



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 2020

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 of the Stock Exchange 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

Financial 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

17

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 AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central, Hong Kong

Corporate Information

PRINCIPAL BANKERS

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, 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 2020 amounted to approximately HK\$25.3 million, representing a decrease of approximately 46.2% over the corresponding period of the previous year.

Gross profit of the Group for the three months ended 31 March 2020 amounted to approximately HK\$8.4 million, representing a decrease of approximately 47.7% over the corresponding period of the previous year.

Gross profit margin of the Group for the three months ended 31 March 2020 decreased from approximately 34.3% for the three months ended 31 March 2019 to approximately 33.3% for the three months ended 31 March 2020.

Profit attributable to equity holders of the Company for the three months ended 31 March 2020 amounted to approximately HK\$1.0 million, representing a decrease of approximately 77.8% over the corresponding period of the previous year.

Earnings per share for the three months ended 31 March 2020 was approximately HK0.2 cent, representing a decrease of approximately 81.8% over the corresponding period of the previous year.

The Board does not recommend the payment of any interim dividend for three months ended 31 March 2020 (three months ended 31 March 2019: 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 2020.

The global business environment is challenging for the three months ended 31 March 2020, which was adversely affected by the continuous trade war between the United States of America ("US") and the People's Republic of China ("PRC"), and the coronavirus outbreak around the world.

For the three months ended 31 March 2020, the Group encountered difficulties in securing orders from a few of its existing customers with deteriorated demand of our products and sales order resulted from an addition of tariff arising from the continuous trade war between US and PRC as well as the impact of coronavirus pandemic to the global economies. As such, the Group has kept negotiating with its US customers on sharing of any additional tariff and exploring various business strategies to consolidate and develop relationship with existing customers and potential buyers to enable the Group to secure and award more contracts in both local and international markets in the recent challenging economies.

The Group kept on assessing the potential impact of the coronavirus pandemic to the business operations (including production, supply chain, etc.). In addition, the Group is undertaking various cost control measures to minimize the financial impact on our liquidity positions caused by the coronavirus pandemic.

PROSPECT

Looking forward, the Group will stay alert of the trade war and any changing business environment that may impact its operation and its profitability. At the same time, the Group will continue to leverage on its reputation and competitive pricing strategy to promote sales and reduce cost, in order to maintain its overall profitability and shareholders value.

The Group expects that the coronavirus pandemic would definitely cause adverse economic outcomes to the global economies as well as the markets where the Group has business operations in the second quarter ending 30 June 2020. The Group will assess its business, operational and financial impacts of coronavirus pandemic from time to time and continue to monitor the evolving situation with appropriate measures.

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 2020 and 2019:

	For the three months ended 31 March			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Beauty products	22,480	88.9	26,828	57.0
Beauty bags	2,813	11.1	20,228	43.0
Total	25,293	100.0	47,056	100.0

Revenue of the Group for the three months ended 31 March 2020 amounted to approximately HK\$25.3 million, representing a decrease of approximately 46.2% over the correspondence period of the previous year. The decrease was mainly attributable to less sales orders received during the three months ended 31 March 2020, which was due to the addition tariff arising from the trade war between US and the PRC, and the outbreak of coronavirus pandemic.

Gross profit of the Group for the three months ended 31 March 2020 amounted to approximately HK\$8.4 million, representing a decrease of approximately 47.7% over the correspondence period of the previous year. Gross profit margin of the Group decreased from approximately 34.3% for the three months ended 31 March 2019 to approximately 33.3% for the three months ended 31 March 2020, which was mainly attributable to different product mix.

Profit attributable to equity holders of the Company for the three months ended 31 March 2020 amounted to approximately HK\$1.0 million, representing a decrease of approximately 77.8% over the correspondence period of the previous year, amounted to approximately HK\$4.3 million.

Management Discussion and Analysis

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 2020. The Group finances its daily operations through a combination of net funds generated and received from operations and net proceeds from the share offer. As of 31 March 2020, the Group had cash and cash equivalents of approximately HK\$120.0 million (31 December 2019: approximately HK\$114.2 million). The cash and cash equivalents maintained at a stable level.

