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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

The board (the “**Board**”) of directors (the “**Directors**”) of HK Asia Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2018 (the “**Period**”), together with the comparative figures for the six months ended 30 September 2017.

This announcement, containing the full text of the interim report of the Company for the six months ended 30 September 2018 (the “**Interim Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) in relation to information to accompany preliminary announcements of interim results. Printed version of the Interim Report will be delivered to the Company’s shareholders and will also be available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.hkasiaholdings.com.

By order of the Board

HK Asia Holdings Limited

Siu Muk Lung

Chairman and Executive Director

Hong Kong, 29 November 2018

As at the date of this announcement, the board of Directors of the Company 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Siu Muk Lung (*Chairman*)

Mr. Chung Chi Fai

Non-executive Directors

Mr. Ritchie Ma

Mr. Lam Kin Lun Davie

Independent Non-executive Directors

Mr. Lee Kwan Ho, Vincent Marshall

Mr. Kwok Wai Leung, Stanley

Mr. Fok Kam Chau

Mr. Shiao Hei Lok Herod

AUDIT COMMITTEE

Mr. Fok Kam Chau (*Chairman*)

Mr. Lam Kin Lun Davie

Mr. Kwok Wai Leung, Stanley

Mr. Shiao Hei Lok Herod

REMUNERATION COMMITTEE

Mr. Shiao Hei Lok Herod (*Chairman*)

Mr. Ritchie Ma

Mr. Kwok Wai Leung, Stanley

Mr. Fok Kam Chau

NOMINATION COMMITTEE

Mr. Siu Muk Lung (*Chairman*)

Mr. Lee Kwan Ho, Vincent Marshall

Mr. Kwok Wai Leung, Stanley

Mr. Shiao Hei Lok Herod

Mr. Fok Kam Chau

AUTHORISED REPRESENTATIVES

(*for the purpose of the Listing Rules*)

Mr. Siu Muk Lung

Mr. Chan Him Alfred

COMPANY SECRETARY

Mr. Chan Him Alfred (*CPA*)

AUDITORS

HLB Hodgson Impey Cheng Limited

LEGAL ADVISOR TO THE COMPANY AS TO HONG KONG LAW

Sit, Fung, Kwong & Shum

COMPLIANCE ADVISER

CLC International Limited

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

COMPANY WEBSITE

www.hkasiaholdings.com

**HONG KONG SHARE REGISTRAR
AND TRANSFER OFFICE**

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1723

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Board is pleased to announce the first interim results of the Company since the successful listing of its shares on the Main Board of the Stock Exchange on the Listing Date. The Group conducts wholesale and retail sales of Pre-paid Products in Hong Kong targeted at Indonesian and Filipino consumers and Pre-paid Products targeted at mobile users who demand for local and international phone call and/or mobile data services in Hong Kong and overseas (“**Other Users**”). The Group is a long-established and well-recognized distributor in the industry.

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

OUTLOOK AND PROSPECT

The Group is seeking to expand its business and further increase its market share in the sectors of Pre-paid Products targeted at (i) Indonesian and Filipino consumers; and (ii) Other Users. After the Period under review, the Group has obtained two more products sourced from the suppliers for sales, including a Pre-paid Product with face value of HK\$118 for 8 days and 6GB data for use of mobile data services in 9 Asia Pacific countries and territories and a Pre-paid Product with face value of HK\$238 inclusive of 5GB data for use of mobile data services in Hong Kong, Macau, the People’s Republic of China and Taiwan.

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

FINANCIAL REVIEW

Revenue

During the Period under review, the Group's revenue amounted to approximately HK\$102.1 million, representing an increase of approximately 6.6% as compared to approximately HK\$95.8 million for the corresponding period in 2017. The increase in revenue was mainly due to the increase in sales of Pre-paid Products which targeted at Other Users of approximately HK\$11.0 million from approximately HK\$7.2 million for the corresponding period in 2017 to approximately HK\$18.2 million for the Period under review.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$3.8 million or 12.6% from approximately HK\$30.4 million for the six months ended 30 September 2017 to approximately HK\$34.2 million for the six months ended 30 September 2018. The increase in gross profit was generally in line with the increase in the total revenue and was mainly attributable to the increase in revenue of Pre-paid Products targeted at Other Users. The gross profit margin increased from approximately 31.1% for the six months ended 30 September 2017 to approximately 33.5% for the six months ended 30 September 2018. The increase in gross profit margin was primarily due to a higher level of discount given by the Group's supplier.

