

Stream Ideas Group Limited

源想集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8401)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2021

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*This announcement, for which the directors (the “**Directors**”) of Stream Ideas Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred to as the “**Group**”). 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.*

FIRST QUARTERLY RESULTS

The board of directors of the Company (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 2021 (the “**Relevant Period**”), together with the comparative figures for the three months ended 30 June 2020 (the “**Previous Period**”), as follows:

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

For the three months ended 30 June 2021

		2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
	<i>Note</i>		
Revenue	3	4,031	4,887
Cost of services		<u>(2,355)</u>	<u>(2,714)</u>
Gross profit		1,676	2,173
Other income	4	936	650
Selling and distribution costs		(1,570)	(2,141)
Administrative and other operating expenses		<u>(2,806)</u>	<u>(3,234)</u>
Loss from operations		(1,764)	(2,552)
Finance costs		<u>(2)</u>	<u>(3)</u>
Loss before taxation		(1,766)	(2,555)
Income tax	6	<u>(43)</u>	<u>(103)</u>
Loss for the period		(1,809)	(2,658)
Other comprehensive expense, net of tax			
<i>Item that may be reclassified subsequently to profit or loss (nil of tax effect):</i>			
Foreign currency translation differences for foreign operations		<u>(110)</u>	<u>(60)</u>
Total comprehensive expense for the period		<u>(1,919)</u>	<u>(2,718)</u>
Losses per share	7		
— Basic (<i>HK\$</i>)		<u>(0.01)</u>	<u>(0.01)</u>
— Diluted (<i>HK\$</i>)		<u>(0.01)</u>	<u>(0.01)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2021

	Attributable to equity shareholders of the Company					
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2020	2,000	71,988	383	(396)	(17,492)	56,483
Loss for the period	–	–	–	–	(2,658)	(2,658)
Other comprehensive expense	–	–	–	(60)	–	(60)
Total comprehensive expense	–	–	–	(60)	(2,658)	(2,718)
Balance as at 30 June 2020 (Unaudited)	2,000	71,988	383	(456)	(20,150)	53,765
As at 1 April 2021	2,000	71,988	383	(501)	(27,027)	46,843
Loss for the period	–	–	–	–	(1,809)	(1,809)
Other comprehensive expense	–	–	–	(110)	–	(110)
Total comprehensive expense	–	–	–	(110)	(1,809)	(1,919)
Balance as at 30 June 2021 (Unaudited)	2,000	71,988	383	(611)	(28,836)	44,924

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Stream Ideas Group Limited was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at Unit 402A, 4/F, Benson Tower, 74 Hung To Road, Kwun Tong, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the provision of online advertising services.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the three months ended 30 June 2021 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap 622, Laws of Hong Kong). The financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2021 have not been audited by the Company’s independent auditors but have been reviewed by the Company’s Audit Committee.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activity of the Group is the provision of online advertising services. Revenue represents the service revenue from the provision of online advertising services.

The Group has one reportable segment which is the provision of online advertising services. The Group’s chief operating decision maker, which has been identified as the board of directors, reviews the consolidated results of the Group for the purposes of resource allocation and performance assessment. Therefore, no additional reportable segment information has been presented.

(b) Segment reporting

Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and intangible assets ("Specified non-current assets"). The geographical location of customers is based on the location at which the service was provided. The geographical location of the Specified non-current assets is based on the physical location of the operation to which they are allocated.