The current ratio, calculated as the total current assets divided by total current liabilities, was approximately 7.8 times as at 31 March 2020 (31 December 2019: approximately 4.7 times). As at 31 March 2020, 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\$0.3 million or approximately 3.6% from approximately HK\$8.4 million for the three months ended 31 March 2019 to approximately HK\$8.1 million for the three months ended 31 March 2020. The administrative expense maintained at a stable level.

SELLING EXPENSES

The selling expenses of the Group decreased by approximately HK\$1.5 million or approximately 52.2% from approximately HK\$2.9 million for the three months ended 31 March 2019 to approximately HK\$1.4 million for the three months ended 31 March 2020. The decrease was mainly attributable to the decrease in freight, transportation and courier expense, which was in line with the extent of decrease in revenue for the three months ended 31 March 2020.

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 insignificant and manageable.

Management Discussion and Analysis

During the three months ended 31 March 2020, 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 2020 for speculative and investment purposes.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 March 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil). The Group had capital commitment of approximately HK\$4.4 million in relation to expenditure on our factory expansion (31 December 2019: HK\$6.7 million). There was no operating leases as at 31 March 2020 and 31 December 2019 due to the adoption of HKFRS 16 “Leases” since 1 January 2019.

PLEDGE OF ASSETS

The Group did not have pledged assets as at 31 March 2020 (31 December 2019: Nil).

SHARE CAPITAL AND CAPITAL STRUCTURE

During the three months ended 31 March 2020, 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 2020 (31 March 2019: Nil).

Management Discussion and Analysis

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 2020 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 2020, the Group did not have any significant investment in equity interest in any other company and did not own any properties (31 December 2019: Nil).

SECURITIES INVESTMENTS

The Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 31 March 2020, which is required to be disclosed under Rule 18.41(4A) of the GEM Listing Rules.

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 2020.

GUARANTEE PERFORMANCE IN RELATION TO THE ACQUISITIONS

The Group did not enter into any acquisition, which is required to be disclosed under the GEM Listing Rules, that the party in contract required to commit or guarantee on the financial performance in any kinds for the three months ended 31 March 2020.

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 2020 (the "Period"), which has been reviewed by the audit committee of the Company, together with the comparative unaudited figures for the corresponding periods in 2019, as follows:

Unaudited Condensed Consolidated Statements of Comprehensive Income

	Notes	Three months ended 31 March	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	3	25,293	47,056
Cost of sales		(16,864)	(30,926)
Gross profit		8,429	16,130
Other income	4	1,825	238
Other gain, net	4	156	221
Administrative expenses		(8,143)	(8,448)
Selling expenses		(1,393)	(2,916)
Finance income		493	429
Finance costs		(86)	—
Profit before income tax	5	1,281	5,654
Income tax expense	6	(324)	(1,343)
Profit for the period		957	4,311
Other comprehensive income for the period			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation difference		—	—
Total comprehensive income for the period		957	4,311

Unaudited Condensed Consolidated Statements of Comprehensive Income

	Notes	Three months ended 31 March	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit for the period attributable to:			
Owners of the Company		957	4,311
Total comprehensive income for the period attributable to:			
Owners of the Company		957	4,311
Earnings per share			
Basic and diluted earnings per share (in HK cents)	8	0.2	1.1

Unaudited Condensed Consolidated Statements of Changes in Equity

Equity attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital and other reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 31 December 2019 (audited) and 1 January 2020	4,000	56,188	46	1,525	(225)	139,417	200,951
Profit for the period	—	—	—	—	—	957	957
Total comprehensive income for the period	—	—	—	—	—	957	957
At 31 March 2020 (unaudited)	4,000	56,188	46	1,525	(225)	140,374	201,908
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	—	—	—	—	—	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

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 11 May 2020.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial information for the three months ended 31 March 2019 and 2020 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 2019, 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

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 2019 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning on 1 January 2020. 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 31 March	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue		
Sales of beauty products	22,480	26,828
Sales of beauty bags	2,813	20,228
	25,293	47,056

