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## **HK Asia Holdings Limited**

**港亞控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1723)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020**

#### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the year ended 31 March 2020 was approximately HK\$200.0 million, representing an increase of approximately 2.6% as compared with approximately HK\$195.0 million for the corresponding year in 2019.
- Gross profit of the Group for the year ended 31 March 2020 was approximately HK\$66.8 million which was the same as that for the corresponding year in 2019.
- Profit for the year ended 31 March 2020 was approximately HK\$26.6 million, representing an increase of approximately 67.3% as compared with approximately HK\$15.9 million for the corresponding year in 2019. Excluding the non-recurring listing expenses amounting to approximately HK\$12.5 million, the Group's adjusted profit for the corresponding year in 2019 would have been approximately HK\$28.4 million. The Group's profit for the year ended 31 March 2020 represented a decrease of approximately 6.3% as compared with the adjusted profit of approximately HK\$28.4 million for the corresponding year in 2019.
- Basic and diluted earnings per share attributable to the owners of the Company was approximately HK6.64 cents for the year ended 31 March 2020 (2019: HK4.44 cents).
- The Board did not recommend the payment of a final dividend for the year ended 31 March 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of HK Asia Holdings Limited (the “**Company**”) is pleased to announce the consolidated audited annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Revenue</b>	5	<b>199,994</b>	195,018
Cost of sales		<u>(133,215)</u>	<u>(128,222)</u>
<b>Gross profit</b>		<b>66,779</b>	66,796
Other revenue	6	<b>1,886</b>	2,979
Selling and distribution expenses		<b>(23,503)</b>	(24,918)
Administrative expenses		<b>(13,226)</b>	(23,538)
Finance cost	7	<u>(145)</u>	–
<b>Profit before taxation</b>	8	<b>31,791</b>	21,319
Taxation	9	<u>(5,214)</u>	<u>(5,373)</u>
<b>Profit and total comprehensive income for the year</b>		<u><b>26,577</b></u>	<u>15,946</u>
Profit for the year attributable to owners of the Company		<u><b>26,577</b></u>	<u>15,946</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u><b>26,577</b></u>	<u>15,946</u>
<b>Earnings per share</b>			
Basic and diluted ( <i>HK cents</i> )	10	<u><b>6.64</b></u>	<u>4.44</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,330	1,789
Right-of-use assets		5,034	–
Financial assets at fair value through profit or loss		<u>2,070</u>	<u>980</u>
		<u>8,434</u>	<u>2,769</u>
<b>Current assets</b>			
Inventories		68,936	56,310
Trade receivables	12	669	1,049
Deposits, prepayments and other receivables		5,319	5,687
Amount due from a related party		306	164
Tax receivables		432	–
Cash and cash equivalents		<u>102,003</u>	<u>87,504</u>
		<u>177,665</u>	<u>150,714</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accruals and other payables		5,464	3,604
Contract liabilities		2	34
Lease liabilities		3,113	–
Dividend payable	11	40,000	–
Tax payables		<u>–</u>	<u>881</u>
		<u>48,579</u>	<u>4,519</u>
<b>Net current assets</b>		<u>129,086</u>	<u>146,195</u>

	<b>2020</b>	2019
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Total assets less current liabilities</b>	<u><b>137,520</b></u>	<u>148,964</u>
<b>Non-current liability</b>		
Lease liabilities	<u><b>1,979</b></u>	<u>–</u>
<b>Net assets</b>	<u><b>135,541</b></u>	<u>148,964</u>
<b>Equity</b>		
Share capital	<b>4,000</b>	4,000
Reserves	<u><b>131,541</b></u>	<u>144,964</u>
<b>Total equity</b>	<u><b>135,541</b></u>	<u>148,964</u>

# NOTES TO CONSOLIDATED 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 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 27 September 2018. The ultimate controlling party of the Company is Mr. Siu Muk Lung (“**Mr. Siu**”).

