



2022
THIRD QUARTERLY
REPORT

Ocean Star Technology Group Limited

海納星空科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8297)

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "GEM")

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This report, for which the directors (the "Directors") of Ocean Star Technology Group 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") 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 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.

The board of directors (the “**Board**”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three and nine months ended 31 December 2022, together with the comparative unaudited figures for the corresponding period in year 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2022

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	3	11,022	12,147	32,627	36,980
Cost of sales		(3,540)	(2,784)	(10,567)	(9,214)
Gross profit		7,482	9,363	22,060	27,766
Other income		(1,580)	(378)	(2,225)	1,047
Selling expenses		(6,103)	(5,777)	(17,660)	(16,055)
Administrative and other operating expenses		(6,680)	(4,683)	(18,607)	(13,766)
Finance costs		(308)	(223)	(958)	(762)
Share of (loss)/profit of an associate		(648)	(1,056)	(656)	1,122
Loss before tax		(7,837)	(2,754)	(18,046)	(648)
Income tax expense	4	–	(21)	–	(251)
Loss for the period attributable to the owners of the Company		(7,837)	(2,775)	(18,046)	(899)
Other comprehensive income for the period, net of tax:					
Item that may be reclassified to profit or loss:					
Exchange difference on translating foreign operations		769	(20)	(145)	(461)
Total comprehensive income for the period attributable to the owners of the Company		(7,068)	(2,795)	(18,191)	(1,360)
Loss per share					
Basic (HK cents)	6(a)	(0.87)	(0.53)	(2.22)	(0.17)
Diluted (HK cents)	6(b)	(0.87)	(0.53)	(2.22)	(0.17)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2022

	Share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Foreign currency translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total equity/ (capital deficiency) HK\$'000
At 1 April 2021 (audited)	4,800	34,250	(34)	189	561	(68,443)	(28,677)
Shares issued pursuant to the placing	480	40,800	-	-	-	-	41,280
Expenses incurred in connection with issue of shares	-	(292)	-	-	-	-	(292)
Loss and total comprehensive income for the period (unaudited)	-	-	-	(461)	-	(899)	(1,360)
At 31 December 2021 (unaudited)	5,280	74,758	(34)	(272)	561	(69,342)	10,951
At 1 April 2022 (audited)	6,300	86,664	(34)	360	561	(87,248)	6,603
Issue of shares upon rights issue	2,700	24,300	-	-	-	-	27,000
Expenses incurred in connection with issue of shares upon rights issue	-	(986)	-	-	-	-	(986)
Loss and total comprehensive income for the period (unaudited)	-	-	-	(145)	-	(18,046)	(18,191)
At 31 December 2022 (unaudited)	9,000	109,978	(34)	215	561	(105,294)	14,426

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2022

1. GENERAL INFORMATION

Ocean Star Technology Group Limited was incorporated in the Cayman Islands 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 on 27 May 2016. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business in Hong Kong is 1/F., Lok Kui Industrial Building, 6–8 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The shares of the Company are listed on the GEM since 13 July 2017 (the “**Listing**”).

The Company is an investment holding company and its principal subsidiaries are mainly engaged in (1) designing, manufacturing and sales of lingerie products in Hong Kong, Macau and the People’s Republic of China (the “**PRC**”) and (2) provision of beauty services in Hong Kong.

In the opinion of the directors of the Company, as at 31 December 2022, Global Succeed Group Limited, a company incorporated in the British Virgin Islands and jointly controlled by Mr. Chan Lin So Alan and Mr. Yiu Koon Pong, remain as the substantial shareholders of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated results of the Company for the nine months ended 31 December 2022 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The unaudited condensed consolidated results are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company, and have been prepared under historical cost convention.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2022

2. BASIS OF PREPARATION (Continued)

These condensed results should be read in conjunction with the annual financial statements for the year ended 31 March 2022. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2022.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 April 2022.

A number of other new standards are effective from 1 January 2022 but they do not have material effect on the Group's unaudited condensed consolidated financial statements.

3. REVENUE

Revenue represents the aggregation of net amounts received and receivable during the period. An analysis of the Group's revenue from external customers for the period is as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Products and services transferred at a point in time within the scope of HKFRS 15:				
Sales of lingerie products and other complementary and ancillary products	9,076	10,359	27,395	31,296
Provision of beauty services	162	214	455	967
Income from unused credit packages	1,784	1,574	4,777	4,717
	11,022	12,147	32,627	36,980

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2022

4. INCOME TAX EXPENSE

	For the three months ended 31 December		For the nine months ended 31 December	
	2022	2021	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax:				
Hong Kong Profits Tax	-	8	-	(64)
Macao Complementary Tax	-	(52)	-	(92)
PRC Enterprise Income Tax ("EIT")	-	23	-	(95)
	-	(21)	-	(251)

Hong Kong Profits Tax has been provided at the two-tiered profits tax rates of 8.25% on the first HK\$2 million and 16.5% for the remainder (for the three and nine months ended 31 December 2021: 16.5%) on the estimated assessable profits for the three and nine months ended 31 December 2022. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Macao Complementary Tax, taxable income below MOP600,000 is exempted from taxation while amount beyond this amount is to be taxed at the rate of 12% for the three and nine months ended 31 December 2022.

