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BOSA TECHNOLOGY HOLDINGS LIMITED

人和科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8140)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 MARCH 2021

The board (the “**Board**”) of directors (the “**Directors**”) of BOSA Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries (together as the “**Group**”) for the nine months ended 31 March 2021. This announcement, containing the full text of the 2020/2021 third quarterly report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities (“**GEM Listing Rules**”) on GEM of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcements of third quarterly results. Printed version of the 2020/2021 third quarterly report of the Company containing the information required by the GEM Listing Rules will be despatched to the shareholders in due course.

The Company’s third quarterly results announcement is published on the GEM website at <http://www.hkgem.com> and the Company’s website at www.hklistco.com/8140.

By Order of the Board
BOSA Technology Holdings Limited
Lim Su I

Chief Executive Officer and Executive Director

Hong Kong, 13 May 2021

As at the date of this announcement, the executive Directors are Mr. Lim Su I, Mr. Paulino Lim and Mr. Yang Tien-Lee; the non-executive Director is Mr. Kwan Tek Sian; and the independent non-executive Directors are Mr. Law Sung Ching, Gavin, Ms. Chu Wei Ning and Mr. Ng Ming Hon.

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

This announcement will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.hklistco.com/8140.

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

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

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

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

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

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CORPORATE INFORMATION

NON-EXECUTIVE DIRECTOR

Mr. Kwan Tek Sian (*Chairman*)

EXECUTIVE DIRECTORS

Mr. Lim Su I

Mr. Paulino Lim

Mr. Yang Tien-Lee

(appointed on 10 May 2021)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Law Sung Ching Gavin

Ms. Chu Wei Ning

Mr. Ng Ming Hon

AUDIT COMMITTEE

Mr. Ng Ming Hon (*Chairman*)

Mr. Kwan Tek Sian

Mr. Law Sung Ching Gavin

REMUNERATION COMMITTEE

Mr. Law Sung Ching Gavin (*Chairman*)

Mr. Paulino Lim

Mr. Ng Ming Hon

NOMINATION COMMITTEE

Mr. Kwan Tek Sian (*Chairman*)

Ms. Chu Wei Ning

Mr. Ng Ming Hon

COMPANY SECRETARY

Ms. Cheng Kee See

AUTHORIZED REPRESENTATIVES

Mr. Paulino Lim

Ms. Cheng Kee See

COMPLIANCE OFFICER

Mr. Paulino Lim

REGISTERED OFFICE

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COMPLIANCE ADVISER

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89 Queensway

Hong Kong

PRINCIPAL BANKER

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Bank of China Tower
1 Garden Road, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
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Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

8140

COMPANY WEBSITE

www.hklistco.com/8140

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The economy of Hong Kong contracted by a sharp yearly decline of 6.1% for the whole year 2020. It saw a visibly enlarged year-on-year contraction of 9.0% in the first half of 2020 as the COVID-19 pandemic dealt a heavy blow to global and local economic activities. However, partially thanks to an improved external environment, the economy recovered in the second half year. The year-on-year decline in real GDP narrowed to 3.6% in the third quarter and 3.0% in the fourth quarter. With the boost from various government relief measures, the real year-on-year GDP grew appreciably by 7.8% in the first quarter of 2021. On a seasonally adjusted quarter to quarter comparison, real GDP rose visibly by 5.3%, much faster than the 0.5% increase in the preceding quarter. However, the economic recovery was uneven and overall economic activity was still below the pre-recession level. Also, the breadth and strength of the recovery is still subject to the high uncertainty associated with the pandemic. Evolving China-US relations and geopolitical tensions are also risk factors that warrant attention.

On the other hand, Hong Kong dollars continued to fall with its hedged counterpart, the US dollar. The devaluing Hong Kong Dollar continues to drive up the costs of couplers purchased from Taiwan. The New Taiwan Dollar (“TWD”) has appreciated approximately 3.0% in Q4 2020 against Hong Kong Dollar and approximately 5.7% in the year of 2020. Even though TWD dropped slightly about 1% in the first quarter of 2021, the ongoing uncertainty from the coronavirus pandemic, a tumbling US economy and an increase in USD money supply are likely to keep the USD and HKD weaker than other currencies and the situation will most likely continue in 2021.

