

BOSA TECHNOLOGY HOLDINGS LIMITED

人和科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8140)

Third Quarterly Report 2019/20

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.

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This report, for which the directors (the “Directors”) of BOSA Technology Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) 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

NON-EXECUTIVE DIRECTOR

Mr. Kwan Tek Sian (*Chairman*)

EXECUTIVE DIRECTORS

Mr. Lim Su I

Mr. Paulino Lim

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Keung Alan
(*resigned on 1 March 2020*)

Mr. Law Sung Ching Gavin
(*appointed on 1 March 2020*)

Ms. Chu Wei Ning

Mr. Ng Ming Hon

AUDIT COMMITTEE

Mr. Ng Ming Hon (*Chairman*)

Mr. Kwan Tek Sian

Mr. Chan Chi Keung Alan
(*resigned on 1 March 2020*)

Mr. Law Sung Ching Gavin
(*appointed on 1 March 2020*)

REMUNERATION COMMITTEE

Mr. Chan Chi Keung Alan (*Chairman*)
(*resigned on 1 March 2020*)

Mr. Law Sung Ching Gavin (*Chairman*)
(*appointed on 1 March 2020*)

Mr. Paulino Lim

Mr. Ng Ming Hon

NOMINATION COMMITTEE

Mr. Kwan Tek Sian (*Chairman*)

Ms. Chu Wei Ning

Mr. Ng Ming Hon

COMPANY SECRETARY

Ms. Lam Yuen Man Maria
(*resigned on 31 December 2019*)

Ms. Cheng Kee See
(*appointed on 1 January 2020*)

AUTHORIZED REPRESENTATIVES

Mr. Paulino Lim

Ms. Lam Yuen Man Maria
(*resigned on 31 December 2019*)

Ms. Cheng Kee See
(*appointed on 1 January 2020*)

COMPLIANCE OFFICER

Mr. Paulino Lim

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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55 King Yip Street, Kwun Tong
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INDEPENDENT AUDITORS

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2nd Floor, 625 Kings Road
North Point, Hong Kong

COMPLIANCE ADVISER

Kingsway Capital Limited
7/F, Tower One, Lippo Centre
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Hong Kong

PRINCIPAL BANKER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
PO Box 1350
Clifton House
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Grand Cayman KY1-1108
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

8140

COMPANY WEBSITE

www.hklistco.com/8140

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

According to the advance estimates on Gross Domestic Product (“GDP”) released by the Census and Statistics Department on 4 May 2020, GDP decreased by 8.9% in real terms in the first quarter of 2020 from a year earlier, compared with the decrease of 3.0% in the fourth quarter of 2019. This was the largest decline on record since the reference period of the first quarter of 1974. The decline of GDP was mainly attributable to the continued weak performance in both domestic and external demand, as affected by the COVID-19 pandemic. On a seasonally adjusted quarter-to-quarter comparison basis, GDP decreased by 5.3% in real terms in the first quarter of 2020 when compared with the fourth quarter of 2019.

A Government spokesman said that the economic recession deepened in Hong Kong in the first quarter of 2020, as the threat of COVID-19 seriously disrupted a wide range of local economic activities and supply chains in the region. With the disease evolving into a pandemic in March, the economic fallout became even more severe. Looking ahead, with the COVID-19 pandemic causing a severe contraction of global economic activity, Hong Kong’s exports will remain under notable pressure in the near term. Besides, the developments in US-Mainland economic and trade relations, geopolitical tensions and global financial market volatility continue to warrant attention. Locally, economic activities are likely to stay subdued in the near term if the threat of the pandemic continues. Hong Kong’s near-term economic outlook is subject to very high uncertainties, hinging crucially on the evolving global public health and economic situations. In view of the severe global economic impact of the COVID-19 pandemic, the real GDP growth forecast for 2020 was revised to -4% to -7%, as announced by the Financial Secretary on April 29 2020. Amid the volatile economic atmosphere globally and locally, market competition has become increasingly fierce, exerting pressure on the Group’s profit margin.

On the other hand, according to the Government’s 2020-2021 Budget Speech, the Government will continue to pursue new development area projects, rezone sites for housing development, develop brownfield clusters and urban squatter areas, etc. to provide land to increase housing supply. This is a particularly positive and reassuring message about the outlook of the industry. It is expected that the ongoing and new infrastructure projects will increase demand for splicing systems.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing mechanical splicing services to the reinforced concrete construction industry in Hong Kong. The Group's customers are primarily main contractors and subcontractors of various types of reinforced concrete construction projects in Hong Kong. Construction projects that the Group service can generally be categorised into public sector projects and private sector projects.