Notes to the Unaudited Condensed Consolidated Financial Information

4. OTHER INCOME AND OTHER GAIN, NET

	Three months ended 31 March	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Other income		
Sample and design income	811	238
Government grant	1,014	—
	1,825	238
Other gain, net		
Exchange gain, net	156	221

5. PROFIT BEFORE INCOME TAX

	Three months ended 31 March	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	1,138	328
Depreciation of right-of-use assets	1,055	711
Amortisation of intangible asset	26	38
Professional expenses for transfer of listing	8	2,196
	2,227	3,273

Notes to the Unaudited Condensed Consolidated Financial Information

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 PRC tax laws and regulations. No overseas profits tax has been calculated for subsidiaries of the Group that are incorporated in the British Virgin Islands or the Cayman Islands as they are exempted from tax.

As at 31 March 2020, 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 three months ended 31 March 2020.

No dividend has been paid or declared to the shareholders of the Company for the three months ended 31 March 2019 and 2020.

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 2019 and 2020.

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. As of the date of this report, there is only one share option scheme.

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 until any inside information has been announced, if any.

An offer shall remain open for acceptance by the Eligible Person concerned for such period as determined by the Board, being a date not later than ten Business Days after the offer date by which the Eligible Person must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme. The amount payable by the grantee to our Company on acceptance of the offer shall be a nominal amount to be determined by the Board.

Supplementary Information

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. As at the date of this report, the number of issued Shares of the Company is 400,000,000 Shares and total number of shares issued or to be issued under the Share Option Scheme of the Company is 40,000,000 Shares which represented 10% (2019: 10%) of the issued share capital of the Company, if all the options under the Share Option Scheme have been granted to and duly exercised by eligible persons.

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. Where any further grant of options to an eligible person would result in excess of such limit shall be subject to the approval of the shareholders at general meeting with such eligible person and his close associates (or his associates if the eligible person is a connected person) abstaining from voting.

Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of our Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such grant of options must be subject to the approval of the Shareholders at general meeting. The grantee involved in such proposed grant of options, his associates and all core connected persons of our Company must abstain from voting in such general meeting (except that any such persons may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

Supplementary Information

The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption to 28 September 2027, after which period no further options will be granted or offered.

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.

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.

As at 31 March 2020, 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.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the aforesaid Share Option Schemes, at no time during the three months ended 31 March 2020 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 2020, 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, as to 39.7% by Ms. Chu Siu Fong and 9.5% by Ms. Chan Hoi Yan Polly. As Mr. Or Naam, Ms. Chu Siu Fong and Ms. Chan Hoi Yan Polly are parties acting in concert, they are deemed to be interested in 300,000,000 Shares held by Classic Charm Investments Limited by virtue of the SFO.

Supplementary Information

Save as disclosed above, as at 31 March 2020, 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 2020, 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	% of the Company's issued voting shares	
		Number of shares held	
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, as to 39.7% by Ms. Chu Siu Fong and 9.5% by Ms. Chan Hoi Yan Polly. As Mr. Or Naam, Ms. Chu Siu Fong and Ms. Chan Hoi Yan Polly are parties acting in concert, they are deemed to be interested in 300,000,000 Shares held by Classic Charm Investments Limited by virtue of the SFO.

Supplementary Information

Save as disclosed above, as at 31 March 2020, 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 three months ended 31 March 2020, 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.

Supplementary Information

CODE ON CORPORATE GOVERNANCE PRACTICES

During the three months ended 31 March 2020, 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 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the three months ended 31 March 2020. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares for the three months ended 31 March 2020.

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.

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 first quarterly financial information and the first quarterly report for the three months ended 31 March 2020.

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 2020, there has been no changes in the constitutional documents of the Company.

SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

After the outbreak of Coronavirus Diseases 2019, the global economy is challenging and the Group's business operations and financial results may be adversely affected in the first half of the year 2020. The Company will make further announcement to keep the shareholders informed should there is material future business development of the Group, and significant business, operational and financial impacts of coronavirus pursuant to the requirement of the GEM Listing Rules, if applicable.