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the Company’s principal place of business is at 24/F, Chun Wo Commercial Centre, 23-29 Wing Wo Street, Sheung Wan, Hong Kong. The Company is an investment holding company. The Group is principally engaged in wholesale and retail sales of the pre-paid products (i.e. SIM card and top-up voucher) (the “**Pre-paid Products**”) in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company and its principal subsidiaries and all values are rounded to the nearest thousands (HK\$’000) except when otherwise stated.

## 2. GROUP REORGANISATION

Pursuant to the corporate reorganisation (the “**Reorganisation**”) as fully explained in the section headed “History, Reorganisation and Development” of the prospectus of the Company dated 11 September 2018 (the “**Prospectus**”), the Company became the holding company of the companies now comprising the Group on 5 September 2018. Before and after the completion of the Reorganisation and throughout the Track Record Periods (as defined in the Prospectus) or since their respective dates of incorporation, where there is a shorter period, all the companies comprising the Group have been under common control of Mr. Siu.

The Reorganisation is merely a reorganisation of the listing business with no change in management of such business and the ultimate owner of the business. Accordingly, the Financial Information has been prepared by applying the principles of merger accounting, as prescribed in Hong Kong Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), as if the Reorganisation had been completed at the beginning of the reporting period.

Accordingly, the consolidated financial statements of the Group for the year ended 31 March 2019 have been prepared using the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA as if the current group structure had been in existence throughout the year under review, or since their respective dates of incorporation or acquisition, where there is a shorter period.

Pursuant to the Reorganisation detailed below, the Company has become the holding company of the companies now comprising the Group on 5 September 2018. The Company and its subsidiaries have been under the common control of Mr. Siu throughout the reporting period, and before and after the Reorganisation, or since their respective dates of incorporation, where there is a shorter period.

The Group has undergone the corporate reorganisation to rationalize the Group's structure in preparation for the listing which involved the following steps:

#### **Incorporation of the Company**

On 5 May 2016, the Company was incorporated under the Companies Law in the Cayman Islands as an exempted company with limited liability with an authorized share capital of HK\$380,000 divided into 38,000,000 Shares. 1 share of the Company was allotted and issued fully paid at par to an initial subscriber upon incorporation and on the same date, the one subscriber share was transferred to Mr. Siu. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 3 June 2016.

#### **Incorporation of HK Asia Mobile Communications Limited (“HK Asia Mobile”)**

On 13 June 2016, HK Asia Mobile was incorporated in the British Virgin Islands with limited liability. HK Asia Mobile was initially authorised to issue a maximum of 50,000 shares of US\$1.00 each. 1 share of HK Asia Mobile was issued to the Company for cash at par and therefore HK Asia Mobile was the Company's wholly-owned subsidiary.

#### **Transfer of share of China Way (Far East) Limited (“China Way”) from Mobile Phone Direct Selling Centre Limited (“MP Direct Selling Centre”) to Mr. Siu**

China Way is a company incorporated in Hong Kong with limited liability on 26 November 2004 with issued share capital of HK\$2.00 and its entire issued share capital was beneficially owned as to 50% by Mr. Siu and 50% by MP Direct Selling Centre prior to the Reorganisation.

On 9 August 2017, 1 share of China Way was transferred from MP Direct Selling Centre to Mr. Siu at a consideration of HK\$1 with reference to the net asset value of China Way. After such transfer of share in China Way, China Way ceased to be a member of the Group.

Having considered that the business and the assets held by China Way are not related to the business of the Group, China Way has been disposed of and is not included in the Group.

**Acquisition of MP Direct Selling Centre, Hong Kong Mobile Phone Limited (“HK Mobile”), Golden Bright Holdings Limited (“Golden Bright”), Harvest Triple Holdings Limited (“Harvest Triple”), Hong Kong Asia Telecom Limited (“HK Asia Telecom”) and Kinson Group Company Limited (“Kinson Group”) by the Company**

Pursuant to a sale and purchase agreement entered into among, Mr. Siu, HK Asia Mobile and the Company on 27 August 2018, HK Asia Mobile acquired:

- (a) the entire issued share capital of MP Direct Selling Centre from Mr. Siu as beneficial owner;
- (b) the entire issued share capital of HK Mobile from Mr. Siu as beneficial owner;
- (c) the entire issued share capital of Golden Bright from Mr. Siu as beneficial owner;
- (d) the entire issued share capital of Harvest Triple from Mr. Siu as beneficial owner;
- (e) the entire issued share capital of HK Asia Telecom from Mr. Siu as beneficial owner; and
- (f) the entire issued share capital of Kinson Group from Mr. Siu as beneficial owner.