The Group will continue to cautiously monitor the business opportunities and continue to strengthen its competitiveness in the market to enhance the profitability of the Group and interests of the shareholders of the Company.

OUTLOOK

The Directors believe that the successful listing of the Shares of the Company on the GEM of the Stock Exchange on 12 July 2018 could enhance the Group's profile and the net proceeds received will strengthen the Group's financial position and enable the Group to implement its business plan. The Group intends to further strengthen its position as a leading provider of mechanical splicing services for the reinforced concrete construction industry in Hong Kong and to create long term value for its stakeholder. Details of the implementation plan were set out in the prospectus of the Company dated 28 June 2018 (the "Prospectus") under the section "Future Plans and Use of Proceeds".

FINANCIAL HIGHLIGHT AND OVERVIEW

	For the nine months ended		Change %
	2020 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Unaudited)	
Revenue	52,970	38,346	38.1
Gross profit	17,684	13,104	35.0
Net profit and total comprehensive income before listing expenses	7,037	4,060	73.3
Net profit and total comprehensive income after listing expenses	7,037	3,647	93.0
Earnings per share (<i>HK cents</i>)	0.88	0.46	91.3

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the nine months ended 31 March 2020 (the “Period”), all of the Group’s revenue was generated from the provision of services of processing and connecting reinforcing bars in Hong Kong. Accordingly, the Group has only one single operating segment and one geographical segment during the Period.

The Group’s revenue increased by approximately HK\$14.7 million or approximately 38.1%, from approximately HK\$38.3 million for the nine months ended 31 March 2019 to approximately HK\$53.0 million for the Period, which was mainly due to increase in new projects and customers during the Period.

Cost of Sales

The Group’s cost of sales increased by approximately HK\$10.0 million or approximately 39.7%, from approximately HK\$25.2 million for the nine months ended 31 March 2019 to approximately HK\$35.2 million for the Period, which were mainly due to increase in cost of coupler and direct labor cost which were in line to the increase in revenue.

Gross Profit

The Group’s gross profit increased by approximately HK\$4.6 million or approximately 35.0%, from approximately HK\$13.1 million for the nine months ended 31 March 2019 to approximately HK\$17.7 million for the Period, which were mainly due to reasons disclosed above.

Other Income

The Group’s other income decreased by approximately HK\$0.3 million or approximately 11.1%, from approximately HK\$2.7 million for the nine months ended 31 March 2019 to approximately HK\$2.4 million for the Period. Such decrease was mainly attributable to the decrease in rebar testing income during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

The Group's administrative expenses remained stable at approximately HK\$10.1 million for the nine months ended 31 March 2020 and 2019. No material fluctuation was noted.

Profit and Total Comprehensive Income Attributable to Owners of the Company

The Group's profit and total comprehensive income attributable to owners of the Company increased by approximately HK\$3.4 million or approximately 93.0%, from approximately HK\$3.6 million for the nine months ended 31 March 2019 to approximately HK\$7.0 million for the Period.

Liquidity and Financial Resources

The Group practiced prudent financial management and maintained a strong and sound financial position during the nine months ended 31 March 2020. As of 31 March 2020, the Group had cash and bank balances of approximately HK\$53.1 million (30 June 2019: approximately HK\$58.7 million) and the current ratio, calculated as the total current assets divided by total current liabilities, was approximately 6.4 times as at 31 March 2020 (30 June 2019: approximately 5.9 times). The gearing ratio, representing total borrowings divided by total equity, was Nil as at 31 March 2020 (30 June 2019: Nil). In view of the Group's current level of cash and bank balances, funds generated internally from operations, the Board is confident that the Group will have sufficient resources to meet its financial needs for its operations.

Foreign Exchange Exposure

The Group purchased all of the couplers used in our business operations from Taiwan. These purchases were denominated in New Taiwan Dollar ("TWD"). The Group expects to continue to make coupler purchases in Taiwan in the near future. Accordingly, fluctuations in TWD against HK\$ may result in exchange losses or gains and affect our results of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

The management considered that the Group has sufficient foreign exchange to meet its foreign exchange liabilities as they become due, which will be funded by cash generated for operating activities. The Group has not entered into any agreement to hedge our exchange rate exposure relating to TWD and will continue to monitor its foreign exchange exposure. The Group will consider hedging significant foreign currency exposure should the need arise and no derivative financial instruments were held by the Group as at 31 March 2020 for speculative purposes.

