



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



**First
Quarterly
Report
2019**



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

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 GEM (the “GEM Listing Rules”) of the Stock Exchange 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 respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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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

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

Financial Highlights

Revenue of the Group for the three months ended 31 March 2019 amounted to approximately HK\$47.1 million, representing an increase of approximately 6.0% over the corresponding period of the previous year.

Gross profit of the Group for the three months ended 31 March 2019 amounted to approximately HK\$16.1 million, representing an increase of approximately 28.8% over the corresponding period of the previous year.

The gross profit margin of the Group for the three months ended 31 March 2019 increased from approximately 28.2% for the three months ended 31 March 2018 to approximately 34.3% for the three months ended 31 March 2019.

Profit attributable to owners of the Company for the three months ended 31 March 2019 amounted to approximately HK\$4.3 million, representing an increase of approximately 180.3% over the corresponding period of the previous year.

Earnings per share for the three months ended 31 March 2019 was approximately HK1.1 cents, representing an increase of approximately 175.0% over the corresponding period of the previous year.

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: Nil).

Management Discussion and Analysis

MARKET AND BUSINESS OVERVIEW

The Group is 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 three months ended 31 March 2019.

Since most of the customers of the Group are from North America region, our growing business for the three months ended 31 March 2019 was attributable to the stable and even improving economy of the US, supporting solid and higher customer spending in the United States of America (“US”). Though there are uncertainties from the trade war between the US and the PRC, the good progress of negotiation meetings between the US and the PRC governments helped to release concerns throughout the market.

During the three months ended 31 March 2019, the Group has explored various marketing activities and enrolled different exhibitions such as China Beauty Expo 2019 in Shanghai and Makeup in Los Angeles in the US with an aim to develop and consolidate relationship with customers to enable the Group to secure more contracts in both local and international markets. In addition, the Group has offered strategic promotion of beauty bags and beauty products to its customers, and received favorable and remarkable responses with steady increase in revenue recorded during the reporting period.

PROSPECT

Looking forward, the Group will stay alert of the trade war and any changing business environment that may impact on its operations and its profitability. At the same time, the Group will evaluate and determine if any business strategy can be adopted to promote sales and reduce costs on our products exported to the US.

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 three months ended 31 March 2019 and 2018:

	For the three months ended 31 March			
	2019		2018	
	HK\$'000	%	HK\$'000	%
Beauty products	26,828	57.0	28,721	64.7
Beauty bags	20,228	43.0	15,691	35.3
Total	47,056	100.0	44,412	100.0

Revenue of the Group for the three months ended 31 March 2019 amounted to approximately HK\$47.1 million, representing an increase of approximately 6.0% over the corresponding period of the previous year. The increase was mainly attributable to the recognition of its high quality as well as variety of overall products from its existing customers together with the successful marketing strategy in sourcing new customers.

The gross profit of the Group for the three months ended 31 March 2019 amounted to approximately HK\$16.1 million, representing an increase of approximately 28.8% over the corresponding period of the previous year. The increase was mainly attributable to a higher sales record and improvement in overall profit margin of its products for the three months ended 31 March 2019.

The gross profit margin of the Group increased from approximately 28.2% for the three months ended 31 March 2018 to approximately 34.3% for the three months ended 31 March 2019, which was mainly attributable to the different product mix and relatively stable production cost with less fluctuation in RMB against HK\$ for the three months ended 31 March 2019.

Management Discussion and Analysis

Profit attributable to owners of the Company for the three months ended 31 March 2019 amounted to approximately HK\$4.3 million, representing an increase of approximately 180.3% over the corresponding period of the previous year for an amount of approximately HK\$1.5 million. Such change was due to the strong sales demand from both existing and new customers, improved overall gross profit margin, and partially net off with the increased expenses in relation to the proposed listing board transfer.

LIQUIDITY AND FINANCIAL RESOURCES

The Group practiced prudent financial management and maintained a strong and sound financial position during the three months ended 31 March 2019. The Group finances its daily operations through a combination of net funds generated and received from operations and remaining net proceeds from the share offer. As of 31 March 2019, the Group had cash and cash equivalents of approximately HK\$103.2 million (31 December 2018: approximately HK\$103.6 million). The cash and cash equivalents were at a stable level.

