

# HK Asia Holdings Limited 港亞控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1723



Interim Report  
**2019**

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## Corporate Information

### BOARD OF DIRECTORS Executive Directors

Mr. Siu Muk Lung (*Chairman*)  
Mr. Chung Chi Fai

### Non-executive Directors

Mr. Ritchie Ma  
Mr. Lam Kin Lun Davie

### Independent Non-executive Directors

Mr. Lee Kwan Ho, Vincent Marshall  
Mr. Kwok Wai Leung, Stanley  
Mr. Fok Kam Chau  
Mr. Shiao Hei Lok Herod

### AUDIT COMMITTEE

Mr. Fok Kam Chau (*Chairman*)  
Mr. Lam Kin Lun Davie  
Mr. Kwok Wai Leung, Stanley  
Mr. Shiao Hei Lok Herod

### REMUNERATION COMMITTEE

Mr. Shiao Hei Lok Herod (*Chairman*)  
Mr. Ritchie Ma  
Mr. Kwok Wai Leung, Stanley  
Mr. Fok Kam Chau

### NOMINATION COMMITTEE

Mr. Siu Muk Lung (*Chairman*)  
Mr. Lee Kwan Ho, Vincent Marshall  
Mr. Kwok Wai Leung, Stanley  
Mr. Shiao Hei Lok Herod  
Mr. Fok Kam Chau

### AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)

Mr. Siu Muk Lung  
Mr. Chan Him Alfred

### JOINT COMPANY SECRETARIES

Mr. Chan Him Alfred  
Mr. Au Yeung Yiu Chung

### AUDITORS

HLB Hodgson Impey Cheng Limited

### LEGAL ADVISOR TO THE COMPANY AS TO HONG KONG LAW

Sit, Fung, Kwong & Shum, Solicitors

### COMPLIANCE ADVISER

CLC International Limited  
(until 31 October 2019)  
Pulsar Capital Limited  
(effective from 1 November 2019)

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P. O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

24th Floor, Chun Wo Commercial Centre  
23 Wing Wo Street, Sheung Wan  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
(up to 10 July 2019)  
Level 54, Hopewell Centre  
183 Queen's Road East, Hong Kong  
(with effect from 11 July 2019)

### STOCK CODE

1723

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

### COMPANY WEBSITE

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

## Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Directors**”) of HK Asia Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2019 (the “**Period**”), together with the comparative figures for the six months ended 30 September 2018.

### BUSINESS REVIEW

The Group conducts wholesale and retail sales of pre-paid products (i.e. SIM card and top up voucher) (the “**Pre-paid Products**”) in Hong Kong targeted at Indonesian and Filipino consumers and Pre-paid Products targeted at mobile users who demand for local and international phone call and/or mobile data services in Hong Kong and overseas (“**Other Users**”). The Group is a long-established and well-recognized distributor in the industry.

During the Period under review, the Group operated five self-managed retail shops selling Pre-paid Products, two of which are located in Central, one in Causeway Bay, one in Tsuen Wan and one in Yuen Long.

### OUTLOOK AND PROSPECT

The Group is seeking to expand its business and further increase its market share in the sectors of Pre-paid Products targeted at (i) Indonesian and Filipino consumers; and (ii) Other Users.

The Group plans to open new self-managed retail shops in selective locations, increase the number of retailers in sales network, increase advertising and marketing activities and strengthen the Group’s inventory management capability. Please also see the section headed “**Business – Business Strategies**” of the prospectus dated 11 September 2018 published by the Company (the “**Prospectus**”) for further details.

### FINANCIAL REVIEW

#### Revenue

During the Period under review, the Group’s revenue amounted to approximately HK\$104.4 million, which was relatively stable and represented a slight increase of approximately 2.3% as compared to approximately HK\$102.1 million for the corresponding period in 2018. The increase in revenue was mainly due to the increase in sales to the wholesalers and retailers within the Group’s sales network by approximately HK\$15.2 million which offset the effect of decrease in sales made by the Group’s own retail shops by approximately HK\$12.9 million.

