assets and operations in the PRC. Accordingly, our results of operations are subject to economic, political and legal developments in the PRC. Any changes in its regulations will definitely affect our business in this regional segment.

### 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 June 2018, there was no option outstanding, granted, cancelled, exercised or lapsed.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed “13. Share Option Scheme” in section headed “Statutory and General Information” in Appendix IV to the prospectus of the Company dated 13 October 2017.

### Rights to Acquire Shares or Debentures

Apart from the aforesaid Share Option Schemes, at no time during the six months ended 30 June 2018 was the Company or any associated corporation 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 acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUPPLEMENTARY INFORMATION

### Directors and Chief Executive's Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation

As at 30 June 2018, 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:

### Long Position in the Ordinary Shares and Underlying Shares of the Company

#### *Interests in the Company*

Name of director	Interests in ordinary shares				Total interests in underlying shares	Aggregate interests	% of the Company's issued voting shares
	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares			
Mr. Or Naam <sup>Note 1</sup>	—	—	300,000,000 <sup>Note 2</sup>	300,000,000	—	300,000,000	75.00%
Ms. Chan Hoi Yan Polly <sup>Note 1</sup>	—	—	300,000,000 <sup>Note 2</sup>	300,000,000	—	300,000,000	75.00%

Notes:

1. 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.
2. A fixed charge over 99,000,000 shares, which is legally and beneficially owned by Classic Charm Investments Limited ("Classic Charm"), has been executed in favour of the lender to secure a loan in an amount up to HK\$60,650,000 granted to Classic Charm.

## SUPPLEMENTARY INFORMATION

Save as disclosed above, as at 30 June 2018, 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.

### **Substantial shareholder's Interests and/or Short Position in Shares and Underlying Shares of the Company**

As at 30 June 2018, 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:

## SUPPLEMENTARY INFORMATION

### 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 <small>Note 1</small>	75.00%
Ms. Chu Siu Fong <small>Note 2</small>	Interest in controlled corporation	300,000,000 <small>Note 1</small>	75.00%
M Success Finance Limited <small>Note 3</small>	Person having a security interest in shares	99,000,000 <small>Note 1</small>	24.75%
Ascendant Success Limited <small>Note 3</small>	Interest in a controlled corporation	99,000,000 <small>Note 1</small>	24.75%
United Brilliant Limited <small>Note 3</small>	Interest in a controlled corporation	99,000,000 <small>Note 1</small>	24.75%
Roma Group Limited <small>Note 3</small>	Interest in a controlled corporation	99,000,000 <small>Note 1</small>	24.75%

Notes:

1. A fixed charge over 99,000,000 shares, which is legally and beneficially owned by Classic Charm Investments Limited ("Classic Charm"), has been executed in favour of the lender to secure a loan in an amount up to HK\$60,650,000 granted to Classic Charm.
2. 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

3. A fixed charge over 99,000,000 shares, which is legally and beneficially owned by Classic Charm Investments Limited (“Classic Charm”), has been executed in favour of M Success Finance Limited to secure a loan in an amount up to HK\$60,650,000 granted to Classic Charm. M Success Finance Limited is wholly-owned by Ascendant Success Limited, which is in turn owned as to 100% by United Brilliant Limited, which is also a wholly-owned subsidiary of Roma Group Limited. Accordingly, M Success Finance Limited, Ascendant Success Limited, United Brilliant Limited and Roma Group Limited are deemed to be interested in the 99,000,000 shares of the Company for the purpose of the SFO.

Save as disclosed above, as at 30 June 2018, 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.

### Interests in Competing Businesses

Each of the Mr. Or Naam, Ms. Chan Hoi Yan Polly, Ms. Chu Siu Fong and Classic Charm (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

### **Conflict of Interests**

Saved as disclosed above, during the six months ended 30 June 2018, none of the directors, the substantial shareholders or the controlling shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

### **Code on Corporate Governance Practices**

During the six months ended 30 June 2018, 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.

### **Code of Conduct for Securities Transactions by Directors**

The Company has adopted a code of conduct regarding securities transactions by the directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, 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. 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 the Company during the six months ended 30 June 2018.

### **Changes of Directors' Information Under Rule 17.50A(1) of the GEM Listing Rules**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change of information of Directors since the publication of 2017 annual report of the Company was as follows:

Mr. Tan Chong Huat has been appointed as a non-executive director of RHT Chestertons Asia Pacific Pte. Ltd. with effect from 15 March 2018 and resigned as a director of RHT Academy Pte. Ltd. with effect from 11 April 2018.



## SUPPLEMENTARY INFORMATION

Save for the information above, the Company is not aware of any other change in the Directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

### **Purchase, Sale or Redemption of Listed Securities of the Company**

The Company has not redeemed any of its shares during the six months ended 30 June 2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares for the six months ended 30 June 2018.

### **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 June 2018.

### **Audit Committee**

The Company established an audit committee on 29 September 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

The audit committee comprises three independent non-executive Directors, namely Mr. Sung Chi Keung (chairman), Mr. Tan Chong Huat and Mr. Wong, Irving Holmes Weng Hoong. Its main responsibilities are to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control principles and procedures, and to make recommendations to the Board on the appointment and dismissal of the external auditor

## SUPPLEMENTARY INFORMATION

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 interim financial information and the interim report for the six months ended 30 June 2018.

### **Changes in Constitutional Document**

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the websites of the Company and the Stock Exchange its Memorandum and Articles of Association. During the six months ended 30 June 2018, there has been no changes in the constitutional documents of the Company.

### **Significant Event after the Balance Sheet Date**

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the six months ended 30 June 2018.