

HK Asia Holdings Limited 港亞控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code :1723



2021 INTERIM REPORT



Contents

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	9
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Unaudited Condensed Consolidated Statement of Financial Position	14
Unaudited Condensed Consolidated Statement of Changes in Equity	15
Unaudited Condensed Consolidated Statement of Cash Flows	16
Notes to the Unaudited Condensed Consolidated Interim Financial Statements	17

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

COMPANY SECRETARY

Mr. Chan Him Alfred

AUDITORS

HLB Hodgson Impey Cheng Limited

LEGAL ADVISOR TO THE COMPANY AS TO HONG KONG LAW

Sit, Fung, Kwong & Shum, Solicitors

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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1723

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

COMPANY WEBSITE

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 2021 (the “**Period**”), together with the comparative figures for the six months ended 30 September 2020.

BUSINESS REVIEW

The Group conducts wholesale and retail sales of pre-paid products (i.e. SIM card and top up voucher) (“**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-recognised distributor in the industry.

During the Period, the Group obtained two more products sourced from the suppliers for sales, which were Pre-paid Products with face value of HK\$100 inclusive of 80GB data and HK\$88 inclusive of 88GB data from two different mobile networks for use of mobile data services in Hong Kong for sixty days. The Group rented a total of seven self-managed retail shops for selling Pre-paid Products in Hong Kong, including two in Central, two in Causeway Bay, one in Tsuen Wan, one in Yuen Long and one in Mong Kok.

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 increase the number of retailers in sales network, increase advertising and marketing activities, strengthen the Group’s inventory management capability and other alternatives to cope with the potential impact of the COVID-19 outbreak including by negotiating more discounts on purchases from suppliers and more new products for sales.

FINANCIAL REVIEW

Revenue

During the Period, the Group’s revenue amounted to approximately HK\$88.7 million which represented an increase of approximately 12.3% as compared to approximately HK\$79.0 million for the corresponding period in 2020. The increase in revenue was mainly attributable to the increase in sales to Other Users of approximately HK\$12.9 million which was partly offset by the decrease in sales to Indonesian and Filipino consumers of approximately HK\$3.2 million, since, as affected by the COVID-19 outbreak, less Indonesian and Filipino consumers travelled to Hong Kong.

Management Discussion and Analysis (continued)

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$1.3 million or 4.5% from approximately HK\$29.0 million for the six months ended 30 September 2020 to approximately HK\$27.7 million for the six months ended 30 September 2021. The decrease in gross profit was due to the decrease in overall gross profit margin. The overall gross profit margin decreased from approximately 36.7% for the six months ended 30 September 2020 to approximately 31.2% for the six months ended 30 September 2021. The decrease in overall gross profit margin was primarily due to the increase in proportion of sales to Other Users which has a lower gross profit margin compared to that of sales to Indonesian and Filipino consumers.

Other revenue

During the Period, the Group's other revenue amounted to approximately HK\$0.7 million, representing a decrease of approximately 78.1% as compared to approximately HK\$3.2 million for the corresponding period in 2020. The decrease in other revenue was due to the decrease in consignment income of approximately HK\$0.2 million and the decrease in receipt of government subsidies of approximately HK\$2.3 million.

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, selling and distribution expenses amounted to approximately HK\$12.0 million (six months ended 30 September 2020: approximately HK\$10.4 million), representing an increase of approximately 15.3% as compared to corresponding period in 2020. The increase in selling and distribution expenses was mainly due to the increase in short term leases expenses and depreciation of right-of use-of assets of approximately HK\$0.8 million, increase in advertising and promotion expenses of approximately HK\$0.4 million, and the increase in staff costs of approximately HK\$0.2 million.

Administrative expenses

Administrative expenses mainly represented (i) staff costs; (ii) depreciation of right-of-use assets; and (iii) professional fees. For the Period, administrative expenses amounted to approximately HK\$5.0 million (six months ended 30 September 2020: approximately HK\$5.1 million) which was relatively stable compared with the corresponding period in 2020.

Finance cost

Finance cost comprised interest expenses on bank overdrafts and borrowings and lease liabilities and amounted to approximately HK\$0.2 million for the six months ended 30 September 2021 (six months ended 30 September 2020: approximately HK\$0.2 million).

Management Discussion and Analysis (continued)

Taxation

During the Period, the income tax expenses amounted to approximately HK\$1.8 million (six months ended 30 September 2020: approximately HK\$2.9 million) and the effective tax rate for the Period was approximately 16.2% (six months ended 30 September 2020: approximately 17.4%).