## Management Discussion and Analysis (continued)

### Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$1.3 million or 3.7% from approximately HK\$34.2 million for the six months ended 30 September 2018 to approximately HK\$35.5 million for the six months ended 30 September 2019. The increase in gross profit was generally in line with the increase in the total revenue and was mainly attributable to the increase in revenue of Pre-paid Products targeted at Other Users. The gross profit margin increased from approximately 33.5% for the six months ended 30 September 2018 to approximately 34.0% for the six months ended 30 September 2019. The increase in gross profit margin was primarily due to higher level of discount given by the Group's suppliers through bulk purchase of products.

### Other revenue

During the Period under review, the Group's other revenue amounted to approximately HK\$1.2 million, representing a decrease of approximately 15.3% as compared to approximately HK\$1.4 million for the corresponding period in 2018. The decrease in other revenue was mainly due to the decrease in consignment income.

### Selling and distribution expenses

Selling and distribution expenses mainly comprised (i) depreciation of right-of-use assets; (ii) staff costs; (iii) advertising and promotion expenses; and (iv) other expenses. During the Period under review, selling and distribution expenses amounted to approximately HK\$11.6 million (six months ended 30 September 2018: approximately HK\$12.4 million), representing a decrease of approximately 7.0% as compared to the corresponding period in 2018. The decrease in selling and distribution expenses was mainly attributable to the decrease in advertising and promotion expenses of approximately HK\$1.2 million which offset the effect of increase in staff costs of approximately HK\$0.3 million.

### Administrative expenses

Administrative expenses mainly represented (i) staff costs; (ii) depreciation of right-of-use assets; and (iii) professional fees. For the Period under review, administrative expenses amounted to approximately HK\$5.8 million (six months ended 30 September 2018: approximately HK\$15.9 million). Excluding the non-recurring listing expenses of approximately HK\$12.7 million, the Group's adjusted administrative expenses for the corresponding period in 2018 would have been approximately HK\$3.2 million. Administrative expenses for the Period under review represented an increase of approximately 81.3% as compared with the adjusted administrative expenses for the corresponding period in 2018 which was mainly attributable to the increase in staff costs of approximately HK\$2.1 million and increase in legal and professional fees of approximately HK\$0.5 million.



## Management Discussion and Analysis (continued)

### Finance cost

Finance cost comprised interest expenses on lease liabilities and amounted to approximately HK\$0.2 million for the six months ended 30 September 2019 (six months ended 30 September 2018: nil) which was mainly due to the increase in lease liabilities after the initial application of HKFRS 16 on 1 April 2019.

### Taxation

During the Period under review, the income tax expenses amounted to approximately HK\$3.6 million (six months ended 30 September 2018: approximately HK\$3.0 million) and the effective tax rate for the Period under review was approximately 18.7% (six months ended 30 September 2018: approximately 40.4% which was higher than the statutory profits tax rate of 16.5% because the listing expenses were not deductible for tax purpose).

### Profit for the Period

Profit attributable to owners of the Company for the Period under review was approximately HK\$15.5 million, representing a significant increase of approximately 256.1% as compared with approximately HK\$4.4 million for the corresponding period in 2018. Excluding the non-recurring listing expenses amounting to approximately HK\$12.7 million, the Group's adjusted profit for the corresponding period in 2018 would have been approximately HK\$17.1 million. Profit attributable to owners of the Company for the Period under review represented a decrease of approximately 9.4% as compared with approximately HK\$17.1 million for the corresponding period in 2018 which was mainly attributed to the reasons mentioned above.

### Inventories

The Group had inventories of approximately HK\$105.0 million as at 30 September 2019, representing an increase of approximately HK\$48.7 million as compared to the inventories of approximately HK\$56.3 million as at 31 March 2019. The increase resulted from the bulk purchase of products during the Period under review to enjoy a higher discount while the cost of sales for the Period under review maintained at similar level as the corresponding period in 2018.

## Management Discussion and Analysis (continued)

### LIQUIDITY AND CAPITAL RESOURCES

#### Net current assets

The Group had net current assets of approximately HK\$157.2 million as at 30 September 2019 (31 March 2019: approximately HK\$146.2 million). The current ratio of the Group decreased from approximately 33.4 as at 31 March 2019 to approximately 14.2 as at 30 September 2019. As a result of the adoption of HKFRS 16, the Group recognised the commitments under operating leases for future periods as lease liabilities, whereas under the previous accounting standard, no such liabilities were required to be recorded. The current ratio was hence decreased.

