

The logo consists of the word "takbo" in white lowercase letters inside a green rounded square, with a small red circle above the letter 'o'.

takbo

Takbo Group Holdings Limited

德寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8436

# Interim Report 2020

The background of the lower half of the page is a close-up photograph of various cosmetic products, including blushers and eyeshadows, with a focus on colorful, shimmering pigments and glitter. The products are arranged in a cluster, with some in the foreground and others slightly out of focus in the background. The colors range from soft pinks and peaches to vibrant purples, blues, and golds. The lighting is bright and soft, highlighting the textures and colors of the makeup.

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

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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Or Naam (*Chief Executive Officer*)  
Ms. Chan Hoi Yan Polly  
Mr. Or Huen

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tan Chong Huat (*Chairman*)  
Mr. Sung Chi Keung  
Mr. Hui Ha Lam (appointed on 1 July 2020)  
Mr. Wong, Irving Holmes Weng Hoong  
(resigned on 1 July 2020)

## AUDIT COMMITTEE

Mr. Sung Chi Keung (*Chairman*)  
Mr. Tan Chong Huat  
Mr. Hui Ha Lam (appointed on 1 July 2020)  
Mr. Wong, Irving Holmes Weng Hoong  
(resigned on 1 July 2020)

## REMUNERATION COMMITTEE

Mr. Tan Chong Huat (*Chairman*)  
Mr. Sung Chi Keung  
Mr. Or Naam

## NOMINATION COMMITTEE

Mr. Hui Ha Lam (*Chairman*)  
(appointed on 1 July 2020)  
Mr. Sung Chi Keung  
Mr. Or Huen  
Mr. Wong, Irving Holmes Weng Hoong  
(resigned on 1 July 2020)

## 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*  
*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](http://www.takbogroup.com)

## Highlights

Revenue of the Group for the six months ended 30 June 2020 amounted to approximately HK\$87.7 million, representing a decrease of approximately 2.9% over the corresponding period of the previous year.

Gross profit of the Group for the six months ended 30 June 2020 amounted to approximately HK\$30.2 million, representing an increase of approximately 1.7% over the corresponding period of the previous year.

Gross profit margin of the Group for the six months ended 30 June 2020 increased from approximately 32.9% for the six months ended 30 June 2019 to approximately 34.5% for the six months ended 30 June 2020.

Profit attributable to equity holders of the Company for the six months ended 30 June 2020 amounted to approximately HK\$9.8 million, representing an increase of approximately 24.9% over the corresponding period of the previous year.

Earnings per share for the six months ended 30 June 2020 was approximately HK2.5 cents, representing an increase of approximately 25.0% over the corresponding period of the previous year.

The Board does not recommend the payment of any interim dividend for six months ended 30 June 2020 (six months ended 30 June 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 six months ended 30 June 2020.

Global business environment is still challenging amid the COVID-19 pandemic and tensed Sino-US relationship. Although some countries gradually ceased the lockdown measures, market sentiments still took long time to fully recover unless preventive measures are available to prevent the COVID-19 infection.

For the six months ended 30 June 2020, existing customers of our Group became more conservative and hesitated to place more orders in view of the negative business impact due to the pandemic and the additional tariff for the Group's product exported to US market. However, thanks for the continued efforts of our staff, the Group responded swiftly to market changes. The pandemic had increased consumer health awareness. Seizing this rising business opportunity, the Group had launched beauty products with healthcare and hand sanitizer products, which are tailored-made for these market demands and successfully capture these orders from local and international markets. As a result, the revenue of the Group for the six months ended 30 June 2020 recorded only a slight decrease even the business operation environment was extremely difficult.

## PROSPECT

Looking forward, the Group will stay alert of the Sino-US 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 enhance shareholders value.

In response to the coronavirus ramifications, the Group will continue to assess its business, operational and financial strategies based on the evolving situation and take appropriate measures including but not limited to stringent cost measures, cash retention measures as well as temporarily postponement of capital expenditures.