Furthermore, the Chinese government’s 550 billion Chinese Yuan stimulus to revive its economy has swelled the nation’s appetite for steel at a time when steel exporting nations such as Japan and South Korea have curtailed production. This mismatch in demand and supply has sent global steel prices rocketing. The pressure on suppliers of couplers to pass on the increase in costs to customers will probably continue to rise in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing mechanical splicing services to the reinforced concrete construction industry in Hong Kong. The Group's customers are primarily main contractors and subcontractors of various types of reinforced concrete construction projects in Hong Kong. Construction projects that the Group service can generally be categorised into public sector projects and private sector projects.

The Group will continue to cautiously monitor the business opportunities and continue to strengthen its competitiveness in the market to enhance the profitability of the Group and interests of the shareholders of the Company.

OUTLOOK

The Directors believe that the successful listing of the Shares of the Company on the GEM of the Stock Exchange on 12 July 2018 could enhance the Group's profile and the net proceeds received will strengthen the Group's financial position and enable the Group to implement its business plan. The Group intends to further strengthen its position as a leading provider of mechanical splicing services for the reinforced concrete construction industry in Hong Kong and to create long term value for its stakeholder. Details of the implementation plan were set out in the prospectus of the Company dated 28 June 2018 (the "Prospectus") under the section "Future Plans and Use of Proceeds".

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHT AND OVERVIEW

	For the nine months ended		Change
	31 March		
	2021	2020	
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
	(Unaudited)	(Unaudited)	
Revenue	69,565	52,970	31.3
Gross profit	27,558	17,684	55.8
Net profit and total comprehensive income	14,793	7,037	110.2
Earnings per share (<i>HK cents</i>)	1.86	0.88	110.2

FINANCIAL REVIEW

Revenue

During the nine months ended 31 March 2021 (the “Period”), all of the Group’s revenue was generated from the provision of services of processing and connecting reinforcing bars in Hong Kong. Accordingly, the Group has only one single operating segment and one geographical segment during the Period.

The Group’s revenue increased by approximately HK\$16.6 million or approximately 31.3%, from approximately HK\$53.0 million for the nine months ended 31 March 2020 to approximately HK\$69.6 million for the Period. It was mainly due to increase in new projects and customers during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

The Group's cost of sales increased by approximately HK\$6.7 million or approximately 19.0%, from approximately HK\$35.3 million for the nine months ended 31 March 2020 to approximately HK\$42.0 million for the Period. It was mainly due to increase in cost of coupler and direct labor cost which were in line with the increase in revenue.

Gross Profit

The Group's gross profit increased by approximately HK\$9.9 million or approximately 55.8%, from approximately HK\$17.7 million for the nine months ended 31 March 2020 to approximately HK\$27.6 million for the Period. The increase was mainly due to reasons disclosed above.

Other Income

The Group's other income increased by approximately HK\$2.1 million or approximately 90.3%, from approximately HK\$2.4 million for the nine months ended 31 March 2020 to approximately HK\$4.5 million for the Period. The increase was mainly attribute to the HK\$2.3 million subsidies received under the Employment Support Scheme of the Hong Kong SAR Government (2019: Nil) during the Period.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$2.7 million or approximately 26.5%, from approximately HK\$10.1 million for the nine months ended 31 March 2020 to approximately HK\$12.8 million for the Period. The increase was mainly attribute to the increase in directors' remunerations and the provision of audit fees.

Profit and Total Comprehensive Income Attributable to Owners of the Company

The Group's profit and total comprehensive income attributable to owners of the Company increased by approximately HK\$7.8 million or approximately 110.2%, from approximately HK\$7.0 million for the nine months ended 31 March 2020 to approximately HK\$14.8 million for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group practiced prudent financial management and maintained a strong and sound financial position during the nine months ended 31 March 2021. As of 31 March 2021, the Group had cash and bank balances of approximately HK\$69.7 million (30 June 2020: approximately HK\$57.6 million) and the current ratio, calculated as the total current assets divided by total current liabilities, was approximately 5.4 times as at 31 March 2021 (30 June 2020: approximately 4.4 times). The gearing ratio, representing total borrowings divided by total equity, was Nil as at 31 March 2021 (30 June 2020: Nil). In view of the Group's current level of cash and bank balances and the funds generated internally from operations, the Board is confident that the Group will have sufficient resources to meet its financial needs for its operations.