#### Borrowings

The Group's bank and other borrowings was nil as at 30 September 2019 (31 March 2019: nil).

#### Gearing ratio

The Group's gearing ratio was nil as at 30 September 2019 (31 March 2019: nil) as it has no outstanding debts. The gearing ratio equals total amount of debts divided by total amount of equity and multiplied by 100%.

#### Share capital structure

There has been no change in the share capital structure of the Company during the Period under review and up to the date of this report.

#### Foreign exchange exposure

All of the transactions of the Group are denominated in HK\$ and the Group is not exposed to any significant foreign exchange risk.

### EMPLOYEES AND EMOLUMENTS POLICY

As at 30 September 2019, the Group had 46 employees (30 September 2018: 40 employees) with a total remuneration of approximately HK\$7.0 million during the Period under review (30 September 2018: approximately HK\$4.6 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices. Performance bonuses are offered to qualified employees based on individual and the Group's performance. The Group is dedicated to providing training programs for new employees and regular on-the-job trainings to employees to enhance their sales and marketing skills and know-how. The emoluments of the Directors are recommended by the Remuneration Committee of the Company, with reference to their respective contribution of time, effort and expertise on the Company's matters. The Company has also adopted a share option scheme to grant options to eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants.

## Management Discussion and Analysis (continued)

### PLEDGE OF ASSETS

As at 30 September 2019, the Group did not have any pledged assets (31 March 2019: nil).

### SIGNIFICANT INVESTMENTS HELD

During the Period under review, the Group did not have any significant investments.

### SIGNIFICANT ACQUISITIONS OR DISPOSALS

During the Period under review, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

### CAPITAL COMMITMENT

As at 30 September 2019, the Group had no capital commitments (31 March 2019: approximately HK\$300,000).

### USE OF PROCEEDS FROM SHARE OFFER

The business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the Share Offer (as defined in the Prospectus) received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer were approximately HK\$40.6 million. As at 30 September 2019, the Company had used approximately HK\$2.2 million of the net proceeds.



## Management Discussion and Analysis (continued)

Up to 30 September 2019, the net proceeds from the Share Offer had been applied in the following manner:

<b>Business objectives as stated in the Prospectus</b>	<b>Actual net proceeds from the Share Offer HK\$' million</b>	<b>Amount utilised HK\$' million</b>	<b>Remaining balance HK\$' million</b>
Setting up of five retail shops	27.0	–	27.0
Hiring additional sales personnel	1.6	0.6	1.0
Carrying out marketing and promotional activities	9.8	1.1	8.7
Implementing an enterprises resources planning system	1.9	0.2	1.7
For working capital and other general corporate purposes	0.3	0.3	–
	40.6	2.2	38.4

The unutilised net proceeds have been placed with licensed banks in Hong Kong as interest bearing deposits. The Board closely monitored the use of proceeds from the Share Offer with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no change in the proposed use of proceeds as previously disclosed in the Prospectus.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND THEIR EXPECTED SOURCES OF FUNDING

Apart from strengthening the Group's current business and future plans as disclosed in the Prospectus, the Group will explore new business opportunities as and when appropriate, in order to enhance shareholders' value.

### CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2019 (31 March 2019: nil).

## Corporate Governance and Other Information

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

As at 30 September 2019, the Directors and the chief executive of the Company had the following interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) (the “SFO”) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) to be notified to the Company and the Stock Exchange:

#### Long positions in the shares of the Company

Name of Director/ Chief executive	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding (Note)
Mr. Siu Muk Lung (“Mr. Siu”)	Beneficial Owner	284,000,000	71%

Note:

The percentage of shareholding was calculated based on the Company's total number of issued shares as at 30 September 2019 (i.e. 400,000,000 shares).