Other revenue

During the Period under review, the Group's other revenue amounted to approximately HK\$1.4 million, representing an increase of approximately 15.7% as compared to approximately HK\$1.2 million for the corresponding period in 2017. The increase in other revenue was mainly due to the increase in consignment income.

Selling and distribution expenses

Selling and distribution expenses mainly comprised (i) rent and rates; (ii) staff costs; (iii) advertising and promotion expenses; and (iv) other expenses. During the Period under review, selling and distribution expenses amounted to approximately HK\$12.4 million (six months ended 30 September 2017: HK\$11.0 million), representing an increase of approximately 13.5% as compared to the corresponding period in 2017. The increase in selling and distribution expenses was mainly attributable to the increase in advertising and promotion expenses of approximately HK\$0.8 million as compared to the corresponding period in 2017.

Administrative expenses

Administrative expenses mainly represented (i) staff costs; (ii) rent and rates; (iii) professional fees; and (iv) listing expense. For the Period under review, administrative expenses amounted to approximately HK\$15.9 million (six months ended 30 September 2017: HK\$8.7 million), representing an increase of approximately 82.8% as compared to the corresponding period in 2017. The increase was mainly due to the significant increase in non-recurring listing expenses of approximately HK\$7.3 million.

Taxation

During the Period under review, the income tax expenses amounted to approximately HK\$3.0 million (six months ended 30 September 2017: HK\$3.0 million) and the effective tax rate for the Period under review was approximately 40.4% (six months ended 30 September 2017: 25.0%) which was higher than the statutory profits tax rate of 16.5% because the listing expenses were not deductible for tax purpose.

Profit for the Period

Profit attributable to owners of the Company for the Period under review was approximately HK\$4.4 million, representing a significant decrease of approximately 51.1% as compared with approximately HK\$9.0 million for the corresponding period in 2017. Excluding the non-recurring listing expenses amounting to approximately HK\$12.7 million for the Period under review (six months ended 30 September 2017: approximately HK\$5.4 million), the Group's adjusted profit for the Period under review would have been approximately HK\$17.1 million, representing an increase of approximately 18.8% as compared with approximately HK\$14.4 million for the corresponding period in 2017.

Inventories

The Group had inventories of approximately HK\$61.9 million as at 30 September 2018 representing an increase of approximately HK\$29.4 million compared to the inventories of approximately HK\$32.5 million as at 31 March 2018. The increase was resulted from the bulk purchase of products in June and July 2018 to enjoy a higher purchase discount.

LIQUIDITY AND CAPITAL RESOURCES

Net current assets

The Group had net current assets of approximately HK\$134.6 million as at 30 September 2018 (31 March 2018: HK\$60.9 million). The current ratio of the Group increased from approximately 6.1 as at 31 March 2018 to 6.9 as at 30 September 2018.

Borrowings

The Group's bank and other borrowings was nil at 30 September 2018 (31 March 2018: nil).

Gearing ratio

The Group's gearing ratio was nil as at 30 September 2018 (31 March 2018: nil) as it has no outstanding debts. The gearing ratio equals total amount of debts divided by total amount of equity and multiplied by 100%.

Share capital structure

There has been no change in the share capital structure of the Company since the Listing Date and up to the date of this report.

Foreign Exchange Exposure

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

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 September 2018, the Group had 40 employees with a total remuneration of approximately HK\$4.6 million during the Period under review (six months ended 30 September 2017: HK\$3.9 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 provides training programs for new employees and regular on-the-job trainings to employees to enhance their sales and marketing skills and know-how.

