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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)

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

The board (the “Board”) of directors (the “Directors”) of Takbo Group Holdings Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (together as the “Group”) for the nine months ended 30 September 2018. This announcement, containing the full text of the 2018 third quarterly report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities (“GEM Listing Rules”) on GEM of the Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of third quarterly results. Printed version of the 2018 third quarterly report of the Company containing the information required by the GEM Listing Rules will be despatched to the shareholders in due course.

The Company’s third quarterly results announcement is published on the GEM website at <http://www.hkgem.com> and the Company’s website at www.takbogroup.com.

By Order of the Board
Takbo Group Holdings Limited
Or Naam

Executive Director and Chief Executive Officer

Hong Kong, 9 November 2018

As at the date of this announcement, the executive Directors are Mr. Or Naam, Ms. Chan Hoi Yan Polly and Mr. Or Huen; and the independent non-executive Directors are Mr. Tan Chong Huat, Mr. Sung Chi Keung and Mr. Wong, Irving Holmes Weng Hoong.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.takbogroup.com.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Takbo Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together, the “Group”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

Executive Directors

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

Independent Non-executive Directors

Mr. Tan Chong Huat (*Chairman*)
Mr. Sung Chi Keung
Mr. Wong, Irving Holmes Weng Hoong

Audit Committee

Mr. Sung Chi Keung (*Chairman*)
Mr. Tan Chong Huat
Mr. Wong, Irving Holmes Weng Hoong

Remuneration Committee

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

Nomination Committee

Mr. Wong, Irving Holmes Weng Hoong
(*Chairman*)
Mr. Sung Chi Keung
Mr. Or Huen

Company Secretary

Mr. Ng Chit Sing

Authorized Representatives

Mr. Or Naam
Ms. Chan Hoi Yan Polly

Compliance Officer

Ms. Chan Hoi Yan Polly

Registered Office

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

Principal Place of Business in Hong Kong

Room B, 35th Floor, EGL Tower
83 Hung To Road, Kwun Tong
Kowloon, Hong Kong

Independent Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

Compliance Adviser

Lego Corporate Finance Limited
Room 1601, 16/F, China Building
29 Queen's Road Central
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

Codan 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 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

8436

Company Website

www.takbogroup.com

HIGHLIGHTS

Revenue of the Group for the nine months ended 30 September 2018 amounted to approximately HK\$205.5 million, representing an increase of approximately 25.4% over the corresponding period of the previous year.

Gross profit of the Group for the nine months ended 30 September 2018 amounted to approximately HK\$62.1 million, representing an increase of approximately 10.2% over the corresponding period of the previous year. The gross profit margin of the Group decreased from approximately 34.4% for the nine months ended 30 September 2017 to approximately 30.2% for the nine months ended 30 September 2018.

Profit attributable to equity holders of the Company for the nine months ended 30 September 2018 amounted to approximately HK\$26.9 million, representing an increase of approximately 104.4% over the corresponding period of the previous year.

Earnings per share for the nine months ended 30 September 2018 was approximately HK6.72 cents, representing an increase of approximately 53.4% over the corresponding period of the previous year.

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Overview

Though the global economy was steadily improving, the road to full recovery remains difficult. The outbreak of trade war between the United States of America (“US”) and the PRC may potentially hamper our growth and profitability as the US continued to be our major export market. Despite the above, the depreciation of Chinese Renminbi (“RMB”) against US dollar (“US\$”) resulted from the trade war contributed to the recognition of the exchange gain for the period under review.

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 nine months ended 30 September 2018.

Due to the recent outbreak of trade war between the US and the PRC, the Group had considered various strategic ways to encounter and minimise the potential risks which would affect materially the operational and financial performance of the Group during the period under view including but not limited to unloading shipments of our products at the most nearby US port. In such case, the Group and existing customers could minimise the additional duties imposed by the US.

Prospect

Looking forward, the Group considers its business environment becoming more challenging. The economic atmosphere and confidence could definitely be adversely affected by the trade war between the US and the PRC, which contributed to existing and potential customers may incline to place orders in other production sites which can minimise the additional tariff imposed by the US. The Group will stay alert of trade war that may impact on its operations and its profitability. At the same time, the Group will evaluate and determine if any business strategy can be adopted to promote sales and reduce costs on our products imported to the US.