Foreign Exchange Exposure

The Group purchased all of the couplers used in our business operations from Taiwan. These purchases were denominated in TWD. The Group expects to continue to make coupler purchases in Taiwan in the near future. Accordingly, fluctuations in TWD against HK\$ may result in exchange losses or gains and affect our results of operations.

The management considered that the Group has sufficient foreign exchange to meet its foreign exchange liabilities as they become due, which will be funded by cash generated for operating activities. The Group has not entered into any agreement to hedge our exchange rate exposure relating to TWD and will continue to monitor its foreign exchange exposure. The Group will consider hedging significant foreign currency exposure should the need arises and no derivative financial instruments were held by the Group as at 31 March 2021 for speculative purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 31 March 2021, the Group was involved in a litigation related to claims of defamation and malicious falsehood against a subsidiary of the Company for alleging that plaintiff's coupler system infringes the patent of BOSA Technology (R&D) Limited. Having considered merits and the possible damages of the said legal proceedings as advised by the counsel of the Group, the Directors are of the view that no provision for contingent liabilities is required to be made as at 31 March 2021 in this regard.

Saved as disclosed above, as at 31 March 2021, the Group did not have any material contingent liabilities.

Dividends

The board of directors (the "Board") does not recommend the payment of any dividend for the Period (for the nine months ended 31 March 2020: Nil)

Pledge of Assets

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets. As at 31 March 2021, the Group had secured and unguaranteed obligations under finance leases of approximately HK\$100,000 (as at 30 June 2020: approximately HK\$136,000), which were secured by motor vehicles of the Group.

Save as disclosed above, the Group did not have any pledged assets as at 31 March 2021 (at 30 June 2020: Nil).

Capital Structure

The Company was incorporated in Cayman Islands and registered as an exempted company with limited liability under the Cayman Companies Law on 24 October 2016. Its shares were listed on GEM of the Stock Exchange on 12 July 2018. The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination its cash and cash equivalents and cash flows generated from operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Plans for Material Investment and Capital Assets

The Group did not have any other plans for material investment and capital assets as at 31 March 2021 save for the acquisition a parcel of land to open new workshop in Hong Kong, details of which are set out in the prospectus under the section “Future Plans and Use of Proceeds”.

As at the date of this report, the unutilised proceeds were placed in interest-bearing deposits within licensed banks in Hong Kong. The Group will gradually apply the remaining net proceeds in the manner set out in the Company’s prospectus depending on the market condition.

Significant Investments Held, Acquisitions and Disposals

There were no significant investments held, acquisitions or disposals of subsidiaries, associates, joint venture and affiliated companies by the Group during the Period.

The Group did not have any other material plans for significant investments, acquisitions and disposals of subsidiaries, associates and joint ventures as at 31 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Listing Proceeds

The Company's shares were listed on GEM of the Stock Exchange on 12 July 2018 for which the Company issued 200,000,000 new shares at HK\$0.30 per share. The net listing proceeds received by the Company, after deducting underwriting fees and other related expenses, are approximately HK\$37.8 million. These proceeds are intended to be applied in the manner as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The future plan and scheduled use of proceeds as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied with consideration of the actual development of business and market. As at the date of this report, the Group does not anticipate any change to the plan as to the use of listing proceeds. All unused net proceeds have been placed as interest bearing short-term demand deposits with licensed bank in Hong Kong. Barring any unforeseen circumstances, the remaining proceeds will be utilised in the following 9 months.

Comparison Between Business Objectives and Actual Business Progress

The below table sets out the proposed applications of the net proceeds as set out in the Prospectus and the unutilized amount as at 31 March 2021:

Description <i>Use of net proceeds</i>	Amount designated in the Prospectus (as adjusted based on the actual net proceeds raised) <i>HK\$ million</i>	Business plan as disclosed in prospectus	Utilized as at 31 March 2021 <i>HK\$ million</i>	Total remaining net proceeds available as at 31 March 2021 <i>HK\$ million</i>	Latest development	Expected timeframe
Expanding scale of operations	35.3	<ul style="list-style-type: none"> Acquire a parcel of land to open a new workshop within the New Territories of Hong Kong, such as Yuen Long and Ping Che — Finalise selection of a parcel of land (Internal resources) — Purchase a parcel of land (HK\$35.3 million) — Commence construction of a new workshop or adapt existing structure for purposes of the new workshop (as the case may be) (Internal resources) 	–	35.3	The previous social unrest and the ongoing COVID-19 pandemic have created economic uncertainties and caused disruptions to most economic activities. As a result, the searching for a suitable parcel of land has been delayed.	The proposed acquisition of a parcel of land is expected to be completed by 31 December 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Description <i>Use of net proceeds</i>	Amount designated in the Prospectus (as adjusted based on the actual net proceeds raised) <i>HK\$ million</i>	Business plan as disclosed in prospectus	Utilized as at	Total remaining net proceeds available as at	Latest development	Expected timeframe
			31 March 2021 <i>HK\$ million</i>	31 March 2021 <i>HK\$ million</i>		
Placing resources into research and development	2.4	Conduct research and development with a view to enhancing the quality and cost-effectiveness of our existing mechanical splicing services, and reducing overhead costs and servicing time:			The Group has already utilised HK\$1.3 million on research and development as at 31 March 2021.	The completion date is expected to be 31 December 2021
		— Employ one additional qualified technical staff to join our research and development team and carry out research and development activities (HK\$0.4 million)	—	0.4		
		— Conduct research and development activities to enhance quality and cost-effectiveness of our services (HK\$0.4 million)	0.4	—		
		— Explore ways to enhance and improve the automated features of our machines to increase efficiency and reduce human errors, including developing our next generation of our self-developed CNC crimping machines and CNC threading machines (HK\$0.2 million)	—	0.2		
		— Develop two prototypes of our next generation machines and collect data points on reliability, efficiency and other metrics (HK\$0.9 million)	0.9	—		
		— Explore other type(s) of couplers that may be useful in the Hong Kong mechanical splicing service market (HK\$0.4 million)	—	0.4		
		— Continue to prepare production manuals and update quality assurance protocols (HK\$0.1 million)	—	0.1		
General working capital	0.1		0.1	—		
Total	37.8		1.4	36.4		

MANAGEMENT DISCUSSION AND ANALYSIS

As at date of this report, the remaining amount of approximately HK\$36.4 million were expected to be utilized in the same manner as disclosed in the Prospectus based on the flowing timeline:

Acquire a parcel of land to open a new workshop

As at date of this report, approximately HK\$35.3 million allocated for acquiring a parcel of land to open a new workshop has not been utilized by the Group, which was planned to be completed during the period from 1 July 2018 to 31 December 2018 as set forth in the Prospectus. In light of the uncertainty and potential adverse impact on the local economy and residential industry caused by the social unrest associated with the anti-extradition bill protests and the outbreak of COVID-19 after the listing, the Group has adopted a more cautious approach in evaluating a suitable parcel of land. Apart from the selection criteria as set forth in the Prospectus, the Group needs to take into consideration investment return, profitability of acquisition in the latest market condition, synergy effect with the Group and challenges and expenses that could arise from integrating with the acquisition of a parcel of land. The Board considers that the delay had no material adverse impact on the business operation and financial position of the Group.

Since Listing, the management of the Group has established a location selection committee and were in the course of identifying a potential parcel of land for opening a new workshop. As the acquisition of a parcel of land to open a new workshop was considered a crucial factor in determining the long-term growth and future success, the Group will require more time to identify suitable potential workshop location based on the factors identified above, and it is expected that the unutilized net proceeds will be fully utilized on or before 31 December 2021.

Placing resources into research and development

According to the Prospectus, the planned use of net proceeds (as adjusted on a pro rata basis based on the actual net proceeds raised) for spending on research and development by 31 December 2018 is approximately HK\$2.4 million. The actual use of the net proceeds up to 31 March 2021 is approximately HK\$1.3 million. The actual used amount was less than the planned use amount primarily because (i) there was a delay in opening a new workshop as mentioned above; and (ii) the Group has taken a longer time to assess and implement the research and development plan in a proper manner.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to seek for suitable research and development opportunities with a view of enhancing the quality and cost-effectiveness of our existing mechanical splicing services, and reducing overhead costs and servicing time. It is expected that the unutilized net proceeds for research and development will be fully utilized on or before 31 December 2021.