PLEDGE OF ASSETS

As at 30 September 2018, the Group did not have any pledged assets (31 March 2018: nil).

SIGNIFICANT INVESTMENTS HELD

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

SIGNIFICANT ACQUISITIONS OR DISPOSALS

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

CAPITAL COMMITMENT

As at 30 September 2018, the Group had no capital commitments (31 March 2018: approximately HK\$357,000).

USE OF PROCEEDS FROM SHARE OFFER

Our business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the Share Offer 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. The Company's issued shares have been listed on the Main Board of the Stock Exchange on the Listing Date. All the net proceeds were unutilised as at 30 September 2018.

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 listing with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no change in the proposed use of proceeds as previously disclosed in the Prospectus.

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

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 30 September 2018 (31 March 2018: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTEREST OR SHORT POSITION OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2018, the Directors and the chief executives of the Company had the following interests and/or short positions in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) (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 in 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 entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were required to be notified to the Company and the Stock Exchange:

Long positions in the Shares of the Company

Name of Director/ Chief executive	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding (Note)
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Mr. Siu	Beneficial Owner	300,000,000	75%
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Note:

The percentage of shareholding was calculated based on the Company’s total number of issued Shares as at 30 September 2018 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 30 September 2018, none of the Directors or the chief executives 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 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 in which they are 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 pursuant to the Model Code was required to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors and the chief executives of the Company, as at 30 September 2018, the following persons (not being a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding <i>(Note 1)</i>
Mrs. Siu	Interest of spouse <i>(Note 2)</i>	300,000,000	75%

Notes:

1. The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 30 September 2018 (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 which Mr. Siu is interested in.

Save as disclosed above, so far as is known to the Directors and the chief executives of the Company, as at 30 September 2018, there was no other person (not being a Director or chief executive of the Company) who had an interest or a short position in the Shares or underlying Shares of the Company or any of its associated corporations 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 19 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 2018 or at any time during the Period under review.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company 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 2018.

SHARE OPTION SCHEME

A share option scheme was conditionally adopted on 27 August 2018 (the “**Adoption Date**”) (the “**Share Option Scheme**”), which became effective on the Listing Date. The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in the Prospectus) had or may have made to the Group. Subject to the terms and conditions of the Share Option Scheme, the maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the shares in issue as at the Listing Date (i.e. 40,000,000 shares) unless approved by the shareholders of the Company. Subject to earlier termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date. No share option has been granted under the Share Option Scheme up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE PRACTICES

The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules throughout the period from the Listing Date and up to the date of this report. The Company has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code for the period from the Listing Date up to the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the issued Shares from the Listing Date to the date of this report.

CHANGES IN DIRECTORS’ AND CHIEF EXECUTIVES’ INFORMATION

The Company is not aware of any change in the information of the Directors and chief executives of the Company which is required to be disclosed pursuant to Rules 13.51(2) and 13.51(B) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 since the Listing Date and up to the date of the report.

EVENTS AFTER REPORTING PERIOD

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

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL RESULTS

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

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited condensed consolidated interim financial statements of the Group for the Period under review.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		For the six months ended	
		30 September	
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	<i>6</i>	102,069	95,756
Cost of sales		(67,850)	(65,355)
Gross profit		34,219	30,401
Other revenue	<i>7</i>	1,421	1,228
Selling and distribution expenses		(12,444)	(10,961)
Administrative expenses	<i>8</i>	(15,869)	(8,726)
Profit before taxation	<i>9</i>	7,327	11,942
Taxation	<i>10</i>	(2,962)	(2,990)
Profit for the period		4,365	8,952
Other comprehensive income, net of income tax			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Profit arising on revaluation of available-for-sale financial assets		–	20
Total comprehensive income for the period		4,365	8,972
Profit for the period attributable to owners of the Company		4,365	8,952
Total comprehensive income for the period attributable to owners of the Company		4,365	8,972
Earnings per share			
Basic and diluted (<i>HK cents</i>)	<i>11</i>	1.37	2.82