Save as disclosed above, as at 30 September 2019, none of the Directors or the chief executive of the Company had any interest and/or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be 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 were taken or deemed to have under such provisions of the SFO) or which was required pursuant to section 352 of the SFO to be entered in the register referred to therein or which was required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## Corporate Governance and Other Information (continued)

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and the chief executive of the Company, as at 30 September 2019, the following persons (not being a Director or chief executive of the Company) had or were deemed to have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO:

#### Long positions in the shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding (Note 1)
Ms. Lee Chun Yuk (“Mrs. Siu”)	Interest of spouse (Note 2)	284,000,000	71%

*Notes:*

- The percentage of shareholding was calculated based on the Company's total number of issued shares as at 30 September 2019 (i.e. 400,000,000 shares).
- Mrs. Siu is the spouse of Mr. Siu. Under the SFO, Mrs. Siu is deemed to be interested in the same number of shares of the Company which Mr. Siu is interested in.

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at 30 September 2019, there was no other person (not being a Director or chief executive of the Company) who had or was deemed to have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO.

## Corporate Governance and Other Information (continued)

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 18 to the unaudited condensed consolidated interim financial statements, no contracts of significance, to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted for the six months ended 30 September 2019 or at any time during the Period under review.

### DIRECTORS' INTEREST IN A COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group or any other conflict of interests which any such person has or may have with the Group during the six months ended 30 September 2019.

### SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was conditionally adopted by the Company on 27 August 2018 (the “**Adoption Date**”) and became effective on 27 September 2018 (the “**Listing Date**”). The purpose of the Share Option Scheme is to grant options to the Eligible Participants (as defined below) as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. Pursuant to the Share Option Scheme, the Board may, at its discretion, make offer of options to any employee (full-time or part-time), directors (including executive, non-executive or independent non-executive directors) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Group (the “**Eligible Participants**”). The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the total number of shares of the Company in issue as at the Listing Date, i.e., 40,000,000 shares, which represents 10% of the total number of shares of the Company in issue as at the date of this report, unless shareholders' approval has been obtained.

No share option has been granted under the Share Option Scheme since the Adoption Date and up to the date of this report.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Period under review.

### INTERIM DIVIDEND

The Board does not recommend payment of interim dividend for the Period under review.

## Corporate Governance and Other Information (continued)

### CORPORATE GOVERNANCE PRACTICES

The Board has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules as the basis of the Company’s corporate governance practices. The Company has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code during the Period under review and up to the date of this report.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the Company’s issued shares as at the date of this report.

### CHANGES IN DIRECTORS’ AND CHIEF EXECUTIVE’S INFORMATION

The Company is not aware of any change in the information of the Directors and chief executive of the Company which is required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the Period under review and up to the date of this report.

### EVENTS AFTER REPORTING PERIOD

No significant events which would materially affect the Group’s operating and financial performance occurred since the end of the Period under review and up to the date of this report.

### AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL RESULTS

The Company established an audit committee (the “Audit Committee”) on 27 August 2018 with terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, reviewing the financial statements and related materials and providing advice in respect of the financial reporting process, and overseeing the internal control procedures of the Group. The Audit Committee now comprises four members, three being independent non-executive Directors, namely, Mr. Fok Kam Chau (Chairman), Mr. Kwok Wai Leung, Stanley and Mr. Shiao Hei Lok Herod, one being non-executive Director, Mr. Lam Kin Lun Davie.

The financial information for the six months ended 30 September 2019 in this report has not been audited by the auditors of the Company, but has been reviewed by the Audit Committee. The Audit Committee has reviewed, and discussed with the management the accounting principles and policies adopted by the Group, and the unaudited condensed consolidated interim financial statements of the Group for the Period under review.



# Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2019

	Notes	For the six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Revenue</b>	5	<b>104,431</b>	102,069
Cost of sales		<u>(68,950)</u>	<u>(67,850)</u>
<b>Gross profit</b>		<b>35,481</b>	34,219
Other revenue	6	<b>1,203</b>	1,421
Selling and distribution expenses		<b>(11,570)</b>	(12,444)
Administrative expenses	7	<b>(5,783)</b>	(15,869)
Finance cost		<u>(207)</u>	<u>–</u>
<b>Profit before taxation</b>	8	<b>19,124</b>	7,327
Taxation	9	<u>(3,581)</u>	<u>(2,962)</u>
<b>Profit and total comprehensive income for the period</b>		<b><u>15,543</u></b>	<u>4,365</u>
<b>Profit for the period attributable to owners of the Company</b>		<b><u>15,543</u></b>	<u>4,365</u>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b><u>15,543</u></b>	<u>4,365</u>
<b>Earnings per share</b>			
Basic and diluted (HK cents)	10	<b><u>3.89</u></b>	<u>1.37</u>