Contingent Liabilities

As at 30 June 2019, the Group was involved in a litigation related to claims of defamation and malicious falsehood against a subsidiary of the Company for alleging that plaintiff's coupler system infringes the patent of BOSA R&D. Having considered merits and the possible damages of the said legal proceedings as advised by the counsel of the Group, the Directors are of the view that no provision for contingent liabilities is required to be made as at 31 March 2020 in this regard.

Saved as disclosed above and at 31 March 2020, the Group did not have any material contingent liabilities.

Dividends

The board of directors (the "Board") does not recommend the payment of dividend respect for the Period (for the nine months ended 31 March 2019: Nil)

Pledge of Assets

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets. As at 31 March 2020, the Group had secured and unguaranteed obligations under finance leases of approximately HK\$,137,000 (as at 30 June 2019: approximately HK\$182,000), which were secured by motor vehicles of the Group.

Save as disclosed above, the Group did not have pledged assets as at 31 March 2020 (at 30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

The Company was incorporated in Cayman Islands and registered as an exempted company with limited liability under the Cayman Companies Law on 24 October 2016. Its shares were listed on GEM of the Stock Exchange on 12 July 2018. The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination its cash and cash equivalents and cash flows generated from operations.

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 acquisition a parcel of land to open new workshop in Hong Kong, details of which are set out in the prospectus under the section "Future Plans and Use of Proceeds".

As at the date of this report, the unutilised proceeds were placed in interest-bearing deposits within licensed banks in Hong Kong. The Group will gradually apply the remaining net proceeds in the manner set out in the Company's prospectus depending on the market condition.

Significant Investments Held, Acquisitions and Disposals

There were no significant investments held, acquisitions or disposals of subsidiaries, associates, joint venture and affiliated companies by the Group during the Period.

The Group did not have any other material plans for significant investments, acquisitions and disposals of subsidiaries, associates and joint ventures as at 31 March 2020.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 March 2020

The Board is pleased to present the unaudited condensed consolidated financial information of the Group for the nine months ended 31 March 2020, 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:

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	18,024	11,732	52,970	38,346
Cost of sales		(11,869)	(7,269)	(35,286)	(25,242)
Gross profit		6,335	4,463	17,684	13,104
Other income	4	1,403	714	2,357	2,706
Other losses		(405)	–	(725)	(230)
Selling and distribution expenses		(26)	(17)	(366)	(277)
Administrative expenses		(3,709)	(3,566)	(10,085)	(10,138)
Listing expenses		–	–	–	(413)
Finance costs		(33)	–	(76)	(1)
Profit before taxation	5	3,565	1,594	8,789	4,751
Taxation	6	(757)	(261)	(1,715)	(1,104)
Profit for the period		2,808	1,333	7,074	3,647
Other comprehensive expense					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operation		(30)	–	(37)	–
Profit and total comprehensive income for the period attributable to the owners of the Company		2,778	1,333	7,037	3,647
Earnings per share					
Basic (HK cents)	7	0.35	0.17	0.88	0.46

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 July 2018 (audited)	21	8,489	5,647	24	7,910	22,091
Profit for the period	-	-	-	-	3,647	3,647
Other comprehensive expense for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	3,647	3,647
Share issued pursuant to the initial public offer (the "IPO")	20	59,980	-	-	-	60,000
Transaction costs attributable to the IPO	-	(7,949)	-	-	-	(7,949)
Balance at 31 Mar 2019 (unaudited)	<u>41</u>	<u>60,520</u>	<u>5,647</u>	<u>24</u>	<u>11,557</u>	<u>77,789</u>
Balance at 1 July 2019 (audited)	41	59,936	5,647	(9)	8,916	74,531
Effect of adoption of HKFRS 16	-	-	-	-	(18)	(18)
Balance at 1 July 2019 (restated)	41	59,936	5,647	(9)	8,898	74,513
Profit for the period	-	-	-	-	7,074	7,074
Other comprehensive expense for the period	-	-	-	(37)	-	(37)
Total comprehensive (expense) income for the period	-	-	-	(37)	7,074	7,037
Balance at 31 March 2020 (unaudited)	<u>41</u>	<u>59,936</u>	<u>5,647</u>	<u>(46)</u>	<u>15,972</u>	<u>81,550</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the GEM of The Stock Exchange with effect from 12 July 2018.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of mechanical splicing services to the reinforced concrete construction industry in Hong Kong.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated third quarterly financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong which include Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of GEM Listing Rules.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 30 June 2019.