In consideration of the above acquisition:

- (a) HK Asia Mobile had, at the direction of Mr. Siu, procured the Company to allot and issue 17,000,000 Shares to Mr. Siu, credited as fully paid.
- (b) 1 ordinary share of US\$1.00 in HK Asia Mobile, credited as fully paid, was allotted and issued to the Company.

The transfer of the acquired shares of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group took effect on 5 September 2018.

After the above acquisition, each of HK Asia Mobile, MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group became wholly-owned subsidiaries of the Company.

### 3.1 BASIS OF PREPARATION

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

#### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases (“**HKFRS 16**”) (since 1 April 2019) or HKAS 17 Leases (“**HKAS 17**”) (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.



### 3.2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### **New and Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### **HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17, and the related interpretations.

#### ***Definition of a lease***

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

*As a lessor*

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

*As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of leased properties in Hong Kong was determined on a portfolio basis;
- (iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options; and
- (v) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 3.44% to 4.77%. The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	<b>At 1 April 2019 HK\$'000</b>
Operating lease commitments disclosed as at 31 March 2019	<u>13,713</u>
Less: practical expedient – leases with lease term ending within 12 months from date of initial application	(8,278)
Less: Effect from discounting at the incremental borrowing rate as at 1 April 2019	<u>(358)</u>
Lease liabilities as at 1 April 2019	<u><u>5,077</u></u>
Analysed as:	
Current	2,592
Non-current	<u>2,485</u>
	<u><u>5,077</u></u>

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	<b>Right-of-use assets HK\$'000</b>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	5,077
Add: Right-of-use assets relating to deposits of operating leases recognised upon application of HKFRS 16	<u>8</u>
	<u><u>5,085</u></u>
By class:	
Leased properties	<u><u>5,085</u></u>

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position as at 1 April 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously report at 31 March 2019 HK\$'000</b>	<b>Adjustments HK\$'000</b>	<b>Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000</b>
Non-current assets			
Right-of-use assets	–	5,085	5,085
Current assets			
Deposits, prepayments and other receivables	5,687	(8)	5,679
Current liabilities			
Lease liabilities – due within one year	–	2,592	2,592
Non-current liabilities			
Lease liabilities – due over one year	–	2,485	2,485

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

## New and amendments to HKFRSs in issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material <sup>1</sup>
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform <sup>1</sup>
HKFRS 3 (Amendments)	Definition of a Business <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
Amendment to HKFRS 16	COVID-19-Related Rent Concession <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>5</sup> Effective for annual period beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

#### 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 years ended 31 March 2020 and 2019, 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 (i.e. SIM Cards and top-up vouchers). Accordingly, the Group does not have separate reportable segments.

##### **Geographical information**

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

##### ***Information about major customers***

Revenue from major customers, contributing over 10% or more of the total sales of the Group during the years ended 31 March 2020 and 2019 are as follow:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer B	31,109	37,124
Retailer A	<u>33,399</u>	<u>-<sup>1</sup></u>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 5. REVENUE

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

All of the Group's revenue from contracts with customers is generated in Hong Kong based on where goods are sold. All revenue contracts are for a period of one year or less. As permitted by practical expedient under HKFRS 15 Revenue from Contract with Customers, the transaction price allocated to these unsatisfied contracts is not disclosed.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales of Pre-paid Products recognised at point in time	<u>199,994</u>	<u>195,018</u>

## 6. OTHER REVENUE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Promotion income	790	780
Consignment income	1,320	2,007
Sundry income	81	82
Fair value (loss)/gain on financial assets at fair value through profit or loss	<u>(305)</u>	<u>110</u>
	<u>1,886</u>	<u>2,979</u>