Profit for the Period

Profit attributable to owners of the Company for the Period was approximately HK\$9.3 million, representing a decrease of approximately 32.1% as compared with approximately HK\$13.7 million for the corresponding period in 2020 which was mainly attributed to the reasons mentioned above.

Inventories

The Group had inventories of approximately HK\$119.2 million as at 30 September 2021 which slightly increased by approximately HK\$0.3 million as compared to the inventories of approximately HK\$118.9 million as at 31 March 2021.

LIQUIDITY AND CAPITAL RESOURCES

Net current assets

The Group had net current assets of approximately HK\$147.5 million as at 30 September 2021 (31 March 2021: approximately HK\$137.7 million). The current ratio of the Group increased from approximately 5.1 times as at 31 March 2021 to approximately 18.1 times as at 30 September 2021. Such increase was mainly attributable to (i) the decrease in current assets of approximately HK\$15.1 million which was mainly attributable to the decrease in bank balances and cash of approximately HK\$13.6 million; and (ii) the decrease in current liabilities of approximately HK\$24.9 million which was mainly due to the decrease in bank overdrafts and bank loans of approximately HK\$18.9 million and the decrease in accruals and other payables of approximately HK\$5.5 million.

Borrowings

The Group's bank and other borrowings was nil as at 30 September 2021 (31 March 2021: approximately HK\$18.9 million).

Gearing ratio

The Group's gearing ratio was nil as at 30 September 2021 (31 March 2021: approximately 12.9%) as it has no outstanding debts. The gearing ratio equals total amount of debts divided by total amount of equity and multiplied by 100%.

Management Discussion and Analysis (continued)

Share capital structure

As at 30 September 2021, the Company's issued share capital was HK\$4,000,000 and the number of issued shares of the Company was 400,000,000 ordinary shares of HK\$0.01 each (the "Shares").

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

Foreign exchange exposure

Transactions of the Group are mainly denominated in HK\$ and the Group is not exposed to any significant foreign exchange risk. The Group had not used any financial instruments for hedging purposes and no hedging policy against foreign currency risk was maintained by the Group.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 September 2021, the Group had 46 employees (30 September 2020: 47 employees) with a total remuneration of approximately HK\$6.5 million during the Period (30 September 2020: approximately HK\$6.4 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.

PLEDGE OF ASSETS

As at 30 September 2021, the Group did not have any pledged assets (31 March 2021: nil).

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

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

CAPITAL COMMITMENT

As at 30 September 2021, the Group had no capital commitments (31 March 2021: approximately HK\$0.3 million).

Management Discussion and Analysis (continued)

USE OF PROCEEDS FROM SHARE OFFER

The business objectives and planned use of proceeds as stated in the prospectus dated 11 September 2018 published by the Company (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 disclosed in the Company’s announcement dated 25 March 2021 (the “**Change in Use of Proceeds Announcement**”), having carefully considered the latest business environment and development needs of the Group, the Board had resolved to change the proposed use of the unutilised net proceeds in the amount of approximately HK\$34.2 million originally allocated for (i) setting up of five retail shops; (ii) carrying out promotional and marketing activities; and (iii) implementing an enterprises resources planning system. Please refer to the Change in Use of Proceeds Announcement for details. The following table sets forth the status of the use of revised allocation of the net proceeds as at the date of the Change in Use of Proceeds Announcement and 30 September 2021:

Business objectives	Planned use of net proceeds as stated in the Prospectus <i>HK\$’ million</i> (approximately)	Actual use of net proceeds from 27 September 2018 (the “Listing Date”)	Reallocation as stated in the Change in Use of Proceeds Announcement <i>HK\$’ million</i> (approximately)	Amount utilised after reallocation <i>HK\$’ million</i> (approximately)	Remaining balance as at 30 September 2021 <i>HK\$’ million</i> (approximately)
		to the date of the Change in Use of Proceeds Announcement <i>HK\$’ million</i> (approximately)			
Setting up of five retail shops	27.0	1.6	(25.4)	–	–
Hiring additional sales personnel	1.6	1.6	–	–	–
Carrying out promotional and marketing activities	9.8	2.6	(7.2)	–	–
Implementing an enterprises resources planning system	1.9	0.3	(1.6)	–	–
For working capital and other general corporate purposes	0.3	0.3	–	–	–
Bulk purchases of Pre-paid Products from suppliers	–	–	34.2	34.2	–
Total	40.6	6.4	–	34.2	–

The net proceeds unutilised as at the date of the Change in Use of Proceeds Announcement have been fully utilised during the Period towards bulk purchases of Pre-paid Products from suppliers in accordance with the intention as disclosed in the Change in Use of Proceeds Announcement.