The current ratio, calculated as the total current assets divided by total current liabilities, was approximately 6.8 times as at 31 March 2019 (31 December 2018: approximately 8.1 times). As at 31 March 2019, 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\$1.4 million or approximately 20.2% from approximately HK\$7.0 million for the three months ended 31 March 2018 to approximately HK\$8.4 million for the three months ended 31 March 2019. The increase was mainly attributable to the expenses in relation to the proposed listing board transfer of approximately HK\$2.2 million.

Management Discussion and Analysis

SELLING EXPENSES

The selling expenses of the Group decreased by approximately HK\$0.4 million or approximately 12.5% from approximately HK\$3.3 million for the three months ended 31 March 2018 to approximately HK\$2.9 million for the three months ended 31 March 2019. The decrease was mainly attributable to slightly less freight and transportation costs incurred with relatively shorter distances to destinations for our products sold despite the slightly increase in sales during the three months ended 31 March 2019.

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 US 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 insignificant and manageable.

During the three months ended 31 March 2019, 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 instruments were held by the Group as at 31 March 2019 for speculative and investment purposes.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 March 2019, the Group did not have any material contingent liabilities (31 December 2018: Nil). The Group had capital commitment of approximately HK\$11.5 million in relation to expenditure on its factory expansion (31 December 2018: HK\$8.6 million) and operating leases of approximately HK\$0.2 million (31 December 2018: HK\$24.7 million) as at 31 March 2019. The decrease in operating leases commitments is mainly due to our adoption of HKFRS 16: Leases since 1 January 2019.

PLEDGE OF ASSETS

The Group did not have pledged assets as at 31 March 2019 (31 December 2018: Nil).

SHARE CAPITAL AND CAPITAL STRUCTURE

During the three months ended 31 March 2019, there has been no change on 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, capital expenditures and other liquidity requirements through a combination of funds generated and received from operations and net proceeds from the share offer.

INTERIM DIVIDEND

The board of the Directors of the Company does not recommend the payment of any interim dividend for the three months ended 31 March 2019 (31 March 2018: 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 31 March 2019 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 31 March 2019, the Group did not have any significant investment in equity interest in any other company and did not own any properties (31 December 2018: 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 three months ended 31 March 2019.

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 ended 31 March 2019 (the "Period"), which has been reviewed by the audit committee of the Company, together with the comparative unaudited figures for the corresponding periods in 2018, as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 31 March	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	3	47,056	44,412
Cost of sales		(30,926)	(31,887)
Gross profit		16,130	12,525
Other income	4	238	447
Other gains/(losses), net	4	221	(769)
Administrative expenses		(8,448)	(7,029)
Selling expenses		(2,916)	(3,334)
Finance income		429	104
Profit before income tax	5	5,654	1,944
Income tax expense	6	(1,343)	(406)
Profit for the period		4,311	1,538
Other comprehensive loss for the period			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation difference		—	—
Total comprehensive income for the period		4,311	1,538

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 31 March	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit for the period attributable to:			
Owners of the Company		4,311	1,538
Total comprehensive income for the period attributable to:			
Owners of the Company		4,311	1,538
Earnings per share			
Basic and diluted earnings per share (in HK cents)	8	1.1	0.4

Unaudited Condensed Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Company						
	Share capital	Share premium	Capital		Exchange reserve	Retained profits	Total
			and other reserve	Statutory reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2018 (audited) and 1 January 2019	4,000	56,188	46	1,086	2,322	106,803	170,445
Profit for the period	—	—	—	—	—	4,311	4,311
Total comprehensive income for the period	—	—	—	—	—	4,311	4,311
At 31 March 2019 (unaudited)	4,000	56,188	46	1,086	2,322	111,114	174,756
At 31 December 2017 and 1 January 2018 (audited)	4,000	56,188	46	544	3,128	75,096	139,002
Profit for the period	—	—	—	—	—	1,538	1,538
Total comprehensive income for the period	—	—	—	—	—	1,538	1,538
At 31 March 2018 (unaudited)	4,000	56,188	46	544	3,128	76,634	140,540

Notes to the Unaudited Condensed Consolidated Financial Information

1. CORPORATE INFORMATION

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.