## 7. FINANCE COST

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	<u>145</u>	<u>–</u>

## 8. PROFIT BEFORE TAXATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditors' remuneration	700	1,000
Cost of inventories recognised as an expense	133,215	128,222
Depreciation of property, plant and equipment	619	642
Depreciation of right-of-use assets	2,810	–
Employee benefit expenses (including Directors' emoluments)	14,180	11,246
Minimum lease payment under operating lease in respect of premises	–	12,513
Expenses relating to short-term leases	9,785	–
Listing expenses	–	12,461
Advertising and promotion expenses	3,344	5,653
	<u>3,344</u>	<u>5,653</u>

## 9. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The taxation charge comprises:		
Hong Kong Profits tax		
– Current year	5,141	5,373
– Under provision in prior years	73	–
	<u>5,214</u>	<u>5,373</u>

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\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 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%.



## 10. EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Earnings:</i>		
<i>Earning for the purpose of calculation of basic earnings per share</i>		
– Profit for the year attributable to owners of the Company	<u>26,577</u>	<u>15,946</u>
	2020 <i>'000</i>	2019 <i>'000</i>
<i>Number of shares:</i>		
Weighted average number of ordinary shares in issue	<u>400,000</u>	<u>359,296</u>

Diluted earnings per share for the years ended 31 March 2020 and 2019 were the same as the basic earnings per share as there were no potential dilutive ordinary shares existing during the reporting period.

## 11. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Special dividend of HK\$0.1 per ordinary share	<u>40,000</u>	<u>–</u>

A special dividend of HK\$0.1 per ordinary share of the Company was declared by the Board on 26 March 2020 and was paid on 27 April 2020.

The Board did not recommend the payment for final dividend for the year ended 31 March 2020.

## 12. TRADE RECEIVABLES

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade receivables	<b><u>669</u></b>	<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:

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 – 10 days	<b>458</b>	718
Over 10 days	<b><u>211</u></b>	<u>331</u>
	<b><u>669</u></b>	<u>1,049</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **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 year ended 31 March 2020, the Group obtained two more products sourced from the suppliers for sales, including a Pre-paid Product with face value of HK\$238 inclusive of 56GB data for use of mobile data services (of which 20GB can only be used in certain social media and instant messaging applications) in Hong Kong and a Pre-paid Product with face value of HK\$110 with unlimited use of mobile data services for 30 days in Hong Kong. After the year ended 31 March 2020, the Group obtained one more product sourced from the suppliers for sales, which was a Pre-paid Product with face value of HK\$328 inclusive of 90GB data for use of mobile data services (of which 30GB can only be used in certain social media and instant messaging applications) in Hong Kong. The Group also rented a new self-managed retail shop for two years in Mong Kok in May 2020 making a total of six self-managed retail shops operated by the Group.

### **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.

## **FINANCIAL REVIEW**

### **Revenue**

During the year ended 31 March 2020, the Group's revenue amounted to approximately HK\$200.0 million, representing an increase of approximately 2.6% as compared to approximately HK\$195.0 million for the year ended 31 March 2019. The increase in revenue was mainly due to the increase in sales to the wholesaler and retailers within the Group's sales network by approximately HK\$26.5 million which offset the effect of decrease in sales made by the Group's own retail shops by approximately HK\$21.5 million.

### **Gross profit and gross profit margin**

The Group's gross profit was approximately HK\$66.8 million for the year ended 31 March 2020 which was same as that for the year ended 31 March 2019. The gross profit margin decreased from approximately 34.3% for the year ended 31 March 2019 to approximately 33.4% for the year ended 31 March 2020. The decrease in gross profit margin was primarily due to the increase in sales of Pre-paid Products targeted at Other Users which were sold at a lower gross profit margin.

### **Other revenue**

During the year ended 31 March 2020, the Group's other revenue amounted to approximately HK\$1.9 million, representing a decrease of approximately 36.7% as compared to approximately HK\$3.0 million for the year ended 31 March 2019. The decrease in other revenue was mainly due to the decrease in consignment income for selling mobile phones and accessories and the increase in fair value loss on financial assets at fair value through profit or loss.