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	<i>Notes</i>	As at 30 September 2018 <i>HK\$'000</i> (Unaudited)	As at 31 March 2018 <i>HK\$'000</i> (Audited)
Assets			
Non-current assets			
Property, plant and equipment	13	1,885	1,736
Available-for-sale financial assets		870	870
		<u>2,755</u>	<u>2,606</u>
Current assets			
Inventories		61,852	32,464
Trade receivables	14	835	3,197
Deposits, prepayments and other receivables	15	22,362	9,081
Cash and cash equivalents		72,363	28,136
		<u>157,412</u>	<u>72,878</u>
Liabilities			
Current liabilities			
Accruals, other payables and receipts in advance	16	18,363	4,811
Amount due to a related party	17	1,793	6,055
Tax payables		2,628	1,156
		<u>22,784</u>	<u>12,022</u>
Net current assets		<u>134,628</u>	60,856
Total assets less current liabilities		<u>137,383</u>	63,462
Net assets		<u>137,383</u>	<u>63,462</u>
Equity			
Share capital	18	4,000	670
Reserves		133,383	62,792
Total equity		<u>137,383</u>	<u>63,462</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Other Reserve <i>HK\$'000</i> <i>(note a)</i>	Available for-Sale Financial Assets Reserve <i>HK\$'000</i>	Retained Earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018 (Audited)	670	-	-	160	62,632	63,462
Profit and total comprehensive income for the Period	-	-	-	-	4,365	4,365
Arising from reorganisation	(670)	-	670	-	-	-
Issue of shares in consideration of the acquisition of the subsidiaries	170	(170)	-	-	-	-
Issue of shares under capitalisation issue	3,000	(3,000)	-	-	-	-
Issue of shares under share offer	830	82,170	-	-	-	83,000
Transaction costs attributable to issues of shares	-	(13,444)	-	-	-	(13,444)
At 30 September 2018 (Unaudited)	4,000	65,556	670	160	66,997	137,383
At 1 April 2017 (Audited)	670	-	-	70	73,239	73,979
Profit for the period	-	-	-	-	8,952	8,952
Fair value change on available-for-sale financial assets	-	-	-	20	-	20
Total comprehensive income for the period	-	-	-	20	8,952	8,972
Dividend paid	-	-	-	-	(30,000)	(30,000)
At 30 September 2017 (Unaudited)	670	-	-	90	52,191	52,951

Note:

- (a) The amounts represent the difference between the share capital of Hong Kong Mobile Phone Limited (“**HK Mobile**”), Harvest Triple Holdings Limited (“**Harvest Triple**”), Golden Bright Holdings Limited (“**Golden Bright**”), Hong Kong Asia Telecom Limited (“**HK Asia Telecom**”), Kinson Group Company Limited (“**Kinson Group**”), Mobile Phone Direct Selling Centre Limited (“**MP Direct Selling Centre**”) and HK Asia Mobile Communications Limited (“**HK Asia Mobile**”). The reorganisation is detailed in Note 2 of the condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	For the six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(20,699)	20,509
Net cash used in investing activities	(368)	(1,288)
Net cash generated from/(used in) financing activities	<u>65,294</u>	<u>(76)</u>
Net increase in cash and cash equivalents	44,227	19,145
Cash and cash equivalents at the beginning of the period	<u>28,136</u>	<u>6,896</u>
Cash and cash equivalents at the end of the period	<u><u>72,363</u></u>	<u><u>26,041</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	<u><u>72,363</u></u>	<u><u>26,041</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General Information

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

The Company's issued shares (the "**Share(s)**") have been listed on the Main Board of the Stock Exchange on 27 September 2018 (the "**Listing Date**").

The Company is an investment holding company and its subsidiaries are principally engaged in wholesale and retail sales of pre-paid products (i.e. SIM card and top-up voucher) (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. 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. Prior to the completion of the Reorganisation, all the companies comprising the Group have been under common control of Mr. Siu Muk Lung ("**Mr. Siu**").