# Management Discussion and Analysis

## FINANCIAL REVIEW

The following table sets out a breakdown of revenue of the Group and the percentage contribution to total revenue by product category for the six months ended 30 June 2020 and 2019:

	For the six months ended 30 June			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Beauty products	72,566	82.7	41,213	45.6
Beauty bags	15,166	17.3	49,146	54.4
Total	87,732	100	90,359	100

The Group's revenue for the six months ended 30 June 2020 amounted to approximately HK\$87.7 million, representing a slight decrease of approximately 2.9% over the corresponding period in 2019. The decrease was mainly attributable to negative business impacts due to COVID-19 outbreak and the additional tariff for products exported to US market. Compared with the same period in 2019, revenue from beauty bags for the six months ended 30 June 2020 decreased significantly by approximately HK\$34.0 million to approximately HK\$15.2 million. However, with strategic actions taken, the Group had successfully launched beauty products with healthcare and hand sanitizer products to capture more orders from customers with higher health awareness. As a result, revenue from beauty products increased by approximately HK\$31.4 million to approximately HK\$72.6 million which net off with the drop in revenue from beauty bags for the six months ended 2020.

Gross profit of the Group for the six months ended 30 June 2020 amounted to approximately HK\$30.2 million, representing an increase of approximately 1.7% as compared with corresponding period in 2019 of approximately HK\$29.8 million. Owing to the depreciation of Renminbi in the first half of 2020 and different product mix offered, the gross profit margin of the Group increased by 1.6 p.p. to approximately 34.5% as compared with corresponding period in 2019 of approximately 32.9%.

Profit attributable to equity holders of the Company for the six months ended 30 June 2020 amounted to approximately HK\$9.8 million, an increase of approximately HK\$2.0 million as compared with the corresponding period in 2019. The increase was mainly due to overall gross profit margin improvement as compared to the same period in 2019.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

The Group practiced prudent financial management and maintained a strong and sound financial position during the six months ended 30 June 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 30 June 2020, the Group had cash and cash equivalents of approximately HK\$107.7 million (31 December 2019: approximately HK\$114.2 million). The decrease in cash and cash equivalents were mainly attributable to the temporary timing difference of the changes in working capital.

The current ratio, calculated as the total current assets divided by total current liabilities, was approximately 5.0 times as at 30 June 2020 (31 December 2019: approximately 4.7 times). As at 30 June 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 from approximately HK\$16.1 million for the six months ended 30 June 2019 to approximately HK\$15.8 million for the six months ended 30 June 2020. The decrease was due to the net effect of the increase in salary, professional advice for production facilities upgrade and product development, recruitment expense approximately HK\$1.3 million for the six months ended 30 June 2020 while an one off professional services of HK\$2.4 million incurred for the proposed transfer of listing in last corresponding period.

## SELLING EXPENSES

The selling expenses of the Group decreased by approximately HK\$0.7 million from approximately HK\$6.0 million for the six months ended 30 June 2019 to approximately HK\$5.3 million for the six months ended 30 June 2020. The decrease was mainly attributable to fewer business trips arranged as most cities implemented travel restrictions.

## LOSS ALLOWANCE FOR TRADE RECEIVABLES

For the six months period ended 30 June 2020, loss allowance for trade receivables of HK\$1.9 million was provided for two US customers under bankruptcy arrangement as a result of COVID-19 impacts.

# Management Discussion and Analysis

## FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk, primarily with respect to US\$ and Chinese Renminbi (“RMB”) denominated transactions arising from the sales of beauty products and bags to customers in the USA and purchases from suppliers in the PRC. The Directors are of the opinion that the foreign exchange risk arising from US\$ against RMB of the Group is insignificant and manageable.

During the six months ended 30 June 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 30 June 2020 for speculative and investment purposes.

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil). The Group had capital commitment of approximately HK\$2.7 million in relation to expenditure on our factory expansion (31 December 2019: HK\$6.7 million). There were no operating leases commitments as at 30 June 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 30 June 2020 (31 December 2019: Nil).

## SHARE CAPITAL AND CAPITAL STRUCTURE

During the six months ended 30 June 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 net 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 six months ended 30 June 2020 (30 June 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 30 June 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 30 June 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 30 June 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 six months ended 30 June 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 six months ended 30 June 2020.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 165 full-time employees in Hong Kong and the PRC (31 December 2019: 160 employees), including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$9.8 million for the six months ended 30 June 2020 as compared to approximately HK\$8.1 million for the six months ended 30 June 2019. Such increase was mainly due to salary increments and additions of headcounts.

Remuneration is determined with reference to duties, responsibilities, experience and skills. On top of basic salaries, the Group provides discretionary bonuses to our senior management and key employees as incentive bonuses.