The expected timeline for the full deployment of the unutilised proceeds disclosed above is based on the best estimation from the Board with the latest information and market condition as at the date of this report. The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and the Group considers that the delay in the use of proceeds does not have any material adverse impact on the operation of the Group. The Board will continue to closely monitor the situation and evaluate the effects on the timeline to deploy the unutilised proceeds and keep shareholders and potential investors informed if there are any material changes.

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

For the nine months ended 31 March 2021

The Board is pleased to present the unaudited condensed consolidated financial information of the Group for the nine months ended 31 March 2021, which has been reviewed by the audit committee of the Company, together with the comparative unaudited figures for the corresponding periods in 2020, as follows:

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2021	2020	2021	2020
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	24,080	18,204	69,565	52,970
Cost of sales		(13,680)	(11,869)	(42,007)	(35,286)
Gross profit		10,400	6,335	27,558	17,684
Other income	4	680	1,403	4,485	2,357
Other losses		(1,055)	(405)	(1,356)	(725)
Selling and distribution expenses		-	(26)	-	(366)
Administrative expenses		(4,311)	(3,709)	(12,762)	(10,085)
Finance costs		(44)	(33)	(113)	(76)
Profit before taxation	5	5,670	3,565	17,812	8,789
Taxation	6	(1,000)	(757)	(2,950)	(1,715)
Profit for the period		4,670	2,808	14,862	7,074
Other comprehensive expense					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operation		(42)	(30)	(69)	(37)
Profit and total comprehensive income for the period attributable to the owners of the Company		4,628	2,778	14,793	7,037
Earnings per share					
Basic (HK cents)	7	0.58	0.35	1.86	0.88

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2021

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 July 2019 (audited)	41	59,936	5,647	(9)	8,916	74,531
Effect of adoption of HKFRS 16	—	—	—	—	(18)	(18)
Balance at 1 July 2019 (restated)	<u>41</u>	<u>59,936</u>	<u>5,647</u>	<u>(9)</u>	<u>8,898</u>	<u>74,513</u>
Profit for the period	—	—	—	—	7,074	7,074
Other comprehensive expense for the period	—	—	—	(37)	—	(37)
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(37)</u>	<u>7,074</u>	<u>7,037</u>
Balance at 31 March 2020 (unaudited)	<u>41</u>	<u>59,936</u>	<u>5,647</u>	<u>(46)</u>	<u>15,972</u>	<u>81,550</u>
Balance at 1 July 2020 (audited)	41	59,936	5,647	(95)	16,128	81,657
Profit for the period	—	—	—	—	14,862	14,862
Other comprehensive expense for the period	—	—	—	(69)	—	(69)
Total comprehensive (expense) income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(69)</u>	<u>14,862</u>	<u>14,793</u>
Balance at 31 March 2021 (unaudited)	<u>41</u>	<u>59,936</u>	<u>5,647</u>	<u>(164)</u>	<u>30,990</u>	<u>96,450</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the GEM of The Stock Exchange with effect from 12 July 2018.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of mechanical splicing services to the reinforced concrete construction industry in Hong Kong.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated third quarterly financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong which include Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of GEM Listing Rules.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 30 June 2020.

Except as described below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 30 June 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

In the current period, the Group has applied the following new or revised Hong Kong Financial Reporting Standards (“new HKFRSs”) issued by the HKICPA which are or have become effective.

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

Except for the new and amendments to HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale, HKFRS 16 also includes requirements relating to subleases and lease modifications.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRS 16 Leases (continued)

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. REVENUE

Revenue represents the fair value of amounts received and receivable for the services provided and net of discount during the period. The Group's operations and revenue is solely derived from provision of mechanical splicing services in Hong Kong during the period. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

4. OTHER INCOME AND OTHER LOSSES

	Three months ended		Nine months ended	
	31 March		31 March	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other Income				
Handling charge	339	1,203	1,395	1,840
Insurance compensation	-	-	-	14
Employment Support Scheme	-	-	2,302	-
Others	341	200	788	503
	<u>680</u>	<u>1,403</u>	<u>4,485</u>	<u>2,357</u>
Other Losses				
Net exchange losses	<u>1,055</u>	<u>405</u>	<u>1,356</u>	<u>725</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. PROFIT BEFORE TAXATION