Accordingly, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2018 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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as if the current group structure had been in existence throughout the Period, or since their respective dates of incorporation or acquisition, where there is a shorter period.

Upon the completion of the Reorganisation, the Company holds the entire equity interests, directly or indirectly, of companies comprising the Group. All intra-group transactions and balances have been eliminated.

3. Basis of Preparation

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

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

4. Summary of Significant Accounting Policies

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated interim financial statements are consistent with those followed in preparing the Prospectus, except for the adoption of the following amended Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs (collectively “new HKFRSs”) which are effective for accounting periods beginning on or after 1 April 2018.

Application of new and amendments to HKFRSs

In the Period under review, 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 2018 for the preparation of the Group’s unaudited condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) *Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers”*

The Group has applied HKFRS 15 for the first time in the Period under review. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Difference at the date of initial application, if any, is recognised in the opening retained earnings and comparative information has not been restated.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"

In the Period under review, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application), and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the Period under review, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost, mainly comprising of loan receivables, pledged bank deposits, bank trust account balances and bank balances, is measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, no additional credit loss allowance has been recognised in the unaudited condensed consolidated financial statements.

5. Operating Segment

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

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

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

6. Revenue

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

	For the six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of Pre-paid Products	102,069	95,756

7. Other Revenue

	For the six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Promotion income	390	390
Consignment income	967	827
Sundry income	64	11
	1,421	1,228

8. Administrative Expenses

During the Period under review, the Group's administrative expenses included listing expenses of approximately HK\$12,719,000 (for the six months ended 30 September 2017: HK\$5,352,000).

9. Profit Before Taxation

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

	For the six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Auditors' remuneration	–	217
Cost of inventories recognised as an expense	67,850	65,355
Depreciation of property, plant and equipment	319	208
Employee benefit expenses (including Directors' emoluments)	4,597	3,854
Minimum lease payment under operating lease in respect of premises	6,270	5,974
Listing expenses	12,719	5,352
Advertising and promotion expenses	2,756	1,951

10. Taxation

	For the six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Hong Kong Profits Tax		
– Current year	2,962	2,990

The effective tax rate for the Period under review was approximately 40.4% which was higher than the statutory profits tax rate of 16.5% because the listing expenses were not deductible for tax purpose.

11. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2018 and 2017. 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 and the capitalisation of shares.

	For the six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (<i>HK\$'000</i>)	4,365	8,952
Weighted average number of ordinary shares in issue (<i>thousands of shares</i>)	<u>318,814</u>	<u>317,000</u>
Basic and diluted earnings per share (<i>HK cents</i>)	<u><u>1.37</u></u>	<u><u>2.82</u></u>

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

12. Dividend

No dividend has been paid or declared by the Group during the six months ended 30 September 2018 (six months ended 30 September 2017: HK Mobile, a subsidiary of the Company, paid dividends on ordinary shares of approximately HK\$30,000,000 to its shareholder, Mr. Siu).

13. Property, Plant and Equipment

During the Period under review, the Group paid approximately HK\$368,000 (31 March 2018: HK\$1,501,000) on acquisition of property, plant and equipment.

14. Trade Receivables

	As at 30 September 2018 <i>HK\$'000</i> (Unaudited)	As at 31 March 2018 <i>HK\$'000</i> (Audited)
Trade receivables	<u><u>835</u></u>	<u><u>3,197</u></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 10 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 2018 <i>HK\$'000</i> (Unaudited)	As at 31 March 2018 <i>HK\$'000</i> (Audited)
0 – 10 days	835	1,808
Over 10 days	<u>–</u>	<u>1,389</u>
	<u><u>835</u></u>	<u><u>3,197</u></u>

15. Deposits, Prepayments and Other Receivables

	As at 30 September 2018 <i>HK\$'000</i> (Unaudited)	As at 31 March 2018 <i>HK\$'000</i> (Audited)
Deposits	3,841	4,472
Prepayments	365	4,341
Other receivables	<u>18,156</u>	<u>268</u>
	<u><u>22,362</u></u>	<u><u>9,081</u></u>

