



# 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 2019

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Directors”) of 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.*

# Contents

**2**  
Corporate Information

**4**  
Highlights

**5**  
Management Discussion and Analysis

**10**  
Unaudited Condensed Consolidated Statements of  
Comprehensive Income

**12**  
Unaudited Condensed Consolidated Statements of  
Changes in Equity

**13**  
Notes to the Unaudited Condensed Consolidated  
Financial Information

**18**  
Supplementary Information

# 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

## Corporate Information (Continued)

### 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 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
*(change of address with effect from 11 July 2019)*

### STOCK CODE

8436

### COMPANY WEBSITE

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

# Highlights

Revenue of the Group for the nine months ended 30 September 2019 amounted to approximately HK\$232.5 million, representing an increase of approximately 13.2% over the corresponding period of the previous year.

Gross profit of the Group for the nine months ended 30 September 2019 amounted to approximately HK\$88.6 million, representing an increase of approximately 42.6% over the corresponding period of the previous year. The gross profit margin of the Group increased from approximately 30.2% for the nine months ended 30 September 2018 to approximately 38.1% for the nine months ended 30 September 2019.

Profit attributable to equity holders of the Company for the nine months ended 30 September 2019 amounted to approximately HK\$35.8 million, representing an increase of approximately 33.3% over the corresponding period of the previous year.

Earnings per share for the nine months ended 30 September 2019 was approximately HK8.95 cents, representing an increase of approximately 33.2% over the corresponding period of the previous year.

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2019 (nine months ended 30 September 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 nine months ended 30 September 2019.

With most of the customers of the Group are from North America region, our growing business for the nine months ended 30 September 2019 was attributable to the solid and higher customer spending in the United States of America (the "US"). Though there are uncertainties from the trade war between the US and the PRC, the continuous negotiation meetings between the US and the PRC governments helped to release some of the concerns throughout the market. In addition, the duty imposed by the US had only minimal effect on our financial performance for the nine months ended 30 September 2019 taking into account the proactive business strategy of the Group.

The Group has explored various marketing activities and enrolled into different exhibitions in both the US and China during the nine months ended 30 September 2019 with an aim to develop and consolidate relationship with existing customers and potential buyers 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 during the period under review, and received favorable and remarkable responses with steady increase in revenue recorded during the reporting period, which contributed to the increase in profit for the nine months ended 30 September 2019.

## 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. Besides participating in global exhibitions, the Group will continue to leverage its reputation, solid track records as well as competitive pricing strategy to promote sales and reduce costs on our products exported to the US.

# Management Discussion and Analysis (Continued)

## 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 2019 and 2018:

	For the nine months ended 30 September			
	2019		2018	
	HK\$'000	%	HK\$'000	%
Beauty products	177,072	76.1	145,006	70.6
Beauty bags	55,462	23.9	60,450	29.4
Total	232,534	100	205,456	100

Revenue of the Group for the nine months ended 30 September 2019 amounted to approximately HK\$232.5 million, representing an increase of approximately 13.2% over the corresponding period of the previous year. The increase was mainly attributable to more sales order received during the reporting period, which in turn was due to the increasing recognition of its high quality as well as variety of overall products from our existing customers, together with the management's ongoing successful marketing strategy in soliciting new customers.

The gross profit of the Group for the nine months ended 30 September 2019 amounted to approximately HK\$88.6 million, representing an increase of approximately 42.6% over the corresponding period of the previous year. The gross profit margin of the Group increased from approximately 30.2% for the nine months ended 30 September 2018 to approximately 38.1% for the nine months ended 30 September 2019, which was mainly attributable to different product mix and relatively cheaper production cost with depreciation in Chinese Renminbi ("RMB") against HK\$ for the nine months ended 30 September 2019.



## Management Discussion and Analysis (Continued)

Profit attributable to equity holders of the Company for the nine months ended 30 September 2019 amounted to approximately HK\$35.8 million, representing an increase of approximately 33.3% over the corresponding period of the previous year, amounted to approximately HK\$26.9 million. Such change was mainly due to the strong sales demand from both existing and new customers, improved overall gross profit margin, and foreign exchange gain, which was partially offset by the increased expenses incurred in relation to the proposed transfer of listing from GEM to the Main Board (“Proposed Transfer of Listing”).