# Unaudited Condensed Consolidated Statement of Financial Position

As at 30 September 2019

	Notes	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	1,584	1,789
Financial assets at fair value through profit or loss		980	980
Right-of-use assets		6,195	–
		<u>8,759</u>	<u>2,769</u>
<b>Current assets</b>			
Inventories		104,981	56,310
Trade receivables	13	3,286	1,049
Deposits, prepayments and other receivables	14	9,746	5,687
Amount due from a related party	15	274	164
Cash and cash equivalents		50,761	87,504
		<u>169,048</u>	<u>150,714</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accruals, other payables and receipts in advance	16	3,797	3,604
Contract liabilities		25	34
Tax payables		3,054	881
Lease liabilities		4,996	–
		<u>11,872</u>	<u>4,519</u>
<b>Net current assets</b>		<u>157,176</u>	<u>146,195</u>
<b>Total assets less current liabilities</b>		<u>165,935</u>	<u>148,964</u>
<b>Non-current liabilities</b>			
Lease liabilities		1,428	–
		<u>1,428</u>	<u>–</u>
<b>Net assets</b>		<u>164,507</u>	<u>148,964</u>
<b>Equity</b>			
Share capital	17	4,000	4,000
Reserves		160,507	144,964
		<u>164,507</u>	<u>148,964</u>
<b>Total equity</b>		<u>164,507</u>	<u>148,964</u>

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Other Reserve <i>HK\$'000</i> <i>(note a)</i>	Retained Earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 April 2019 (Audited)</b>	<b>4,000</b>	<b>65,556</b>	<b>670</b>	<b>78,738</b>	<b>148,964</b>
Profit and total comprehensive income for the period	—	—	—	<u>15,543</u>	<u>15,543</u>
<b>At 30 September 2019 (Unaudited)</b>	<b><u>4,000</u></b>	<b><u>65,556</u></b>	<b><u>670</u></b>	<b><u>94,281</u></b>	<b><u>164,507</u></b>
At 1 April 2018 (Audited)	670	—	—	62,792	63,462
Profit and total comprehensive income for the period	—	—	—	<u>4,365</u>	<u>4,365</u>
Arising from reorganisation	(670)	—	670	—	—
Issue of shares in consideration of the acquisition of the subsidiaries	170	(170)	—	—	—
Issue of shares under capitalisation issue	3,000	(3,000)	—	—	—
Issue of shares under share offer	830	82,170	—	—	83,000
Transaction costs attributable to issues of shares	—	<u>(13,444)</u>	—	—	<u>(13,444)</u>
At 30 September 2018 (Unaudited)	<u>4,000</u>	<u>65,556</u>	<u>670</u>	<u>67,157</u>	<u>137,383</u>

Note:

- (a) The amounts represent the difference between the share capital of Hong Kong Mobile Phone Limited (“**HK Mobile**”), Harvest Triple Holdings Limited (“**Harvest Triple**”), Golden Bright Holdings Limited (“**Golden Bright**”), Hong Kong Asia Telecom Limited (“**HK Asia Telecom**”), Kinson Group Company Limited (“**Kinson Group**”), Mobile Phone Direct Selling Centre Limited (“**MP Direct Selling Centre**”) and HK Asia Mobile Communications Limited (“**HK Asia Mobile**”).

# Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash used in operating activities	(36,529)	(20,699)
Net cash used in investing activities	(104)	(368)
Net cash (used in)/generated from financing activities	(110)	65,294
Net (decrease)/increase in cash and cash equivalents	(36,743)	44,227
Cash and cash equivalents at the beginning of the period	87,504	28,136
Cash and cash equivalents at the end of the period	50,761	72,363
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	50,761	72,363

# Notes to the Unaudited Condensed Consolidated Interim Financial Statements

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 May 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. Its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at 24/F, Chun Wo Commercial Centre, 23-29 Wing Wo Street, Sheung Wan, Hong Kong.