The board of Directors is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2020 (the “Period”), which has been reviewed by the audit committee of the Company, together with the comparative unaudited figures for the corresponding period in 2019, as follows:

## Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Revenue</b>	3	<b>62,439</b>	43,303	<b>87,732</b>	90,359
Cost of sales		<b>(40,621)</b>	(29,679)	<b>(57,485)</b>	(60,605)
<b>Gross profit</b>		<b>21,818</b>	13,624	<b>30,247</b>	29,754
Other income, net		<b>497</b>	166	<b>2,322</b>	404
Other gains		<b>1,079</b>	710	<b>1,235</b>	931
Administrative expenses		<b>(7,649)</b>	(7,686)	<b>(15,792)</b>	(16,103)
Selling and distribution expenses		<b>(3,876)</b>	(3,090)	<b>(5,269)</b>	(6,006)
Loss allowance for trade receivables		<b>(1,917)</b>	—	<b>(1,917)</b>	—
<b>Operating profit</b>		<b>9,952</b>	3,724	<b>10,826</b>	8,980
Finance income	4	<b>402</b>	422	<b>895</b>	851
Finance cost		<b>(74)</b>	(42)	<b>(160)</b>	(73)
<b>Profit before tax</b>	5	<b>10,280</b>	4,104	<b>11,561</b>	9,758
Income tax expense	6	<b>(1,426)</b>	(559)	<b>(1,750)</b>	(1,902)
<b>Profit for the period attributable to owners of the Company</b>		<b>8,854</b>	3,545	<b>9,811</b>	7,856

# Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Other comprehensive income for the period</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		—	—	—	—
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>8,854</b>	<b>3,545</b>	<b>9,811</b>	<b>7,856</b>
Earnings per share					
Basic and diluted (in HK cents)	8	<b>2.2</b>	0.9	<b>2.5</b>	2.0

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

# Unaudited Interim Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	44,606	43,813
Intangible asset		304	356
Right-of-use assets	9	15,333	17,400
Prepayments		2,494	4,142
Deferred income tax assets		998	1,086
		<b>63,735</b>	66,797
<b>Current assets</b>			
Inventories		20,993	7,564
Trade receivables	10	50,656	55,465
Prepayments, deposits and other receivables		19,304	9,855
Amounts due from related parties		—	332
Cash and cash equivalents		107,748	114,244
		<b>198,701</b>	187,460
<b>Total assets</b>		<b>262,436</b>	254,257
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	12	4,000	4,000
Share premium		56,188	56,188
Other reserves		1,346	1,346
Retained earnings		149,228	139,417
		<b>210,762</b>	200,951

# Unaudited Interim Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provision		393	393
Lease liabilities		11,551	13,255
		<b>11,944</b>	13,648
<b>Current liabilities</b>			
Trade payables	11	20,237	15,525
Lease liabilities		4,069	4,380
Accruals, provision and other payables		10,690	12,059
Amounts due to related parties		783	404
Current income tax liabilities		3,951	7,290
		<b>39,730</b>	39,658
<b>Total liabilities</b>		<b>51,674</b>	53,306
<b>Total equity and liabilities</b>		<b>262,436</b>	254,257

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

# Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company (Unaudited)							
	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 1 January 2020 (audited)	4,000	56,188	46	1,525	(225)	139,417	200,951	
Profit for the period	—	—	—	—	—	9,811	9,811	
Total comprehensive income for the period	—	—	—	—	—	9,811	9,811	
At 30 June 2020	4,000	56,188	46	1,525	(225)	149,228	210,762	
At 1 January 2019 (audited)	4,000	56,188	46	1,086	2,322	106,803	170,445	
Profit for the period	—	—	—	—	—	7,856	7,856	
Total comprehensive income for the period	—	—	—	—	—	7,856	7,856	
At 30 June 2019	4,000	56,188	46	1,086	2,322	114,659	178,301	

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

# Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cash generated from operations	3,472	7,675
Income tax paid	(5,736)	—
Net cash (used in)/generated from operating activities	(2,264)	7,675
Net cash used in investing activities	(2,010)	(9,284)
Net cash used in financing activities	(2,222)	(2,167)
Net decrease in cash and cash equivalents	(6,496)	(3,776)
Cash and cash equivalents at 1 January	114,244	103,629
Cash and cash equivalents at 30 June represented by bank balances, deposits and cash	107,748	99,853

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

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

## 1. STATEMENT OF COMPLIANCE

The condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (the “GEM Listing Rules”).