### LIQUIDITY AND FINANCIAL RESOURCES

The Group practiced prudent financial management and maintained a strong financial position during the nine months ended 30 September 2019. The Group finances its daily operations through a combination of funds generated from operations and net proceeds from the share offer. As of 30 September 2019, the Group had cash and cash equivalents of approximately HK\$78.7 million (30 June 2019: approximately HK\$99.9 million). The decrease in cash and cash equivalents were mainly attributable to the timing differences between receipt of trade receivables and the settlement of trade payables.

The current ratio, calculated as the total current assets divided by total current liabilities, was approximately 3.7 times as at 30 September 2019 (30 June 2019: approximately 3.9 times).

As at 30 September 2019, the Group did not have any outstanding borrowing and other indebtedness and no gearing ratio is presented.

### ADMINISTRATIVE EXPENSES

The administrative expense of the Group increased by approximately HK\$7.5 million or approximately 36.8% from approximately HK\$20.3 million for the nine months ended 30 September 2018 to approximately HK\$27.8 million for the nine months ended 30 September 2019. The increase was mainly attributable to increase in staff costs with more headcounts and general salary increment, as well as the one-off expenses and professional fees incurred in relation to the Proposed Transfer of Listing of approximately HK\$3.4 million.

# Management Discussion and Analysis (Continued)

## SELLING EXPENSES

The selling expenses of the Group increased by approximately HK\$10.6 million or approximately 83.7% from approximately HK\$12.8 million for the nine months ended 30 September 2018 to approximately HK\$23.4 million for the nine months ended 30 September 2019. The increase was mainly attributable to the increase of tariff disbursement expenses for the products shipped to the US.

## 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 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 nine months ended 30 September 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 30 September 2019.

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 September 2019, the Group did not have any material contingent liabilities (30 June 2019: Nil). The Group had capital commitment of approximately HK\$7.9 million in relation to expenditure on our factory expansion (30 June 2019: HK\$8.2 million) and operating leases of approximately HK\$0.1 million (30 June 2019: HK0.2 million) as at 30 September 2019.

## PLEDGE OF ASSETS

The Group did not pledge any of its assets as at 30 September 2019 (30 June 2019: Nil).

# Management Discussion and Analysis (Continued)

## SHARE CAPITAL AND CAPITAL STRUCTURE

During the nine months ended 30 September 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 and capital expenditures requirements through a combination of funds generated 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 nine months ended 30 September 2019 (30 September 2018: Nil).

## FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed above, the Group did not have any other plans for material investment and capital assets as at 30 September 2019.

## SIGNIFICANT INVESTMENTS HELD

As at 30 September 2019, the Group did not have any significant investment in equity interest in any other company and did not own any properties (30 June 2019: 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 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 and the nine months ended 30 September 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 Statements of Comprehensive Income

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Revenue</b>	3	<b>142,175</b>	142,742	<b>232,534</b>	205,456
Cost of sales		<b>(83,349)</b>	(98,612)	<b>(143,954)</b>	(143,317)
<b>Gross profit</b>		<b>58,826</b>	44,130	<b>88,580</b>	62,139
Other income	4	<b>4</b>	—	<b>408</b>	450
Other gain, net	4	<b>4,164</b>	3,278	<b>5,095</b>	2,650
Administrative expenses		<b>(11,579)</b>	(6,995)	<b>(27,755)</b>	(20,291)
Selling expenses		<b>(17,424)</b>	(6,778)	<b>(23,430)</b>	(12,752)
Finance costs, net		<b>203</b>	269	<b>1,054</b>	497
<b>Profit before income tax</b>	5	<b>34,194</b>	33,904	<b>43,952</b>	32,693
Income tax expense	6	<b>(6,245)</b>	(6,101)	<b>(8,147)</b>	(5,826)
<b>Profit for the period</b>		<b>27,949</b>	27,803	<b>35,805</b>	26,867
Other comprehensive loss for the period					
<i>Item that may be reclassified to profit or loss</i>					
Currency translation difference		<b>(2,473)</b>	(709)	<b>(2,473)</b>	(709)
<b>Total comprehensive income for the period</b>		<b>25,476</b>	27,094	<b>33,332</b>	26,158