Nevertheless, the goal of the Group is to strengthen the position as a beauty products manufacturer and solutions provider of beauty bags, and leverage on our competitive advantages to expand our operation scale and increase overall profit.

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 nine months ended 30 September 2018 and 2017:

	For the nine months ended 30 September			
	2018		2017	
	HK\$'000	%	HK\$'000	%
Beauty products	145,006	70.6	98,716	60.2
Beauty bags	60,450	29.4	65,170	39.8
Total	205,456	100	163,886	100

Revenue of the Group for the nine months ended 30 September 2018 amounted to approximately HK\$205.5 million, representing an increase of approximately 25.4% over the correspondence period of the previous year. The increase was mainly attributable to the successful marketing strategy to the launch of Mother's Day beauty products, stable relationship with current customers who placed orders regularly, as well as the orders contributed from the new customers in exhibitions participated by the Group.

The gross profit of the Group for the nine months ended 30 September 2018 amounted to approximately HK\$62.1 million, representing an increase of approximately 10.2% over the correspondence period of the previous year. The gross profit margin of the Group decreased from approximately 34.4% for the nine months ended 30 September 2017 to approximately 30.2% for the nine months ended 30 September 2018, which is mainly due to the Group's strategic offer of competitive pricing for promoting sales growth and securing the sales orders from new customers.

Profit attributable to equity holders of the Company for the nine months ended 30 September 2018 amounted to approximately HK\$26.9 million, representing a significant increase of approximately 104.4% over the correspondence period of the previous year, amounted to approximately HK\$13.1 million. Such changes were due to the combined effect of higher sales demand, exchange gain due to RMB depreciation and there being no listing expenses incurred for the nine months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group practiced prudent financial management and maintained a strong and sound financial position during the nine months ended 30 September 2018. The Group finances its daily operations through a combination of funds generated from operations and net proceeds from the share offer on listing. As of 30 September 2018, the Group had cash and cash equivalents of approximately HK\$47.9 million (30 June 2018: approximately HK\$83.9 million). The decrease in cash and cash equivalents were mainly attributable to the timing differences between receipt of trade receivables and the settlement of trade payables.

The current ratio, calculated as the total current assets divided by total current liabilities, was approximately 2.8 times as at 30 September 2018 (30 June 2018: approximately 6.8 times). As at 30 September 2018, 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\$7.1 million or approximately 25.8% from approximately HK\$27.4 million for the nine months ended 30 September 2017 to approximately HK\$20.3 million for the nine months ended 30 September 2018. The decrease was mainly attributable to the listing expenses of approximately HK\$10.9 million incurred for the nine months ended 30 September 2017.

Selling expenses

The selling expenses of the Group increased by approximately HK\$3.4 million or approximately 37.0% from approximately HK\$9.3 million for the nine months ended 30 September 2017 to approximately HK\$12.8 million for the nine months ended 30 September 2018. The increase was mainly attributable to our extensive selling activities and thus their costs such as transportation and courier costs, sample charges, duties, inspection and testing fees as well as marketing expenses incurred for more sales transactions taken place during the nine months ended 30 September 2018.

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 manageable.

During the nine months ended 30 September 2018, 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 September 2018.

Contingent Liabilities and Commitments

As at 30 September 2018, the Group did not have any material contingent liabilities (31 December 2017: Nil). The Group had capital commitment of approximately HK\$16.2 million in relation to expenditure on our factory expansion (31 December 2017: HK\$8.2 million) and operating leases commitment of approximately HK\$25.8 million (31 December 2017: HK\$27.8 million) as at 30 September 2018.

Pledge of Assets

The Group did not have pledged assets as at 30 September 2018 (31 December 2017: Nil).

Share Capital and Capital Structure

During the nine months ended 30 September 2018, 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 other capital reserves. The Group finances its operations, working capital and capital expenditures requirements through a combination of funds generated from operations and net proceeds from the share offer.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The board of the Directors of the Company (the “Board”) does not recommend the payment of any interim dividend for the nine months ended 30 September 2018 (30 September 2017: Nil).