## 2. BASIS OF PREPARATION

The condensed consolidated financial information have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2020 are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

### New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### Impact of standards issued but not yet applied by the Group

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

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

## 3. REVENUE AND SEGMENT INFORMATION

### (a) Revenue

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

	Three months ended		Six months ended	
	30 June		30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Revenue</b>				
Sales of beauty products	50,086	14,385	72,566	41,213
Sales of beauty bags	12,353	28,918	15,166	49,146
	<b>62,439</b>	43,303	<b>87,732</b>	90,359

### (b) Segment information

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

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

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (Continued)

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

	Design, development, manufacture and sale of beauty products HK\$'000	Design, development and sale of beauty bags HK\$'000	Total HK\$'000
<b>For the six months ended 30 June 2020 (Unaudited)</b>			
Segment revenue from external customers	72,566	15,166	87,732
Cost of sales	(47,469)	(10,016)	(57,485)
Gross profit	25,097	5,150	30,247
Other income, net			2,322
Other gains			1,235
Administrative expenses			(15,792)
Selling and distribution expenses			(5,269)
Loss allowance for trade receivables			(1,917)
Finance income			895
Finance cost			(160)
Profit before income tax			11,561
Income tax expense			(1,750)
Profit for the period			<b>9,811</b>
<b>For the six months ended 30 June 2019 (Unaudited)</b>			
Segment revenue from external customers	41,213	49,146	90,359
Cost of sales	(24,925)	(35,680)	(60,605)
Gross profit	16,288	13,466	29,754
Other income, net			404
Other gains			931
Administrative expenses			(16,103)
Selling and distribution expenses			(6,006)
Finance income			851
Finance cost			(73)
Profit before income tax			9,758
Income tax expense			(1,902)
Profit for the period			<b>7,856</b>

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (Continued)

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Customer A (Design, development, manufacture and sale of beauty products)	17,563	N/A <sup>(a)</sup>
Customer B (Design, development, manufacture and sale of beauty products and design, development and sale of beauty bags)	17,473	19,717
Customer C (Design, development and sale of beauty bags)	N/A <sup>(a)</sup>	30,224
Customer D (Design, development, manufacture and sale of beauty products and design, development and sale of beauty bags)	25,100	13,791

Note:

- (a) The corresponding customer did not contribute over 10% of the total revenue of the Group for the six months ended 30 June 2020 and 2019 respectively.

The Company is domiciled in the Cayman Islands. All non-current assets, other than deferred income tax assets of the Group as at 30 June 2020 are located in Hong Kong amounted to approximately HK\$2,987,000 (As at 31 December 2019: HK\$4,447,000) and the PRC amounted to approximately HK\$59,750,000 (As at 31 December 2019: HK\$61,264,000).

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (Continued)

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
United States of America ("USA")	67,037	85,152
PRC	4,554	3,647
Other countries	16,141	1,560
	<b>87,732</b>	<b>90,359</b>

## 4. FINANCIAL INCOME

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Finance income</b>				
Bank interest income	402	422	895	851

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

## 5. PROFIT BEFORE TAX FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit for the period has been arrived at after charging/(crediting):				
Amortisation of intangible assets	26	29	52	67
Depreciation of property, plant and equipment	1,257	334	2,395	662
Rental expense — depreciation of right-of-use assets	1,012	708	2,067	1,417
Finance cost — imputed interest of lease liabilities	74	42	160	73
Loss allowance for trade receivables	1,917	—	1,917	—
Listing expenses for transfer of listing	—	204	8	2,400
and after charging/(crediting):				
Other income — sample income	(17)	(181)	(828)	(339)
Other (income)/expenses — others, net	(480)	15	(1,494)	(65)
Other gains — exchange gains	(1,079)	(710)	(1,235)	(931)

## 6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
The charge/(credit) comprises:				
Current tax				
Hong Kong	1,317	769	1,637	1,847
PRC	117	(249)	25	(169)
Deferred tax	(8)	39	88	224
	1,426	559	1,750	1,902

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

## 6. INCOME TAX EXPENSE (Continued)

Hong Kong profits tax from subsidiaries operating in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profit for the relevant periods. Corporate income tax on profits from a subsidiary operating in the PRC have been calculated at 15% in accordance with the High and New Technology Enterprise Status granted in December 2019, being valid for three years. 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.

## 7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020.

No dividend has been paid or declared by the Company for the six months ended 30 June 2020 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 were no potentially dilutive ordinary share outstanding as at 30 June 2020 and 2019.