# Unaudited Condensed Consolidated Statements of Comprehensive Income (Continued)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Profit for the period attributable to:</b>					
Owners of the Company		27,949	27,803	35,805	26,867
<b>Total comprehensive income for the period attributable to:</b>					
Owners of the Company		25,476	27,094	33,332	26,158
<b>Earnings per share</b>					
Basic and diluted earnings per share	8	6.99	6.95	8.95	6.72

# Unaudited Condensed Consolidated Statements of Changes In Equity

	Equity attributable to owners of the Company							
	Capital						Retained profits	Total
	Share capital	Share premium	and other reserve	Statutory reserve	Exchange reserve	HK\$'000		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 31 December 2018 and 1 January 2019 (audited)	4,000	56,188	46	1,086	2,322	106,803	170,445	
Profit for the period	—	—	—	—	—	35,805	35,805	
Other comprehensive loss for the period	—	—	—	—	(2,473)	—	(2,473)	
Total comprehensive income for the period	—	—	—	—	(2,473)	35,805	33,332	
At 30 September 2019 (unaudited)	4,000	56,188	46	1,086	(151)	142,608	203,777	
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	—	—	—	—	—	26,867	26,867	
Other comprehensive loss for the period	—	—	—	—	(709)	—	(709)	
Total comprehensive income for the period	—	—	—	—	(709)	26,867	26,158	
At 30 September 2018 (unaudited)	4,000	56,188	46	544	2,419	101,963	165,160	

# 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.

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 13 November 2019.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial information for the nine months ended 30 September 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.

# Notes to the Unaudited Condensed Consolidated Financial Information (Continued)

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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.

## 3. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Revenue</b>				
Sales of beauty products	135,859	108,445	177,072	145,006
Sales of beauty bags	6,316	34,297	55,462	60,450
	<b>142,175</b>	142,742	<b>232,534</b>	205,456



# Notes to the Unaudited Condensed Consolidated Financial Information (Continued)

## 4. OTHER INCOME AND OTHER GAIN, NET

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Other income				
Sample income	4	—	343	447
Others	—	—	65	3
	<b>4</b>	<b>—</b>	<b>408</b>	<b>450</b>
Other gain, net				
Exchange gain, net	<b>4,164</b>	3,278	<b>5,095</b>	2,650
	<b>4,168</b>	3,278	<b>5,503</b>	3,100

# Notes to the Unaudited Condensed Consolidated Financial Information (Continued)

## 5. PROFIT BEFORE INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	717	238	1,379	773
Amortisation of intangible asset	20	18	87	53
Rental expense — depreciation of right-of-use assets	1,059	—	2,476	—
Rental expense — imputed interest of lease liabilities	96	—	169	—
Reversal of provision of impairment of trade receivables	—	(649)	—	(675)
Listing expenses	976	—	3,376	—

# Notes to the Unaudited Condensed Consolidated Financial Information (Continued)

## 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 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.

## 7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2019.

No dividend has been paid or declared by the Company for the nine months ended 30 September 2018 and 2019.

## 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.

Diluted earnings per share is of the same amount as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 30 September 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 (Continued)

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;
- (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; and
- (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 30 September 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 nine months ended 30 September 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.

## Supplementary Information (Continued)

### 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 September 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:

#### (I) 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</sup>	—	—	300,000,000	300,000,000	—	300,000,000	75.00%
Ms. Chan Hoi Yan Polly <sup>Note</sup>	—	—	300,000,000	300,000,000	—	300,000,000	75.00%

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 (Continued)

Save as disclosed above, as at 30 September 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 30 September 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	75.00%
Ms. Chu Siu Fong <sup>Note</sup>	Interest in controlled corporation	300,000,000	75.00%

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 (Continued)

Save as disclosed above, as at 30 September 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

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.

### CONFLICT OF INTERESTS

Saved as disclosed above, during the nine months ended 30 September 2019, 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 nine months ended 30 September 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 nine months ended 30 September 2019.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

The Company has not redeemed any of its shares during the nine months ended 30 September 2019. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares for the nine months ended 30 September 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 30 September 2019.

## **Supplementary Information (Continued)**

### **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 revised 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.

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 third quarterly financial information and the third quarterly report for the nine months ended 30 September 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 nine months ended 30 September 2019, 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 nine months ended 30 September 2019.