## **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 year ended 31 March 2020, selling and distribution expenses amounted to approximately HK\$23.5 million (2019: approximately HK\$24.9 million), representing a decrease of approximately 5.6% as compared to the year ended 31 March 2019. The decrease in selling and distribution expenses was mainly attributable to the decrease in advertising and promotion expenses of approximately HK\$2.3 million which offset the effect of increase in staff costs of approximately HK\$0.8 million and the increase in other expenses of approximately HK\$0.1 million.

## **Administrative expenses**

Administrative expenses mainly represented (i) staff costs; (ii) depreciation of right-of-use assets; (iii) professional fees; and (iv) other expenses. For the year ended 31 March 2020, administrative expenses amounted to approximately HK\$13.2 million (2019: approximately HK\$23.5 million), representing a decrease of approximately 43.8% as compared to the year ended 31 March 2019. Excluding the non-recurring listing expenses of approximately HK\$12.5 million, the Group's adjusted administrative expenses for the corresponding year in 2019 would have been approximately HK\$11.0 million. Administrative expenses for the year ended 31 March 2020 represented an increase of approximately 20.0% as compared with the adjusted administrative expenses for the corresponding year in 2019 which was mainly attributable to the increase in staff costs of approximately HK\$2.1 million and the increase in professional fees of approximately HK\$0.6 million which offset the effect of decrease in other expenses of approximately HK\$0.5 million.

## **Finance cost**

Finance cost comprised interest expenses on lease liabilities and amounted to approximately HK\$0.1 million for the year ended 31 March 2020 (2019: nil) which was mainly due to the recognition of lease liabilities after the initial application of Hong Kong Financial Reporting Standard 16 "Leases" on 1 April 2019.

## **Taxation**

During the year ended 31 March 2020, the income tax expenses amounted to approximately HK\$5.2 million (2019: approximately HK\$5.4 million) and the effective tax rate for the year was approximately 16.4% (2019: approximately 25.2% 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 year**

Profit for the year ended 31 March 2020 was approximately HK\$26.6 million, representing an increase of approximately 67.3% as compared with approximately HK\$15.9 million for the corresponding year in 2019. Excluding the non-recurring listing expenses amounting to approximately HK\$12.5 million, the Group's adjusted profit for the corresponding year in 2019 would have been approximately HK\$28.4 million. The Group's profit for the year ended 31 March 2020 represented a decrease of approximately 6.3% as compared with the adjusted profit of approximately HK\$28.4 million for the corresponding year in 2019 which was mainly attributable to the reasons mentioned above.

## **Inventories**

The Group had inventories of approximately HK\$68.9 million as at 31 March 2020, representing an increase of approximately HK\$12.6 million compared to the inventories of approximately HK\$56.3 million as at 31 March 2019. The increase was resulted from additional quantity of products provided by suppliers through bulk purchase discount during the year ended 31 March 2020.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Net current assets**

The Group had net current assets of approximately HK\$129.1 million as at 31 March 2020 (31 March 2019: HK\$146.2 million). The current ratio of the Group decreased from approximately 33.4 times as at 31 March 2019 to approximately 3.7 times as at 31 March 2020. Such decrease was mainly attributable to (i) the increase in current assets of approximately HK\$27.0 million which was mainly attributable to the increase in inventories and cash and cash equivalents; and (ii) the increase in current liabilities of approximately HK\$44.1 million which was mainly due to the increase in dividend payable, lease liabilities, accruals and other payables.

### **Borrowings**

The Group's bank and other borrowings was nil as at 31 March 2020 (31 March 2019: nil).

### **Gearing ratio**

The Group's gearing ratio was nil as at 31 March 2020 (31 March 2019: nil) as it has no outstanding interest-bearing bank and other borrowings. The gearing ratio equals total amount of interest-bearing bank and other borrowings divided by total amount of equity and multiplied by 100%.

### **Share capital structure**

As at 31 March 2020 and 31 March 2019, 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**").

### **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 exposure. 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 31 March 2020, the Group had 46 employees (31 March 2019: 43 employees) with a total remuneration of approximately HK\$14.2 million during the year ended 31 March 2020 (2019: approximately HK\$11.2 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 31 March 2020, the Group did not have any pledged assets (31 March 2019: nil).