	Three months ended 30 June			
	Revenue from external customers		Specified non-current assets	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	3,004	3,025	2,170	2,865
Taiwan	667	1,312	2	4
Southeast Asia	360	550	7	5
	<u>4,031</u>	<u>4,887</u>	<u>2,179</u>	<u>2,874</u>

4. OTHER INCOME

	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	2	158
Fair value gain on financial assets at fair value through profit or loss	835	–
Government grant	96	490
Sundry income	<u>3</u>	<u>2</u>
	<u>936</u>	<u>650</u>

5. LOSS BEFORE TAXATION

	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance cost — interest on lease liabilities	2	3
Staff costs (including directors' emoluments)	2,884	2,771
Auditor's remuneration	295	224
Depreciation charge		
— owned property, plant and equipment	27	22
— right-of-use assets	86	78
Amortisation of intangible assets	336	301
Net foreign exchange loss	30	260
	<u> </u>	<u> </u>

6. INCOME TAX

	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong		
Provision for the period	—	—
Current tax — Other jurisdictions		
Provision for the period	43	103
Deferred tax		
Origination of temporary differences	—	—
	<u> </u>	<u> </u>
	<u>43</u>	<u>103</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in these jurisdictions.
- (ii) The provision for Hong Kong Profits Tax for the three months ended 30 June 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits.
- (iii) In accordance with the relevant Taiwan rules and regulations, the Taiwan Corporate Income Tax rate applicable to the Group's subsidiary in Taiwan is principally 20% for the three months ended 30 June 2021 (2020: 20%).
- (iv) The Group's subsidiaries operating in other jurisdictions are subject to income tax at the rates prevailing in the respective jurisdictions.

7. LOSSES PER SHARE

The calculation of the basic losses per share for the three months ended 30 June 2021 and 2020 are based on the following:

	Three months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Loss for the period attributable to equity shareholders of the Company (HK\$'000)	(1,809)	(2,658)
Weighted average number of ordinary shares in issue during the period ('000)	200,000	200,000
Basic and diluted losses per share (HK\$)	(0.01)	(0.01)

During the three months ended 30 June 2021 and 2020, there was no dilutive potential ordinary shares in issue.

The amount of dilutive losses per share is the same as basic losses per share for the three months ended 30 June 2021 and 2020.

8. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 June 2021 (2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The COVID-19 pandemic continues to slow down the advertising industry in all the markets the Group operates in. As a result, the Group has recorded approximately 17.5% decrease in revenue to approximately HK\$4,031,000 (2020: approximately HK\$4,887,000) for the Relevant Period.

Gross profit (after reversal of JAG points i.e. the points which the Group distributes the reward to its members to participate in the Group's advertising campaigns) decreased by approximately 22.9% to approximately HK\$1,676,000 (2020: approximately HK\$2,173,000) for the Relevant Period. The Group recorded a loss for the Relevant Period of approximately HK\$1,809,000 (2020: loss of approximately HK\$2,658,000).

The Group principally engages in the provision of online advertising services, which mainly consist of social viral service, engager service and mass blogging service. It primarily operates in Hong Kong, Taiwan, Malaysia, Indonesia, the Philippines and Singapore. The Group's services are delivered via its self-developed platforms, which allow clients to match their advertising campaigns or contents with the Group's relevant members based on their demographic details and behaviours, such as consumption patterns of certain products and services and brand preferences.

By geographical market

During the Relevant Period, approximately 74.5% of the Group's revenue (2020: approximately 61.9%) was generated from clients in Hong Kong, while approximately 16.6% (2020: approximately 26.8%) of the Group's revenue was generated from clients in Taiwan. Southeast Asia contribute approximately 8.9% (2020: approximately 11.3%) of the revenue of the Group.

Hong Kong

During the Relevant Period, revenue from Hong Kong slightly decreased from approximately HK\$3,025,000 for the Previous Period to approximately HK\$3,004,000 for the Relevant Period, representing approximately 0.7% decrease. The Group managed to sustain the sales amidst the impact of COVID-19 pandemic. However, the business environment is still challenging with increasing competition from other online advertising service providers and unstable economic environment. The Group will continue to adjust the service mix to better meet clients' needs.