Management Discussion and Analysis (continued)

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

Apart from strengthening the Group's current business and implementing the 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 2021 (31 March 2021: 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 2021, 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 ordinary shares of the Company

Name of Director/ Chief executive	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding <i>(Note)</i>
Mr. Siu Muk Lung (“Mr. Siu”)	Beneficial Owner	282,910,000	70.73%

Note:

The percentage of shareholding was calculated based on the Company's total number of issued shares as at 30 September 2021 (i.e. 400,000,000 shares).

Save as disclosed above, as at 30 September 2021, 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 OR UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and the chief executive of the Company, as at 30 September 2021, 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 ordinary 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)	282,910,000	70.73%

Notes:

1. The percentage of shareholding was calculated based on the Company’s total number of issued shares as at 30 September 2021 (i.e. 400,000,000 shares).
2. 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 2021, 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.

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 2021 or at any time during the Period.

Corporate Governance and Other Information (continued)

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 2021.

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 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), director (including executive, non-executive or independent non-executive director) and any consultant or adviser (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 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 in issue as at the Listing Date, i.e., 40,000,000 Shares, which represents 10% of the total number of Shares in issue as at the date of this report, unless shareholders' approval has been obtained.

No share option has been granted, exercised, cancelled, lapsed or outstanding 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.

INTERIM DIVIDEND

The Board does not recommend a payment of an interim dividend for the Period.

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 Board 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 and up to the date of this report.

Corporate Governance and Other Information (continued)

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge, information and belief of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the Period and up to the date of this report.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

The Company is not aware of any changes in the information of the Directors and chief executive of the Company which are required to be disclosed pursuant to Rule 13.51B(1) 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 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 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 2021 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.

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

For the six months ended 30 September 2021

	Notes	For the six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	5	88,715	79,003
Cost of sales		(61,046)	(49,982)
Gross profit		27,669	29,021
Other revenue	6	711	3,178
Selling and distribution expenses		(12,027)	(10,404)
Administrative expenses		(5,038)	(5,056)
Finance cost		(220)	(193)
Profit before taxation	7	11,095	16,546
Taxation	8	(1,800)	(2,875)
Profit and total comprehensive income for the period		9,295	13,671
Profit for the period attributable to owners of the Company		9,295	13,671
Total comprehensive income for the period attributable to owners of the Company		9,295	13,671
Earnings per share			
Basic and diluted (HK cents)	9	2.32	3.42

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 September 2021

	<i>Notes</i>	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	1,366	1,337
Financial assets at fair value through profit or loss		2,163	2,163
Right-of-use assets		4,573	7,773
		<u>8,102</u>	<u>11,273</u>
Current assets			
Inventories		119,215	118,949
Trade receivables	12	376	857
Deposits, prepayments and other receivables	13	11,368	10,757
Amount due from a related party	14	139	1,469
Tax receivables		2,442	3,007
Bank balances and cash		22,580	36,192
		<u>156,120</u>	<u>171,231</u>
Liabilities			
Current liabilities			
Accruals and other payables	15	3,887	9,398
Contract liabilities		–	2
Lease liabilities		4,741	5,283
Bank borrowings	16	–	4,000
Bank overdrafts		–	14,864
		<u>8,628</u>	<u>33,547</u>
Net current assets		<u>147,492</u>	<u>137,684</u>
Total assets less current liabilities		<u>155,594</u>	<u>148,957</u>
Non-current liabilities			
Lease liabilities		–	2,658
Net assets		<u>155,594</u>	<u>146,299</u>
Equity			
Share capital	17	4,000	4,000
Reserves		151,594	142,299
Total equity		<u>155,594</u>	<u>146,299</u>

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

	Share Capital HK\$'000	Share Premium HK\$'000	Other Reserve HK\$'000	Retained Earnings HK\$'000	Total HK\$'000
At 1 April 2021 (Audited)	4,000	65,556	670	76,073	146,299
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,295</u>	<u>9,295</u>
At 30 September 2021 (Unaudited)	<u>4,000</u>	<u>65,556</u>	<u>670</u>	<u>85,368</u>	<u>155,594</u>
At 1 April 2020 (Audited)	4,000	65,556	670	65,315	135,541
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,671</u>	<u>13,671</u>
At 30 September 2020 (Unaudited)	<u>4,000</u>	<u>65,556</u>	<u>670</u>	<u>78,986</u>	<u>149,212</u>

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2021

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	6,342	(9,504)
Net cash used in investing activities	(328)	(518)
Net cash used in financing activities	(19,626)	(30,903)
Decrease in cash and cash equivalents	(13,612)	(40,925)
Cash and cash equivalents at the beginning of the period	36,192	102,003
Cash and cash equivalents at the end of the period	22,580	61,078
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	22,580	61,078

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 24th Floor, Chun Wo Commercial Centre, 23 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 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 2021 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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform – Phase 2
HKFRS 4 and HKFRS 16

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and position for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

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, 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 six months ended 30 September 2021 and 2020.