## Notes to the Unaudited Condensed Consolidated Interim Financial Information

### 9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group recognised additions of property, plant and equipment of approximately HK\$2.9 million (2019: HK\$9.1 million) mainly due to upgrade of its production facilities.

The Group did not have additions of right-of-use assets during the six months ended 30 June 2020 and 2019.

### 10. TRADE AND OTHER RECEIVABLES

Trade receivables represent income receivable from customers. The credit terms granted by the Group generally ranged between 30 to 90 days (2019: 30 to 90 days).

As at 30 June 2020 and 31 December 2019, the ageing analysis of trade receivables based on invoice date and net of allowance is as follows:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
1 to 30 days	46,107	21,555
31 to 60 days	1,233	2,601
61 to 90 days	3,080	11,081
91 days to 120 days	181	13,225
Over 121 days	55	7,003
	<b>50,656</b>	55,465

The carrying amounts of trade receivables approximate their fair value.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

## 11. TRADE PAYABLES

As at 30 June 2020 and 31 December 2019, the ageing analysis of trade payables presented based on the invoice date are as follows:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Within 30 days	19,340	5,751
31–60 days	125	4,413
61–90 days	52	737
91 days to 120 days	283	2,684
Over 121 days	437	1,940
	<b>20,237</b>	15,525

## 12. SHARE CAPITAL

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Number of shares	Value HK\$'000	Number of shares	Value HK\$'000
Authorised:				
Ordinary shares at HK\$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:	400,000,000	4,000	400,000,000	4,000

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

## 13. COMMITMENTS

### Capital commitments

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Property, plant and equipment	2,698	6,748

## 14. RELATED PARTY TRANSACTIONS

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

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

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

## 14. RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions with related parties

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Shantou Baoma Processing Complex Company Limited		
— Purchases	414	7,060
— Utility expenses	536	365
— Rental expenses	1,094	1,179
Sky Choice Development Limited		
— Rental expenses	536	544
Smart Path Development Limited		
— Rental expenses	596	605
Ms. Li Chen		
— Employee benefits expenses	106	—

All of the above transactions with related parties were conducted in the normal commercial terms of ordinary course of the business of the Group and have been disclosed pursuant to the GEM Listing Rules, if necessary.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

## 14. RELATED PARTY TRANSACTIONS (Continued)

### (b) Key management compensation

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

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Salaries and bonuses	1,614	1,617
Other allowances and benefits in kind	722	722
Defined contribution pension costs	27	27
	<b>2,363</b>	2,366

## Supplementary Information

### COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

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

The future plan and scheduled use of proceeds as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied with consideration of the actual development of business and market. As at 30 June 2020, the Group does not anticipate any change to the plan as to the use of listing proceeds. The majority of the unused net proceeds have been placed as interest bearing short-term demand deposits with licensed bank in Hong Kong.

As at 30 June 2020, the net listing proceeds has been applied and utilized as follows:

Plans for the use of net proceeds	Total net proceeds from share offer (HK\$'000)	Total remaining net proceeds available as at 1 January 2020 (HK\$'000)	Planned use of net proceeds for the six months ended 30 June 2020 (HK\$'000)	Utilized for the six months ended 30 June 2020 (HK\$'000)	Total remaining net proceeds as at 30 June 2020 (HK\$'000)
Upgrade production hardware, and facilities and infrastructure	23,670	—	—	—	—
Expand the Hong Kong headquarters	11,245	6,306	1,000	657	5,649*
Participate in local and global exhibitions	3,538	—	—	—	—
General working capital	3,665	—	—	—	—
Total	42,118	6,306	1,000	657	5,649

In the face of sudden outbreak of the COVID-19 pandemic during the first quarter of 2020, most business operations came to a standstill. Accordingly, the Group decided to take a prudent approach in expanding the Hong Kong headquarters. Subject to the business development, operation needs of the Group and the global economic momentum, the Group will continue to assess the situations and fully apply the remaining proceed in expanding Hong Kong headquarters for the activities as disclosed in the Prospectus in the next 12 months.

\* the remaining proceed is expected to be fully utilized in the next 12 months.