Taiwan

During the Relevant Period, the operating environment in Taiwan continued to be challenging, mainly attributable to the changing behaviour of internet users, increasing competition from other online advertising service providers, instability of the economy and the impact of COVID-19 pandemic. The Group is dealing with the change with a shift of focus on service type. With the various challenges encountered, the revenue for Taiwan for the Relevant Period decreased to approximately HK\$667,000 (2020: approximately HK\$1,312,000).

Southeast Asia

The COVID-19 pandemic continues to disrupt regular business flow in Southeast Asia countries. Malaysia, Indonesia and the Philippines experienced varying levels of lockdown measures, which affected the overall advertising industry as well. Total revenue from the Southeast Asia was approximately HK\$360,000 (2020: approximately HK\$550,000).

PROSPECTS

It is anticipated that the COVID-19 pandemic will continue to affect the advertising industry in the near future. Nevertheless, as soon as those governments in our operating markets ease lockdown measures, the Group remains confident in its ability to rejuvenate sales with our experienced sales team, differentiated advertising services, our strengthened member base and our extensive relationship with reputable clients in various industries. Leveraging on the good relations with media agencies, the Group also expects great opportunities such as referrals to media agencies' extensive client base, which will ensure stable and continuous requests for services. The Group's self-developed platforms have also served as an excellent tool for realising clients' performance targets while driving business growth. Looking ahead, the Group will focus on grooming our new operations to maturity and driving our core markets to new heights.

To accomplish these objectives, the Group also plans to recruit more talents, especially for the business development segment, to strengthen its workforce. This will enable the Group to better cater for the ever-changing needs of various industries, as well as those of the existing and potential clients. In addition, the Group will focus on enriching its member base from different segments such as age group, interest and lifestyle to enhance the diversity of the Group's membership base and thereby attract more clients.

With years of experience, well-established reputation, and first-mover advantage, the Group will leverage on such strengths to reinforce its leading position in the industry. At the same time, by further developing these attributes, the Group remains committed to its vision of becoming the preferred online marketing partner for advertising agencies and brand owners in realising their pursuits.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased from approximately HK\$4,887,000 for the Previous Period to approximately HK\$4,031,000 for the Relevant Period, representing a decrease of approximately 17.5%, primarily attributable to decrease in sales in Taiwan.

Cost of Services

The Group's cost of services decreased by approximately 13.2% from approximately HK\$2,714,000 for the Previous Period to approximately HK\$2,355,000 for the Relevant Period.

Gross Profit

Gross profit of the Group decreased by approximately 22.9% from approximately HK\$2,173,000 for the Previous Period to approximately HK\$1,676,000 for the Relevant Period.

Selling and Distribution Costs

Selling and distribution costs of the Group decreased by approximately 26.7% from approximately HK\$2,141,000 for the Previous Period to approximately HK\$1,570,000 for the Relevant Period. Selling and distribution costs primarily consist of advertising and promotion expenses and staff costs. The decrease was mainly attributable to decrease in promotional expenses on other media platforms.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group decreased by approximately 13.2% from approximately HK\$3,234,000 for the Previous Period to approximately HK\$2,806,000 for the Relevant Period. Administrative and other operating expenses mainly consist of staff costs, professional fees, office supplies and stationery and others. The decrease was mainly attributable to the decrease in professional fees and net foreign exchange loss.

Income Tax

Income tax expense for the Group decreased by approximately 58.3% from approximately HK\$103,000 for the Previous Period to approximately HK\$43,000 for the Relevant Period. The decrease was in line with the decrease in taxable profits of our subsidiaries in the Relevant Period.

Loss for the Relevant Period

The Group's net loss was approximately HK\$1,809,000 for the Relevant Period compared to approximately HK\$2,658,000 for the Previous Period. The decrease in net loss was mainly attributable to the decrease in selling and distribution costs and administrative and other operating expenses for the Relevant Period.