The Company's issued shares have been listed on the Main Board of the Stock Exchange on the Listing Date.

The Company is an investment holding company and its subsidiaries are principally engaged in wholesale and retail sales of the Pre-paid Products in Hong Kong.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("**HK\$**") which is also the functional currency of the Company. All values are rounded to the nearest thousand ("**HK\$'000**") except otherwise indicated.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the HKICPA and the applicable disclosure requirements of Appendix 16 to the Listing Rules. The Group's unaudited condensed consolidated interim financial statements should be read in conjunction with the Prospectus.

The preparation of the unaudited condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 Annual Report, except as stated below.



## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HKFRIC-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 as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### **HKFRS 16 Leases**

The Group leases various office and retail shops. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year ended 31 March 2019, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in substance fixed payments).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

#### Application of new and amendments to HKFRSs (Continued)

##### *HKFRS 16 Leases (Continued)*

The Group has adopted HKFRS 16 from 1 April 2019, but has not restated comparatives for the financial year ended 31 March 2019, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019 in each territory or region where the lease assets are located.

The Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application without restating comparative information.

### 4. OPERATING SEGMENT

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group’s chief operating decision maker in order to allocate resources and assess performance of the segment. During the Period under review, the information reported to the executive Directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, does not contain profit or loss information of each product line or geographical area and the executive Directors reviewed the financial results of the Group as a whole reported under HKFRSs.

The Group currently has one operating segment which is revenue from sale of the Pre-paid Products. Accordingly, the Group does not have separate reportable segments.

As all the Group’s operations and non-current assets are located in Hong Kong, there is no geographical analysis.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

### 5. REVENUE

Revenue, which is also the Group's turnover, represents the income generated by sale of Pre-paid Products during the Period under review.

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Sales of Pre-paid Products	<b>104,431</b>	102,069

### 6. OTHER REVENUE

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Promotion income	390	390
Consignment income	794	967
Sundry income	19	64
	<b>1,203</b>	1,421

### 7. ADMINISTRATIVE EXPENSES

During the Period under review, the Group did not have listing expenses (for the six months ended 30 September 2018: approximately HK\$12,719,000).

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

### 8. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Auditors' remuneration	–	–
Cost of inventories recognised as an expense	68,950	67,850
Depreciation of property, plant and equipment	309	319
Employee benefit expenses (including Directors' emoluments)	7,029	4,597
Depreciation of right-of-use assets	6,346	–
Minimum lease payment under operating lease in respect of premises	–	6,270
Listing expenses	–	12,719
Advertising and promotion expenses	1,560	2,756

### 9. TAXATION

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
The taxation charge comprises:		
Hong Kong Profits Tax		
– Current year	3,581	2,962

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to the Group for the six months ended 30 September 2019 and 2018.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

### 10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the six months ended 30 September 2019 and 2018. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation (as defined in the Prospectus) completed and the capitalisation of shares.

	For the six months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	15,543	4,365
Weighted average number of ordinary shares in issue (thousands of shares)	400,000	318,814
<b>Basic and diluted earnings per share (HK cents)</b>	<b>3.89</b>	<b>1.37</b>

Diluted earnings per share for the six months ended 30 September 2019 and 2018 were the same as the basic earnings per share as there were no potential dilutive ordinary shares existing for both periods.

### 11. DIVIDEND

No dividend has been paid or declared by the Group during the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

### 12. PROPERTY, PLANT AND EQUIPMENT

During the Period under review, the Group paid approximately HK\$104,000 (for the year ended 31 March 2019: approximately HK\$695,000) on acquisition of property, plant and equipment.



## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

### 13. TRADE RECEIVABLES

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Trade receivables	<u>3,286</u>	<u>1,049</u>

The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period of 0 days to 21 days to its customers.

The following table sets forth the ageing analysis of trade receivables, based on invoice date, as at the dates indicated:

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
0 – 10 days	2,832	718
Over 10 days	<u>454</u>	<u>331</u>
	<u>3,286</u>	<u>1,049</u>

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

### 14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Deposits	3,572	3,916
Prepayments	5,987	1,460
Other receivables	187	311
	<b>9,746</b>	<b>5,687</b>

### 15. AMOUNT DUE FROM A RELATED PARTY

The amount due from a related party was unsecured, interest-free and repayable on demand.