PRC EIT has been provided at a rate of 25% (for the three and nine months ended 31 December 2021: 25%) on the estimated assessable profit of those subsidiaries established in the PRC for the three and nine months ended 31 December 2022.

5. DIVIDENDS

The Directors do not recommend the payment of a dividend for the three and nine months ended 31 December 2022 (for the three and nine months ended 31 December 2021: Nil).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2022

6. LOSS PER SHARE

(a) Basic loss per share

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

Loss	For the three months ended 31 December		For the nine months ended 31 December	
	2022	2021	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss for the purpose of calculating basic loss per share	(7,837)	(2,775)	(18,046)	(899)

Number of shares	For the three months ended 31 December		For the nine months ended 31 December	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	900,000,000	528,000,000	812,193,896	522,938,182

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the leading retailers of lingerie with shaping functions in Hong Kong, with production facilities in the PRC and Hong Kong. The Group principally offers a wide range of its own branded lingerie that are designed with shaping functions which aim to achieve better body appearances, including bras and panties, body shaping underwear and chest support vests. The Group also (1) sells other products without shaping functions, which primarily include breast cream, panties, nude bras, swimwear, bras straps and pads, and waist bands and (2) provides beauty services.

During the period under review, Hong Kong has continued to show signs of recovery following the end of the fifth wave of the novel coronavirus pneumonia (the “**COVID-19 pandemic**”) with increasing rate of vaccinations, easing of immigration control between mainland China and Hong Kong and mandatory quarantine requirements for visitors and residents entering Hong Kong, and gradual relaxing of certain social distancing measures. The gradual resumption of normal lives brings a hope for the local residents and make them expect for the recovery of local economy.

Looking forward, the Board of directors (“**the Board**”) of the Company is cautiously optimistic that the consumer sentiment will be gradually improved and thus the local retail market will finally get out of the predicament.

The Board will (1) invest to upgrade the core lingerie products and develop new and fashionable lingerie products in order to improve its competitiveness in the future; (2) continue to tighten the cost control measures; (3) invest in developing the e-commerce and the corresponding platforms; and (4) proactively seek for potential business opportunities to diversify the Group’s business base. The Board expects that these measures will bring positive effects on the Group’s financial performance and increase the value for shareholders in the long run.



MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

During the period under review, the Group recorded a revenue of approximately HK\$33.0 million, which principally represents income derived from the sale of lingerie products with shaping functions and other complementary and ancillary products, representing a decrease of approximately 10.8% compared with the revenue of approximately HK\$37.0 million recorded for the corresponding period in 2021 as a result of the decrease in sales volume due to persistent weak consumer sentiment for retail sales.

GROSS PROFIT MARGIN

Gross profit margin of the Group has decreased by approximately 7.5% from approximately 75.1% for the nine months ended 31 December 2021 to approximately 67.6% for the nine months ended 31 December 2022. This is mainly due to the increase in staff cost and the depreciation of right-of-use assets recorded pursuant to HKFRS 16.

EXPENSES

Selling expenses during the period under review increased by approximately HK\$1.6 million from approximately HK\$16.1 million for the nine months ended 31 December 2021 to approximately HK\$17.7 million for the corresponding period in 2022, which was mainly due to the increase in staff costs and the depreciation of right-of-use assets recorded pursuant to HKFRS 16.

Administrative expenses and other operating expenses increased by approximately HK\$4.8 million from approximately HK\$13.8 million for the nine months ended 31 December 2021 to approximately HK\$18.6 million for the corresponding period in 2022, which was primarily due to the significant increase in staff costs and the depreciation of right-of-use assets recorded pursuant to HKFRS 16.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company for the nine months ended 31 December 2022 amounted to approximately HK\$18.0 million, compared to the loss attributable to owners of the Company of approximately HK\$0.9 million recorded for the corresponding period in 2021. This was primarily due to (1) the decrease in sales volume; (2) the significant increase in staff costs and depreciation of right-of-use assets recorded pursuant to HKFRS 16; and (3) the unrealized loss on financial assets.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) **Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations**

As at 31 December 2022, none of the Directors nor chief executives of the Company and their respective associates had any interests and short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.