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Sales of Pre-paid Products	88,715	79,003

6. OTHER REVENUE

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Promotion income	390	390
Consignment income	311	473
Sundry income	10	5
Government subsidy	—	2,310
	711	3,178

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

7. PROFIT BEFORE TAXATION

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

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Auditors' remuneration	–	–
Cost of inventories recognised as an expense	61,046	49,982
Depreciation of property, plant and equipment	300	264
Employee benefit expenses (including Directors' emoluments)	6,532	6,373
Expenses relating to short-term leases	3,360	3,600
Depreciation of right-of-use assets	3,200	2,172
Advertising and promotion expenses	1,383	975

8. TAXATION

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
The taxation charge comprises:		
Hong Kong Profits Tax		
– Current year	1,800	2,875

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 2021 and 2020.

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

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Earnings:		
Earning for the purpose of calculation of basic earnings per share		
– Profit attributable to owners of the Company	9,295	13,671

	For the six months ended 30 September	
	2021 '000 shares	2020 '000 shares
Number of shares:		
Weighted average number of ordinary shares in issue	400,000	400,000

Diluted earnings per share for the six months ended 30 September 2021 and 2020 were the same as the basic earnings per share as there were no potential dilutive ordinary shares existing for both periods.

10. DIVIDEND

No dividend has been declared by the Group during the six months ended 30 September 2021 (six months ended 30 September 2020: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group paid approximately HK\$323,000 (for the year ended 31 March 2021: approximately HK\$592,000) on acquisition of property, plant and equipment.

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

12. TRADE RECEIVABLES

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Trade receivables	376	857

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 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 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
0 – 10 days	85	–
Over 10 days	291	857
	376	857

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

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Deposits	5,237	5,259
Prepayments	5,979	5,307
Other receivables	152	191
	11,368	10,757

14. AMOUNT DUE FROM A RELATED PARTY

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

15. ACCRUALS AND OTHER PAYABLES

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Accruals	1,066	6,812
Provision for severance payments (note)	2,821	2,521
Other payables	-	65
	3,887	9,398

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 six months ended 30 September 2021 are as follows:

	Severance payments HK\$'000
As at 31 March 2021 and 1 April 2021 (Audited)	2,521
Provision	300
As at 30 September 2021 (Unaudited)	2,821

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

16. BANK OVERDRAFTS/BORROWINGS

	As at 30 September 2021 HK\$'000 (Unaudited)	At at 31 March 2021 HK\$'000 (Audited)
Unsecured bank borrowings	–	4,000
Unsecured bank overdrafts	–	14,864
	<u>–</u>	<u>18,864</u>

The carrying amounts of bank borrowings that contains a repayable on demand clause (shown under current liabilities) but repayable:

Within one year	–	18,864
Less: amounts shown under current liabilities	<u>–</u>	<u>(18,864)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>

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

17. SHARE CAPITAL

	As at 30 September 2021		As at 31 March 2021	
	number of shares	nominal value HK\$'000	number of shares	nominal value HK\$'000
Authorised:				
At beginning and end of the period/year of nominal value of HK\$0.01 each	<u>10,000,000,000</u>	<u>100,000</u>	<u>10,000,000,000</u>	<u>100,000</u>
	As at 30 September 2021		As at 31 March 2021	
	number of shares	nominal value HK\$'000	number of shares	nominal value HK\$'000
Issued and fully paid:				
At beginning and end of the period/year of nominal value of HK\$0.01 each	<u>400,000,000</u>	<u>4,000</u>	<u>400,000,000</u>	<u>4,000</u>

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 six months ended 30 September 2021 and 2020 is set out as follows:

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Salaries, allowance and benefit in kind	1,530	1,516
Retirement benefits scheme contributions	<u>32</u>	<u>34</u>
	<u>1,562</u>	<u>1,550</u>

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

18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The Group entered into the following significant related party transactions during the six months ended 30 September 2021 and 2020

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Recurring:		
Rental expense paid to related parties:		
– Lung Shun Holdings Limited (note a)	465	468
– Hung Sang Group Limited (note a)	397	402
Consignment income received from		
– Hong Kong Telecommunication Direct Selling Centre Limited (note b)	311	473
	311	473

Notes:

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