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 September 2018 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 September 2018, the Group did not have any significant investment in equity interest in any other company and did not own any properties (31 December 2017: Nil).

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 nine months ended 30 September 2018.

UNAUDITED FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") is pleased to present the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the three months and the nine months ended 30 September 2018 (the "Period"), which has been reviewed by the audit committee of the Company, together with the comparative unaudited figures for the corresponding periods in 2017, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	3	142,742	112,333	205,456	163,886
Cost of sales		(98,612)	(74,726)	(143,317)	(107,496)
Gross profit		44,130	37,607	62,139	56,390
Other income	4	—	20	450	32
Other gain/(loss), net	4	3,278	(1,277)	2,650	(1,622)
Administrative expenses		(6,995)	(6,967)	(20,291)	(27,352)
Selling expenses		(6,778)	(5,487)	(12,752)	(9,310)
Finance costs, net		269	8	497	(15)
Profit before income tax	5	33,904	23,904	32,693	18,123
Income tax expense	6	(6,101)	(4,436)	(5,826)	(4,978)
Profit for the period		27,803	19,468	26,867	13,145
Other comprehensive loss for the period					
<i>Item that may be reclassified to profit or loss</i>					
Currency translation difference		(709)	—	(709)	(667)
Total comprehensive income for the period		27,094	19,468	26,158	12,478

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Notes				
Profit for the period attributable to:				
Owners of the Company	27,803	19,468	26,867	13,145
Total comprehensive income for the period attributable to:				
Owners of the Company	27,094	19,468	26,158	12,478
Earnings per share	HK cents	HK cents	HK cents	HK cents
Basic and diluted earnings per share	6.95	6.49	6.72	4.38
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Equity attributable to owners of the Company

	Capital						Total
	Share capital	Share premium	and other reserve	Statutory reserve	Exchange reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2017 and 1 January 2018 (audited)	4,000	56,188	46	544	3,128	75,096	139,002
Profit for the period	—	—	—	—	—	26,867	26,867
Other comprehensive loss for the period	—	—	—	—	(709)	—	(709)
Total comprehensive income for the period	—	—	—	—	(709)	26,867	26,158
At 30 September 2018 (unaudited)	4,000	56,188	46	544	2,419	101,963	165,160
At 31 December 2016 and 1 January 2017 (audited)	—	—	46	472	2,143	78,638	81,299
Profit for the period	—	—	—	—	—	13,145	13,145
Other comprehensive loss for the period	—	—	—	—	(667)	—	(667)
Total comprehensive income for the period	—	—	—	—	(667)	13,145	12,478
Transactions with owners:							
Dividends (note 7)	—	—	—	—	—	(8,940)	(8,940)
	—	—	—	—	—	(8,940)	(8,940)
At 30 September 2017 (unaudited)	—	—	46	472	1,476	82,843	84,837

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Corporate Information and Group Reorganisation

Takbo Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 8 February 2017 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in the design, development, manufacture and sale of beauty products, and the design, development and sale of beauty bags.

The shares of the Company were listed on GEM of the Stock Exchange on 27 October 2017.

The condensed consolidated financial information has not been audited but has been reviewed by the audit committee of the Company. The unaudited condensed consolidated financial information were approved and authorised for issue by the Directors on 9 November 2018.

2. Basis of Preparation and Accounting Policies

The condensed consolidated financial information for the nine months ended 30 September 2018 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules. The condensed consolidated financial information does not include all information and disclosures as required in the annual financial statements and should be read in conjunction with the Company’s consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with HKFRSs issued by the HKICPA, as set out in the latest annual report.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2. Basis of Preparation and Accounting Policies (Continued)

The accounting policies and method of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the Company's consolidated financial statements for the year ended 31 December 2017 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning on 1 January 2018. The application of these standards, amendments and interpretations did not have material effect on the amounts reported and/or disclosure set out in these condensed consolidated financial information.