OTHER INFORMATION

(b) Interests and short positions of substantial shareholders in the shares, underlying shares and debentures of the Company

So far as is known to the Directors, as at 31 December 2022, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the shares or underlying shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares of the Company

Name of Shareholder	Nature of interest/ holding capacity	Number of shares	Percentage of issued share capital of the Company
Global Succeed Group Limited ("Global Succeed")	Beneficial owner (Notes 1 & 2)	120,000,000	13.33%
Mr. Chan Lin So Alan ("Mr. Chan")	Interest in a controlled corporation	120,000,000	13.33%
Mr. Yiu Koon Pong ("Mr. Yiu")	Interest in a controlled corporation	120,000,000	13.33%

Notes:

- (1) Global Succeed is the direct shareholder of the Company. According to the information available to the Company, Global Succeed is beneficially owned as to 50% by Mr. Chan and 50% by Mr. Yiu. By virtue of the SFO, each of Mr. Chan and Mr. Yiu was deemed to be interested in the 120,000,000 shares of the Company held by Global Succeed as at 31 December 2022.

OTHER INFORMATION

- (2) Global Succeed holds 210,000,000 shares of the Company as at 31 March 2021. Since then, Global Succeed further disposed a total of 50,000,000 shares of the Company on 31 August 2021, 18 October 2021, 15 December 2021 and 5 January 2022 (the “Disposals”). Immediately after the Disposals, Global Succeed holds 160,000,000 shares of the Company. By virtue of the SFO, each of Mr. Chan and Mr. Yiu is deemed to be interested in the 160,000,000 shares of the Company held by Global Succeed.

48,000,000 placing shares and 102,000,000 placing shares have been allotted and issued to not less than six places pursuant to the general mandate of the Company on 30 April 2021 and 28 March 2022 respectively.

As a result of the above, the shareholding interests in the Company held by Global Succeed was diluted from 43.75% to approximately 25.40% and Mr. Chan, Mr. Yiu and Global Succeed becomes the substantial shareholders of the Company.

On 19 August 2022, the Company announced the completion of the rights issue (the “Rights Issue”) and the allotment and issuance of 270,000,000 shares of the Company. The net proceeds raised from the Rights Issue were approximately HK\$26.0 million. Details were set out in the Company’s announcements dated 17 June 2022 and 19 August 2022 and the Company’s prospectus dated 29 July 2022. After the completion of the Rights Issue, the shareholding interests in the Company held by Global Succeed was diluted from approximately 25.4% to approximately 17.78%.

Global Succeed disposed a total of 40,000,000 shares of the Company on 24 August 2022. After the disposal, Global Succeed holds 120,000,000 shares of the Company as at 31 December 2022. By virtue of the SFO, each of Mr. Chan and Mr. Yiu is deemed to be interested in the 120,000,000 shares of the Company held by the Global Succeed. As a result, the shareholding interest in the Company held by Global Succeed was diluted from approximately 17.78% to approximately 13.33%. Mr. Chan, Mr. Yiu and Global Succeed remain the substantial shareholders of the Company.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other persons (other than the Directors or chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares of the Company would fall to be required to be 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 required to be kept by the Company pursuant to Section 336 of the SFO.



OTHER INFORMATION

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 19 June 2017. For the principal terms of the Share Option Scheme, please refer to “Other Information – 12. Share Option Scheme” in Appendix IV to the Prospectus.

Up to the date of this report, no share option had been granted by the Company under the Share Option Scheme.

COMPETING INTERESTS

As far as the Directors are aware of, none of the Directors or the controlling shareholder of the Company or any of their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the nine months ended 31 December 2022.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company endeavors to adopt prevailing best corporate governance practices. For the nine months ended 31 December 2022, the Company, except for the deviation as specified below, had complied with all the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 15 of the GEM Listing Rules.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company has not appointed chief executive officer and chairman since 27 October 2017 and 6 February 2018 respectively. On 13 July 2022, the Company appointed an executive director, Mr. Zheng Sihui, to perform the role of the chairman but the office of the chief executive is vacated. The roles and functions of chief executive officer have been performed by all the executive Directors collectively. The Board will keep reviewing its current structure from time to time and will appoint chief executive officer if the Board considers appropriate and necessary.

OTHER INFORMATION

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the “**Code of Conduct**”) 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 (the “**Required Standard Dealings**”). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and Required Standard Dealings during the nine months ended 31 December 2022. Further, the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors for the nine months ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2022.

AUDIT COMMITTEE

The financial information in this report has not been audited by the auditor of the Company. Pursuant to Rule 5.29 of the GEM Listing Rules, the Company established the audit committee (the “**Audit Committee**”) with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control procedures and risk management system of the Group. As at the date of this report, the Audit Committee comprises Mr. Tang Yiu Kay, Mr. Lai Kim Fung and Mr. Tong Zhu, being the independent non-executive Directors.

The Audit Committee has reviewed the unaudited condensed consolidated results of the Company for the nine months ended 31 December 2022 and is of the opinion that the preparation of such results complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

By order of the Board
Ocean Star Technology Group Limited
Zheng Sihu
Chairman and Executive Director

Hong Kong, 10 February 2023