### 16. ACCRUALS, OTHERS PAYABLES AND RECEIPTS IN ADVANCE

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Accruals	1,908	2,060
Provision for severance payments ( <i>note</i> )	1,746	1,479
Other payables	143	65
	<b>3,797</b>	<b>3,604</b>

*Note:* The provision for severance payments is determined with reference to the employee's remuneration and their years of services and the movements of the provision for severance payments during the Period under review are as follows:

	Severance payments HK\$'000
As at 31 March 2019 and 1 April 2019 (Audited)	1,479
Provision for the Period under review	267
As at 30 September 2019 (Unaudited)	<b>1,746</b>

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

### 17. SHARE CAPITAL

	As at 30 September 2019		As at 31 March 2019	
	number of shares	nominal value HK\$'000	number of shares	nominal value HK\$'000
<b>Authorised:</b>				
At beginning period/year of nominal value of HK\$0.01 each	10,000,000,000	100,000	38,000,000	380
Increase in authorised share capital (Note (a))	-	-	9,962,000,000	99,620
At end of period/year	<u>10,000,000,000</u>	<u>100,000</u>	<u>10,000,000,000</u>	<u>100,000</u>

	As at 30 September 2019		As at 31 March 2019	
	number of shares	nominal value HK\$'000	number of shares	nominal value HK\$'000
<b>Issued and fully paid:</b>				
At beginning period/year of nominal value of HK\$0.01 each	400,000,000	4,000	1	-*
Issue of shares in consideration of the acquisition of the subsidiaries (Note (b))	-	-	17,000,000	170
Issue of shares under capitalization issue (Note (c))	-	-	299,999,999	3,000
Issue of shares under Share Offer (Note (d))	-	-	83,000,000	830
At end of period/year	<u>400,000,000</u>	<u>4,000</u>	<u>400,000,000</u>	<u>4,000</u>

*Notes:*

- \* The amount of issued and fully paid share capital was HK\$0.01.
- (a) Pursuant to the written resolutions of the sole shareholder of the Company passed on 27 August 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 shares of HK\$0.01 each.
- (b) On 27 August 2018, in consideration of the acquisition by HK Asia Mobile of all the issued shares of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group, an aggregate of 17,000,000 shares were allotted and issued, credited as fully paid, to Mr. Siu.
- (c) Pursuant to the written resolutions of the sole shareholder of the Company passed on 27 August 2018, conditional upon the share premium account of the Company being credited with the proceeds from the new issue, the Directors were authorised to capitalise a sum of HK\$2,999,999.99 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 299,999,999 shares, such shares to be allotted and issued, credited as fully paid at par, to the holders of shares whose names appear on the register of members of the Company at the close of business on 27 August 2018, or as each of them may direct in writing, in proportion (or as nearly as possible without involving the issue of fraction of shares) to their respective shareholdings in the Company.
- (d) On 27 September 2018, the Company issued 83,000,000 new shares at HK\$1.0 each in relation to the Share Offer. The premium on the issue of shares, amounting to approximately HK\$68,726,000, net of listing-related expenses, was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

### 18. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these interim financial statements, the Group entered into the following material related party transactions:

#### (a) Compensation of key management personnel

The remuneration of key management for the Group (including Directors) during the Period under review is set out as follows:

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries, allowance and benefit in kind	2,263	749
Retirement benefits scheme contributions	37	22
	<u>2,300</u>	<u>771</u>

#### (b) The Group entered into the following significant related party transactions during the Period under review:

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Recurring:		
Rental expense paid to related parties:		
– Lung Shun Holdings Limited ( <i>note a</i> )	468	368
– Hung Sang Group Limited ( <i>note a</i> )	402	367
Consignment income received from		
– Hong Kong Telecommunication Direct Selling Centre Limited ( <i>note b</i> )	794	967
	<u>794</u>	<u>967</u>

Notes:

- Lung Shun Holdings Limited and Hung Sang Group Limited were 50% owned by Mr. Siu and 50% owned by Mrs. Siu.
- Hong Kong Telecommunication Direct Selling Centre Limited is a limited liability company incorporated in Hong Kong that is wholly owned by Mr. Siu.