# Supplementary Information

## PRINCIPAL RISKS AND UNCERTAINTIES

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

The COVID-19 pandemic (the "Pandemic") had brought unprecedented challenges and added uncertainties to the global economy. To contain the spread of the virus, local governments had implemented cities lockdown measures. Business operations were negatively impacted. The sales and profitability of our products are dependent on our customers' business performance. We sell our products mainly to retailers, beauty products to brand owners and trading companies. If the Pandemic cannot be under control in near term, our customers may temporarily postpone or cancel certain orders. Meanwhile, the business performance of our customers could also underperform due to a number of factors, such as changes in business strategies, failure to develop successful marketing strategies, changes in the market demand for our customers' products and adverse market or economic conditions in the markets in which our customers operate, in particular, the US. If the business performance of our customers deteriorates, they could reduce the amount of their purchases for our products, or terminate their business relationship from us, which could have a material and adverse impact on our business, financial condition, results of operations and prospect.

The Group's products are produced in China and mostly exported to the US market. The weakening of the Sino-US relationship has hindered business growth. Any further increase in tariff for our products exported to US will increase our costs. There is no assurance that we can negotiate with brand customers and trading companies for a sharing of the extra tariff.

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

## Supplementary Information

As we expand our production capabilities and capacities, we will require more production personnel. There is no assurance that we will not experience any shortage of labour for our production. Given the economic growth in the PRC, competition for labour is substantial and labour costs have been increasing generally, and we cannot assure that we can retain and attract sufficient qualified employees and/or on commercially reasonable terms in the future. If we fail to retain and attract sufficient labour, we may not be able to effectively implement our expansion plans, our business, financial conditions and results of operations would be materially and adversely affected. The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations. The Group maintained substantial amount of business assets and operations in the PRC. Accordingly, our results of operations are subject to economic, political and legal developments in the PRC. Any changes in its regulations will definitely affect our business in the regional segment.

### SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (“Share Option Scheme”), which was approved by written resolutions passed by its sole Shareholder on 29 September 2017 and became unconditional on 27 October 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. 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.

## Supplementary Information

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.

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 approximately 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.

## Supplementary Information

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).

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 30 June 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.

# Supplementary Information

## RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the aforesaid Share Option Schemes, at no time during the six months ended 30 June 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.

## DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 June 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:

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

#### (i) 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

Save as disclosed above, as at 30 June 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 30 June 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
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

Save as disclosed above, as at 30 June 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 six months ended 30 June 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 six months ended 30 June 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, save for the following:

#### Code Provisions A.6.7

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. All independent non-executive Directors, Mr. Tan Chong Huat (“Mr. Tan”), Mr. Sung Chi Keung (“Mr. Sung”) and Mr. Wong, Irving Holmes Weng Hoong (“Mr. Wong”) had not attended the annual general meeting held on 11 May 2020 (“2020 AGM”). Mr. Sung had other important prior engagement at the same time; while Mr. Tan and Mr. Wong stationed and worked in Singapore and Shanghai, respectively, they both did not attend the 2020 AGM since the implementation of the travel restriction and quarantine requirements among China, Singapore and Hong Kong resulted from the outbreak of COVID-19.

#### Code Provision E.1.2

Under Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Mr. Tan, the chairman of the Board, who stationed and worked in Singapore, did not attend the 2020 AGM due to the implementation of the travel restriction and quarantine requirements between Singapore and Hong Kong resulted from the outbreak of COVID-19.

### CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the six months ended 30 June 2020.

## Supplementary Information

### **CHANGES OF DIRECTORS' INFORMATION UNDER RULE 17.50A(1) OF THE GEM LISTING RULES**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change of Directors' information of the Company are as follows:

The monthly director's fee of Mr. Tan Chong Huat, the non-executive Chairman and an independent non-executive Director of the Company, decreased from HK\$20,000 to HK\$10,000 since 1 May 2020.

The monthly director's fee of Mr. Sung Chi Keung, an independent non-executive Director of the Company, decreased from HK\$20,000 to HK\$10,000 since 1 May 2020.

Save as disclosed above, the Company is not aware of any changes in the Directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules as at 30 June 2020.

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

The Company has not redeemed any of its shares during the six months ended 30 June 2020. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares for the six months ended 30 June 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 revised terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

## Supplementary Information

As at the date of this report, the audit committee comprises three independent non-executive Directors, namely Mr. Sung Chi Keung (chairman), Mr. Tan Chong Huat and Mr. Hui Ha Lam. 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 interim financial information and the interim report for the six months ended 30 June 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 six months ended 30 June 2020, 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 and save as disclosed above, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the six months ended 30 June 2020.