## **MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT**

During the year ended 31 March 2020, there was no material acquisition, disposal or significant investment by the Group (2019: nil).



## USE OF PROCEEDS

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 at 31 March 2020, the net proceeds from the Share Offer had been applied in the following manner:

<b>Business objectives as stated in the Prospectus</b>	<b>Planned use of net proceeds <i>HK\$' million</i> (approximately)</b>	<b>Amount utilised as at 31 March 2020 <i>HK\$' million</i> (approximately)</b>	<b>Remaining balance as at 31 March 2020 <i>HK\$' million</i> (approximately)</b>
Setting up of five retail shops	27.0	–	27.0
Hiring additional sales personnel	1.6	1.1	0.5
Carrying out marketing and promotional activities	9.8	1.8	8.0
Implementing an enterprises resources planning system	1.9	0.2	1.7
For working capital and other general corporate purposes	0.3	0.3	–
	<u>40.6</u>	<u>3.4</u>	<u>37.2</u>

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 listing of Shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 September 2018 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. Due to the social unrest and the outbreak of COVID-19, the Group’s plan to set up new retail shops and carry out marketing and promotional activities has been delayed. The balance of the unutilised proceeds is expected to be utilised in the coming two financial years.

## **EVENT AFTER THE REPORTING PERIOD**

Since the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented in Hong Kong. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Board was not aware of any material adverse impact on the financial statements of the Group.

## **CAPITAL COMMITMENT**

As at 31 March 2020, the Group had capital commitments of approximately HK\$300,000 (31 March 2019: approximately HK\$300,000) in respect of acquisition of property, plant and equipment.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

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 31 March 2020 (31 March 2019: nil).

## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: nil).

## **CLOSURE OF THE REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING (THE “AGM”)**

For the purposes of determining the shareholders' eligibility to attend and vote at the forthcoming AGM to be held on Thursday, 27 August 2020, the register of members of the Company will be closed from Monday, 24 August 2020 to Thursday, 27 August 2020, both days inclusive. In order to be eligible to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. (Hong Kong time) on Friday, 21 August 2020.

## **CORPORATE GOVERNANCE**

The Company has adopted and complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the year ended 31 March 2020. 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 year ended 31 March 2020.

## **MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules 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 year ended 31 March 2020 and up to the date of this announcement.

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

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

## **SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED**

The figures in respect of the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position and the related notes thereto for the year ended 31 March 2020 of the Group as set out in this announcement have been agreed by the Company's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

The Company has established an audit committee (the "**Audit Committee**") which consists of one non-executive Director, namely Mr. Lam Kin Lun Davie, and three independent non-executive Directors, namely Mr. Kwok Wai Leung, Stanley, Mr. Fok Kam Chau and Mr. Shiao Hei Lok Herod. Mr. Fok Kam Chau is the chairman of the Audit Committee.

The Audit Committee has discussed with the management of the Group and reviewed the audited consolidated financial results of the Group for year ended 31 March 2020, including accounting principles and practices adopted by the Group, and discussed the financial reporting system and the risk management and internal control systems of the Company.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.hkasiaholdings.com](http://www.hkasiaholdings.com)). The annual report of the Company for the year ended 31 March 2020 will be dispatched to shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

## **APPRECIATION**

The Board would like to express its sincere gratitude to the management team and all the staff of the Group for their continuous support and contribution. The Board also takes this opportunity to thank our shareholders, customers, business partners and professional parties for their unreserved support in the prospects of the Group.

By order of the Board  
**HK Asia Holdings Limited**  
**Siu Muk Lung**  
*Chairman and Executive Director*

Hong Kong, 24 June 2020

*As at the date of this announcement, the Board comprises Mr. Siu Muk Lung and Mr. Chung Chi Fai as executive Directors; Mr. Ritchie Ma and Mr. Lam Kin Lun Davie as non-executive Directors; and Mr. Lee Kwan Ho, Vincent Marshall, Mr. Kwok Wai Leung, Stanley, Mr. Shiao Hei Lok Herod and Mr. Fok Kam Chau as independent non-executive Directors.*