16. Accruals, Others Payables and Receipts in Advance

	As at 30 September 2018 <i>HK\$'000</i> (Unaudited)	As at 31 March 2018 <i>HK\$'000</i> (Audited)
Accruals	676	676
Provision for severance payments (<i>note</i>)	1,346	1,244
Receipts in advance	21	937
Other payables	<u>16,320</u>	<u>1,954</u>
	<u>18,363</u>	<u>4,811</u>

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

	Severance payments <i>HK\$'000</i>
As at 31 March 2018 and 1 April 2018 (Audited)	1,244
Provision for the Period under review	<u>102</u>
As at 30 September 2018 (Unaudited)	<u>1,346</u>

17. Amount due to a related party

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

18. Share Capital

	Number of shares	HK\$'000
Authorised:		
At 31 March 2017, 1 April 2017 and 31 March 2018 of nominal value of HK\$0.01 each (<i>note a</i>)	38,000,000	380
Increase of authorised share capital of nominal value of HK\$0.01 each on 27 August 2018 (<i>note b</i>)	<u>9,962,000,000</u>	<u>99,620</u>
At 30 September 2018	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31 March 2017, 1 April 2017 and 31 March 2018 of nominal value of HK\$0.01 each	1	–*
Issue of shares in consideration of the acquisition of the subsidiaries (<i>note c</i>)	17,000,000	170
Issue of shares under capitalization issue (<i>note d</i>)	299,999,999	3,000
Issue of shares under the Share Offer (<i>note e</i>)	<u>83,000,000</u>	<u>830</u>
At 30 September 2018	<u>400,000,000</u>	<u>4,000</u>

Notes:

- * The amount of issued and fully paid share capital was HK\$0.01.
- (a) The Company was incorporated and registered as an exempted company in the Cayman Islands on 5 May 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of nominal value of HK\$0.01 each.
- (b) Pursuant to the written resolutions of the sole shareholder of the Company passed on 27 August 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 shares of HK\$0.01 each.
- (c) On 27 August 2018, in consideration of the acquisition by HK Asia Mobile of all the issued shares of MP Direct Selling Centre, HK Mobile, Golden Bright, Harvest Triple, HK Asia Telecom and Kinson Group, an aggregate of 17,000,000 shares were allotted and issued, credited as fully paid, to Mr. Siu.

- (d) Pursuant to the written resolutions of the sole shareholder of the Company passed on 27 August 2018, conditional upon the share premium account of the Company being credited with the proceeds from the new issue, the Directors were authorised to capitalise a sum of HK\$2,999,999.99 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 299,999,999 shares, such shares to be allotted and issued, credited as fully paid at par, to the holders of shares whose names appear on the register of members of the Company at the close of business on 27 August 2018, or as each of them may direct in writing, in proportion (or as nearly as possible without involving the issue of fraction of shares) to their respective shareholdings in the Company.
- (e) On 27 September 2018, the Company issued 83,000,000 new shares at HK\$1.0 each in relation to the Share Offer (as defined in the Prospectus). The premium on the issue of shares, amounting to approximately HK\$68,726,000, net of listing-related expenses, was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

19. Material related party transactions

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

(a) *Compensation of key management personnel*

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

	For the six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowance and benefit in kind	749	406
Retirement benefits scheme contributions	22	15
	771	421

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

	For the six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Recurring:		
Rental expense paid to related parties:		
– Lung Shun Holdings Limited (<i>note a</i>)	368	348
– Hung Sang Group Limited (<i>note a</i>)	367	360
Consignment income received from		
– Hong Kong Telecommunication Direct Selling Centre Limited (<i>note b</i>)	967	827

Notes:

- (a) Lung Shun Holdings Limited and Hung Sang Group Limited were 50% owned by Mr. Siu and 50% owned by Ms. Lee Chun Yuk, the spouse of Mr. Siu (“**Mrs. Siu**”).
- (b) Hong Kong Telecommunication Direct Selling Centre Limited is a limited liability company incorporated in Hong Kong that is wholly owned by Mr. Siu.