	Three months ended		Nine months ended	
	31 March		31 March	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:				
Cost of inventories recognized an expense	8,368	6,109	26,132	18,198
Depreciation of plant and equipment	899	824	2,646	2,186
Directors' remuneration	1,632	1,356	4,335	3,367
Other staff costs				
Salaries and other benefits	3,983	3,252	11,279	9,367
Retirement benefits scheme contributions	163	149	468	422
Total staff costs	5,778	4,757	16,082	13,156
Research expenses	168	111	352	278
Depreciation of right-of-use assets	612	592	1,843	1,610

6. TAXATION

Hong Kong profits tax has been provided at the rate of 8.25% on the first HK\$2.0 million of the estimated assessable profits and at 16.5% on the estimated assessable profit above HK\$2.0 million (2020: 16.5%) during the Period.

No deferred taxation has been provided as the Group has no material unprovided deferred tax assets or liabilities which are expected to be crystallised in the foreseeable future (Nine months ended 31 March 2020: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Three months ended		Nine months ended	
	31 March		31 March	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings:				
Earnings for the purpose of calculating basic earnings per share				
Profit for the period attributable to the owners of the Company	<u>4,670</u>	<u>2,808</u>	<u>14,862</u>	<u>7,074</u>
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>

The weighted average number of ordinary shares in issued used in the basic earnings per share calculation is determined on the assumption that reorganisation and capitalisation issued as described in the Prospectus had been effective on 1 July 2016.

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the nine months ended 31 March 2021 and 2020.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (“Share Option Scheme”), which was approved by written resolutions passed by the shareholders of the Company on 19 June 2018 and became unconditional on 12 July 2018. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

As at 31 March 2021, there was no option outstanding, granted, cancelled, exercised or lapsed.

DIRECTORS’ RIGHT TO ACQUIRE SHARE OR DEBENTURES

Apart from the aforesaid Share Option Schemes, at no time during the Period was the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

DIRECTORS AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2021, the interests or short positions of Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

OTHER INFORMATION

(I) Long Position in the Ordinary Shares and Underlying Shares of the Company

(i) *Interests in the Company*

Interests in ordinary shares

Name of Director	Capacity	Number of shares held	% of the Company's issued voting shares
Mr. Kwan Tek Sian	Interest in a controlled corporation	286,723,415	35.8%
Mr. Lim Su I	Beneficial owner	73,170,732	9.2%
Mr. Yang Tien-Lee	Beneficial owner	64,390,244	8.0%
Mr. Paulino Lim	Beneficial owner	40,975,610	5.1%

(ii) *Interests in the associated corporation*

Name of Director	Name of associated corporation	Number of shares held	% of the Company's issued voting shares
Mr. Kwan Tek Sian	Kin Sun Creative Company Limited	10,000	100.0%

Save as disclosed above, as at 31 March 2021, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by Directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2021, the following persons/entities (not being Directors or chief executive of our Company) have an interest or a short position in the Shares or the underlying Shares which were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, were as follows:

Long position in the ordinary shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares held	% of the Company's issued voting shares
Kin Sun Creative Company Limited ^{Note 1}	Beneficial owner	286,723,415	35.8%
Mr. Wang Wann-Bao	Beneficial owner	51,230,244	6.4%
Ms. Chiu Yin Mei ^{Note 2}	Beneficial owner	40,975,610	5.1%
Ms. Ha Jasmine Nim Chi ^{Note 3}	Interest of spouse	286,723,415	35.8%
Ms. Chan Ching ^{Note 4}	Interest of spouse	73,170,732	9.2%
Ms. Liu Li Wen ^{Note 5}	Interest of spouse	64,390,244	8.0%
Ms. Wang Yu-Ju ^{Note 6}	Interest of spouse	51,230,244	6.4%
Ms. Ng Pei Ying ^{Note 7}	Interest of spouse	40,975,610	5.1%

OTHER INFORMATION

Notes:

1. Mr. Kwan Tek Sian beneficially owns 100% of the entire issued shares of Kin Sun Creative Company Limited. Therefore, Mr. Kwan Tek Sian is deemed, or taken to be, interested in 286,723,415 Shares held by Kin Sun Creative Company Limited for the purposes of the SFO.
2. Ms. Chiu Yin Mei is our administration manager.
3. Ms. Ha Jasmine Nim Chi, spouse of Mr. Kwan Tek Sian, is deemed, or taken to be, interested in 286,723,415 Shares in which Mr. Kwan Tek Sian is interested for the purposes of the SFO.
4. Ms. Chan Ching, spouse of Mr. Lim Su I, is deemed, or taken to be, interested in 73,170,732 Shares in which Mr. Lim Su I is interested for the purposes of the SFO.
5. Ms. Liu Li Wen, spouse of Mr. Yang Tien-Lee, is deemed, or taken to be interested in 64,390,244 Shares in which Mr. Yang is interested for the purposes of the SFO.
6. Ms. Wang Yu-Ju, spouse of Mr. Wang Wann-Bao, is deemed, or taken to be interested in 51,230,244 Shares in which Mr. Wang is interested for the purposes of the SFO.
7. Ms. Ng Pei Ying, spouse of Mr. Paulino Lim, is deemed, or taken to be, interested in 40,975,610 Shares in which Mr. Paulino Lim is interested for the purposes of the SFO.

Save as disclosed above, as at 31 March 2021, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIVIDENDS

The Board does not recommend payment of any dividend in respect of the Period (for the nine months ended 31 March 2020: Nil).

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the Period.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed above and the service contract/appointment letter with the Directors, no other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the period or at any time during the period and up to the date of this report.

NON-COMPETITION UNDERTAKING

Each of Kin Sun Creative Company Limited and Mr. Kwan Tek Sian has jointly and severally, irrevocably and unconditionally, undertaken to the Company that he/it shall not, and he/it shall procure that none of his/its respective close associates and/or persons and companies controlled by them (other than members the Group) shall not, except through his or its interests in the Company, whether as principal or agent and whether undertaken directly or indirectly through any person, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which is in any respect in competition with or similar to or is likely to be in competition with the business within any of the territories within Hong Kong or any of the territories where any member of the Group carries and/or will carry on business from time to time upon listing of the Company.

OTHER INFORMATION

Mr. Yang Tien-Lee has also irrevocably and unconditionally, undertaken to our Company that he shall not and he shall procure that none of his close associates and/or persons and companies controlled by Mr. Yang shall not, except through his interests in the Company, whether as principal or agent and whether undertaken directly or indirectly through any person, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which is in any respect in competition with or similar to or is likely to be in competition with the business of the Group within Hong Kong upon listing of the Company.

Pursuant to their respective undertakings, each of them is required to make an annual declaration on compliance with his/its non-competition undertakings for the relevant financial year in the Company's annual report.

For the year ended 30 June 2020, each of Kin Sun Creative Company Limited, Mr. Kwan Tek Sian and Mr. Yang Tien-Lee confirmed their compliance with the terms of non-competition undertaking. The independent non-executive Directors reviewed their respective confirmation and confirmed each of them has complied with the non-competition undertaking in accordance with its terms.

Each of Kin Sun Creative Company Limited, Mr. Kwan Tek Sian and Mr. Yang Tien-Lee shall provide confirmation in respect of their compliance with the terms of non-competition undertaking for the year 2020/2021. The independent non-executive Directors shall then review their respective confirmation to advise if each of them has complied with the non-competition undertaking in accordance with its terms for the year 2020/2021.

CONFLICT OF INTERESTS

Saved as disclosed above and during the Period, none of the Directors, the substantial Shareholders or management shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Kingsway Capital Limited, compliance adviser of our Company, neither Kingsway Capital Limited nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of Kingsway Capital Limited had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2021.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 19 June 2018, which operates under terms of reference approved by the Board. The Audit Committee currently comprises three independent non-executives Directors, namely Mr. Ng Ming Hon, Mr. Kwan Tek Sian and Mr. Law Sung Ching Gavin. Mr. Ng Ming Hon is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the Period and is of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure have been made in respect thereof.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to maintain a high degree of corporate governance and transparency for the benefit of all its stakeholders. During the Period, the Board considers that the Company has complied with all the provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules.

OTHER INFORMATION

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the nine months ended 31 March 2021.

PUBLICATION OF THE THIRD QUARTERLY REPORT

The 2020/2021 third quarterly report of the Company containing all the information required by GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at www.hklistco.com/8140 and the “HKExnews” website of the Stock Exchange at www.hkexnews.hk.