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

The Company is an investment holding company and its subsidiaries (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 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 14 May 2019.

Notes to the Unaudited Condensed Consolidated Financial Information

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial information for the three months ended 31 March 2018 and 2019 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 consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with HKFRSs issued by the HKICPA, as set out in the latest annual report.

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 consolidated financial statements for the year ended 31 December 2018 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning on 1 January 2019. The application of these standards, amendments and interpretations did not have material effect on the amounts reported and/or disclosure set out in these condensed consolidated financial information.

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.

Notes to the Unaudited Condensed Consolidated Financial Information

3. REVENUE

	Three months ended 31 March	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue		
Sales of beauty products	26,828	28,721
Sales of beauty bags	20,228	15,691
	47,056	44,412

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

	Three months ended 31 March	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Other income		
Sample and design income	238	447
Other gains/(losses), net		
Exchange gains/(losses), net	221	(769)

Notes to the Unaudited Condensed Consolidated Financial Information

5. PROFIT BEFORE INCOME TAX

	Three months ended 31 March	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	328	291
Amortisation of intangible asset	38	18
Professional expenses for transfer of listing	2,196	—
	2,562	309

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.

As at 31 March 2019, 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 three months ended 31 March 2019.

No dividend has been paid or declared to the shareholders of the Company for the three months ended 31 March 2018 and 2019.

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

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 31 March 2018 and 2019.

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, namely directors, employees, consultants, advisers, any provider of goods and/or services to the Group; any customer of the Group and any person, who at the sole discretion of the Board, has contributed to the Group, 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. Pursuant to the Share Option Scheme, the Company may grant options to eligible persons to subscribe shares of the Company with a payment of HK\$1.00 upon each grant of options offered.

Unless the Company obtains a fresh approval from the shareholders pursuant to the conditions set out in the Share Option Scheme, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes shall not in aggregate exceed 10% of the total number of shares in issue from time to time; and the total number of shares issued and to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of the Company.

The Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption to 28 September 2027, after which period no further options will be granted or offered.

Supplementary Information

The exercise price of the share option will be not less than the highest of:

- (a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (b) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; or
- (c) the nominal value of a Share on the offer date;

The share options are exercisable at any time during period of not more than 10 years from the date of grant, subject to the terms and conditions of the Share Option Scheme, or any conditions stipulated by the Board of Directors.

As at 31 March 2019, 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.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the aforesaid Share Option Schemes, at no time during the three months ended 31 March 2019 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, and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

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 31 March 2019, 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 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, 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 collectively, 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 31 March 2019, 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 31 March 2019, 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%

Notes: 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, 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 collectively, 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 31 March 2019, 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 AND CONFLICT OF INTERESTS

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.

During the three months ended 31 March 2019, none of the directors or the controlling shareholders of the Company or any of their respective close 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 or has any other conflict of interests with the Group and is required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the three months ended 31 March 2019, 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 three months ended 31 March 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares for the three months ended 31 March 2019.

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 31 March 2019.

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 latest terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

Supplementary Information

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.

The audit committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the financial reporting matters. The audit committee has discussed and reviewed the unaudited first quarterly financial information and the first quarterly report for the three months ended 31 March 2019.

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 three months ended 31 March 2019, there has been no changes in the constitutional documents of the Company.

SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

On 5 May 2019, the Company announced its proposed transfer of listing of the Company's shares from GEM to the Main Board of the Stock Exchange pursuant to Chapter 9A of the Listing Rules for improvement its profile, brand and product awareness. Please refer to the Company's announcement dated 5 May 2019 for details.

Save as disclosed above and up to the date of this report, there was no other significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the three months ended 31 March 2019. The Company will make further necessary announcement to keep the shareholders informed should there is material future business development of the Group pursuant to the requirement of the GEM Listing Rules, if applicable, for compliance purpose.