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TAKBO GROUP HOLDINGS LIMITED

The unaudited condensed consolidated financial information has been prepared under the historical cost basis. These unaudited condensed consolidated financial information are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

3. Revenue

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue				
Sales of beauty products	108,445	76,658	145,006	98,716
Sales of beauty bags	34,297	35,675	60,450	65,170
	142,742	112,333	205,456	163,886

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. Other Income and Other Gain/(Loss), Net

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
	Other income			
Sample income	—	20	447	32
Others	—	—	3	—
	—	20	450	32
Other gain/(loss), net				
Exchange gain/(loss), net	3,278	(1,277)	2,650	(1,622)
	3,278	(1,277)	2,650	(1,622)

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5. Profit Before Income Tax

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
	Depreciation of property, plant and equipment	238	331	773
Amortisation of intangible asset	18	16	53	49
Reversal of provision of impairment of trade receivables	(649)	—	(675)	—
Listing expenses	—	1,632	—	10,896

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. Income Tax Expense

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Hong Kong profits tax from subsidiaries operating in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profit for the relevant periods. Corporate income tax on profits from a subsidiary operating in Mainland China have been calculated at 25% in accordance with the relevant People's Republic of China tax laws and regulations. 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.

At 30 September 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company's subsidiary established in the PRC. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future.

7. Dividends

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2018.

No dividend has been paid or declared by the Company since its incorporation on 8 February 2017 and except for the below, no dividend has been paid or declared by the companies now comprising the Group to the then equity holders of these companies in the nine months ended 30 September 2017 and 2018.

On 6 March 2017, the directors of Takbo Limited declared to its then shareholders, Mr. Or Naam and Ms. Chu a special dividend of HK\$8,940,000 and such dividend was distributed by way of setting-off against amounts due from related companies.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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. 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 completed on 25 September 2017 and the capitalisation shares, as part of the Reorganisation, which took place on 27 October 2017.

Diluted earnings per share is of the same amount as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 30 September 2017 and 2018.

SUPPLEMENTARY INFORMATION

Share Option Scheme

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

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 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.

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

As at 30 September 2018, 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.

Rights to Acquire Shares or Debentures

Apart from the aforesaid Share Option Scheme, at no time during the nine months ended 30 September 2018 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 September 2018, 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

Interests in the Company

Name of director	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued voting shares
	Personal interests	Family interests	Corporate interests				
Mr. Or Naam ^{Note}	—	—	300,000,000	300,000,000	—	300,000,000	75.00%
Ms. Chan Hoi Yan Polly ^{Note}	—	—	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 September 2018, 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

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As at 30 September 2018, 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 ^{Note}	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 September 2018, 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 Investments Limited (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.

SUPPLEMENTARY INFORMATION

Conflict of Interests

Saved as disclosed above, during the nine months ended 30 September 2018, 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.

Code on Corporate Governance Practices

During the nine months ended 30 September 2018, the Board considers that the Company has complied with all the provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

Code of Conduct for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the nine months ended 30 September 2018.

Purchase, Sale or Redemption of Listed Securities of the Company

The Company has not redeemed any of its Shares during the nine months ended 30 September 2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's Shares for the nine months ended 30 September 2018.

Interests of the Compliance Adviser

As notified by Lego Corporate Finance Limited, compliance adviser of our Company, neither Lego Corporate Finance Limited nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of Lego Corporate Finance Limited had any interest in the share capital of the Company or any member of our Group (including options or rights to subscribe for such securities, if any) which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2018.

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 Company has revised the terms of reference of the audit committee on 9 November 2018 in compliance with the revised GEM Listing Rules and CG Code with effect from 1 January 2019. The revised terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

The audit committee comprises three independent non-executive Directors, namely Mr. Sung Chi Keung (chairman), Mr. Tan Chong Huat and Mr. Wong, Irving Holmes Weng Hoong. Its main responsibilities are to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control principles and procedures, and to make recommendations to the Board on the appointment and dismissal of the external auditor.

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 third quarterly financial information and the third quarterly report for the nine months ended 30 September 2018.

SUPPLEMENTARY INFORMATION

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 nine months ended 30 September 2018, there has been no change in the constitutional documents of the Company.

Significant Event after the Balance Sheet Date

Up to the date of this report, 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 nine months ended 30 September 2018.