Except as described below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 30 June 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

In the current period, the Group has applied the following new or revised Hong Kong Financial Reporting Standards (“new HKFRSs”) issued by the HKICPA which are or have become effective.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except for the new and amendments to HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale, HKFRS 16 also includes requirements relating to subleases and lease modifications.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRS 16 Leases (continued)

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. REVENUE

Revenue represents the fair value of amounts received and receivable for the services provided and net of discount during the period. The Group's operations and revenue is solely derived from provision of mechanical splicing services in Hong Kong during the period. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

4. OTHER INCOME

	Three months ended		Nine months ended	
	31 March		31 March	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Handling charge	1,203	618	1,840	2,429
Insurance compensation	–	7	14	24
Others	200	89	503	253
	<u>1,403</u>	<u>714</u>	<u>2,357</u>	<u>2,706</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. PROFIT BEFORE TAXATION

	Three months ended		Nine months ended	
	31 March		31 March	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:				
Cost of inventories recognized an expense	6,109	3,247	18,198	11,259
Depreciation of plant and equipment	824	432	2,186	1,696
Directors' remuneration	1,356	1,145	3,367	2,882
Other staff costs				
Salaries and other benefits	3,252	2,647	9,367	7,714
Retirement benefits scheme contributions	149	114	422	356
Total staff costs	4,757	3,906	13,156	10,952
Research expenses	111	111	278	256
Depreciation of right-of-use assets	592	–	1,610	–
Minimum lease payments under operating leases in respect of land and buildings	–	737	–	2,257

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. TAXATION

Hong Kong profits tax has been provided at the rate of 8.25% on the first HK\$2.0 million of the estimated assessable profits and at 16.5% on the estimated assessable profit above HK\$2.0 million (2019: 16.5%) during the Period.

No deferred taxation has been provided as the Group has no material unprovided deferred tax assets or liabilities which are expected to be crystallised in the foreseeable future (Nine months ended 31 March 2019: Nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Three months ended		Nine months ended	
	31 March		31 March	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings:				
Earnings for the purpose of calculating basic earnings per share				
Profit for the period attributable to the owners of the Company	<u>2,808</u>	<u>1,333</u>	<u>7,074</u>	<u>3,647</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>800,000</u>	<u>791,941</u>	<u>800,000</u>	<u>791,941</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7. EARNINGS PER SHARE (continued)

The weighted average number of ordinary shares in issued used in the basic earnings per share calculation is determined on the assumption that reorganisation and capitalisation issued as described in the Prospectus had been effective on 1 July 2016.

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the nine months ended 31 March 2020 and 2019.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (“Share Option Scheme”), which was approved by written resolutions passed by the shareholders (the “Shareholders”) of the Company’s shares (the “Shares”) on 19 June 2018 and became unconditional on 12 July 2018. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

As at 31 March 2020, there was no option outstanding, granted, cancelled, exercised or lapsed.

DIRECTORS’ RIGHT TO ACQUIRE SHARE OR DEBENTURES

Apart from the aforesaid Share Option Schemes, at no time during the Period was the Company or any associated corporation a party to any arrangement to enable the Directors 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 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

DIRECTORS AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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:

OTHER INFORMATION

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

(i) *Interests in the Company*

Interests in ordinary shares

Name of Director	Capacity	Number of shares held	% of the Company's issued voting shares
Mr. Kwan Tek Sian	Interest in a controlled corporation	301,463,415	37.7%
Mr. Lim Su I	Beneficial owner	73,170,732	9.2%
Mr. Paulino Lim	Beneficial owner	40,975,610	5.1%

(ii) *Interests in the associated corporation*

Name of Director	Name of associated corporation	Number of shares held	% of the Company's issued voting shares
Mr. Kwan Tek Sian	Kin Sun Creative Company Limited	10,000	100.0%

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	Number of shares held	% of the Company’s issued voting shares
Kin Sun Creative Company Limited ^{Note 1}	Beneficial owner	301,463,415	37.7%
Mr. Yang Tien-Lee	Beneficial owner	64,390,244	8.0%
Mr. Wang Wann-Bao	Beneficial owner	64,390,244	8.0%
Ms. Chiu Yin Mei ^{Note 2}	Beneficial owner	40,975,610	5.1%
Ms. Ha Jasmine Nim Chi ^{Note 3}	Interest of spouse	301,463,415	37.7%
Ms. Chan Ching ^{Note 4}	Interest of spouse	73,170,732	9.2%
Ms. Liu Li Wen ^{Note 5}	Interest of spouse	64,390,244	8.0%
Ms. Wang Yu-Ju ^{Note 6}	Interest of spouse	64,390,244	8.0%
Ms. Ng Pei Ying ^{Note 7}	Interest of spouse	40,975,610	5.1%

OTHER INFORMATION

Notes:

1. Mr. Kwan Tek Sian beneficially owns 100% of the entire issued shares of Kin Sun Creative Company Limited. Therefore, Mr. Kwan Tek Sian is deemed, or taken to be, interested in 301,463,415 Shares held by Kin Sun Creative Company Limited for the purposes of the SFO.
2. Ms. Chiu Yin Mei is our administration manager.
3. Ms. Ha Jasmine Nim Chi, spouse of Mr. Kwan Tek Sian, is deemed, or taken to be, interested in 301,463,415 Shares in which Mr. Kwan Tek Sian is interested for the purposes of the SFO.
4. Ms. Chan Ching, spouse of Mr. Lim Su I, is deemed, or taken to be, interested in 73,170,732 Shares in which Mr. Lim Su I is interested for the purposes of the SFO.
5. Ms. Liu Li Wen, spouse of Mr. Yang Tien-Lee, is deemed, or taken to be interested in 64,390,244 Shares in which Mr. Yang is interested for the purposes of the SFO.
6. Ms. Wang Yu-Ju, spouse of Mr. Wang Wann-Bao, is deemed, or taken to be interested in 64,390,244 Shares in which Mr. Wang is interested for the purposes of the SFO.
7. Ms. Ng Pei Ying, spouse of Mr. Paulino Lim, is deemed, or taken to be, interested in 40,975,610 Shares in which Mr. Paulino Lim is interested for the purposes of the SFO.

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.

DIVIDENDS

The Board does not recommend the payment of a dividend in respect of the Period (for the nine months ended 31 March 2019: Nil).

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the nine months ended 31 March 2020.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed above and the service contract/appointment letter with the Directors, no other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the period or at any time during the period and up to the date of this report.

NON-COMPETITION UNDERTAKING

Each of Kin Sun Creative Company Limited and Mr. Kwan Tek Sian has jointly and severally, irrevocably and unconditionally, undertaken to the Company that he/it shall not, and he/it shall procure that none of his/its respective close associates and/or persons and companies controlled by them (other than members the Group) shall not, except through his or its interests in the Company, whether as principal or agent and whether undertaken directly or indirectly through any person, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which is in any respect in competition with or similar to or is likely to be in competition with the business within any of the territories within Hong Kong or any of the territories where any member of the Group carries and/or will carry on business from time to time upon listing of the Company.

OTHER INFORMATION

Mr. Yang Tien-Lee has also irrevocably and unconditionally, undertaken to our Company that he shall not and he shall procure that none of his close associates and/or persons and companies controlled by Mr. Yang shall not, except through his interests in the Company, whether as principal or agent and whether undertaken directly or indirectly through any person, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which is in any respect in competition with or similar to or is likely to be in competition with the business of the Group within Hong Kong upon listing of the Company.

Pursuant to their respective undertakings, each of them is required to make an annual declaration on compliance with his/its non-competition undertakings for the relevant financial year in the Company's annual report.

For the year ended 30 June 2019, each of Kin Sun Creative Company Limited, Mr. Kwan Tek Sian and Mr. Yang Tien-Lee confirmed their compliance with the terms of non-competition undertaking. The independent non-executive Directors reviewed their respective confirmation and confirmed each of them has complied with the non-competition undertaking in accordance with its terms.

Each of Kin Sun Creative Company Limited, Mr. Kwan Tek Sian and Mr. Yang Tien-Lee shall provide confirmation in respect of their compliance with the terms of non-competition undertaking for the year 2019/2020. The independent non-executive Directors shall then review their respective confirmation to advise if each of them has complied with the non-competition undertaking in accordance with its terms for the year 2019/2020.

CONFLICT OF INTERESTS

Saved as disclosed above and during the Period, none of the Directors, the substantial 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.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Kingsway Capital Limited, compliance adviser of our Company, neither Kingsway Capital Limited nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of Kingsway Capital Limited had any interest in the share capital of the Company or any member of the 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 2020.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 19 June 2018, which operates under terms of reference approved by the Board. The Audit Committee currently comprises three independent non-executives Directors, namely Mr. Ng Ming Hon, Mr. Kwan Tek Sian and Mr. Law Sung Ching Gavin. Mr. Ng Ming Hon is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the Period and is of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure have been made in respect thereof.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to maintain a high degree of corporate governance and transparency for the benefit of all its stakeholders. During the nine 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.

OTHER INFORMATION

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 31 March 2020.

PUBLICATION OF THE THIRD QUARTERLY REPORT

The 2019/2020 third quarterly report of the Company containing all the information required by GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at www.hklistco.com/8140 and the “HKExnews” website of the Stock Exchange at www.hkexnews.hk.