Foreign Exchange Exposure

The functional currency and reporting currency for the Company and its subsidiaries is Hong Kong dollar, except that the functional currencies of certain subsidiaries are New Taiwan dollar, Malaysian Ringgit, Singapore dollar, Indonesian Rupiah and Philippine peso. During the Relevant Period, the Group was not exposed to any significant currency risk.

Event after the Relevant Period

There is no significant event subsequent to 30 June 2021 which would materially affect the Group's operating and financial performance.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Relevant Period and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the Relevant Period and up to the date of this announcement, the Company has complied with all the code provisions (“**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules except the following deviations. Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Meanwhile, Code Provisions A.2.2 to A.2.9 further stipulate the roles of chairman for good corporate governance practices. As the Company has not specifically appointed any one with the respective title of “chairman” and “chief executive officer”, the Company has deviated from the aforesaid Code Provisions A.2.1 to A.2.9. The roles of chairman and chief executive officer have been performed by the three executive Directors, Ms. Jenny Cheung, Mr. Anakin Law and Mr. Garlos Lee collectively. Since the three executive Directors are the founders of the Company and have in-depth knowledge about the management as well as the business operations of the Company, the Board believes that vesting the roles of chairman and chief executive officer in the three executive Directors allows efficient business planning and decisions.

The Board is also of the view that the following matters can still be carried out properly under the current management structure:

- (i) all directors are properly briefed on issues arising at board meetings (Code Provision A.2.2);
- (ii) all directors receive accurate and adequate information in a timely manner (Code Provision A.2.3);
- (iii) establishment of corporate governance practice and procedures (Code Provision A.2.5);
- (iv) effective communication with shareholders (Code Provision A.2.8); and
- (v) full and active contribution of all directors to the affairs of the Board and constructive relations between executive and non-executive directors (Code Provisions A.2.6 and A.2.9).

The company secretary has been delegated to draw up agenda for board meetings, taking into account any matters proposed by other directors (Code Provision A.2.4).

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Securities Dealing Code**”).

Specific enquiries have been made with all Directors, and all Directors confirmed in writing that they have complied with the required standards as set out in Rules 5.48 to 5.67 of the GEM Listing Rules regarding dealings in their securities during the Relevant Period and up to the date of this announcement.

SHARE OPTION SCHEME

The Company’s share option scheme (the “**Share Option Scheme**”) was adopted by a resolution of the Company’s shareholders passed on 7 March 2018. The principal terms of the Share Option Scheme, a summary of which is set out in Appendix IV to the prospectus of the Company dated 16 March 2018, are in compliance with the provisions under Chapter 23 of the GEM Listing Rules.

During the Relevant Period and up to the date of this announcement, there was no options granted, exercised, lapsed or cancelled under the Share Option Scheme. As at 30 June 2021, there was no outstanding share option not yet exercised under the Share Option Scheme.

COMPETING AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interests of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Company and any other conflicts of interest which any such person has or may have with the Group during the Relevant Period. None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the Relevant Period, and the Directors confirm that none of them is engaged in any business which directly or indirectly, competes or is likely to compete with the business of the Company and any of its subsidiaries or has interest in such business.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 7 March 2018 with its written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 and paragraph D.3 of the CG Code. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Ho Ho Tung Armen, Mr. Fenn David and Mr. Kwan Chi Hong. Mr. Ho Ho Tung Armen is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Audit Committee had reviewed the unaudited condensed consolidated financial statements of the Group for the Relevant Period and is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

By Order of the Board
Stream Ideas Group Limited
Law Ka Kin
Executive Director

Hong Kong, 5 August 2021

As at the date of this announcement, the Board of Directors comprises five executive Directors, namely Ms. Cheung Lee, Mr. Law Ka Kin, Mr. Lee Wing Leung Garlos, Mr. Leung Wai Lun and Ms. Xu Xiuhong; and four independent non-executive Directors, namely Mr. Kwan Chi Hong, Mr. Fenn David, Mr. Ho Ho Tung Armen and Ms. Guo Hongyan.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.stream-ideas.com.