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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)

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

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

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 of Hong Kong Limited (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 the GEM are generally small and mid-sized companies, there is a risk that securities traded on the 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 the GEM.

*This announcement, 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 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.*

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 2021, together with the comparative unaudited figures for the corresponding period in year 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2021

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	3	12,147	13,530	36,980	40,521
Cost of sales		<u>(2,784)</u>	<u>(2,723)</u>	<u>(9,214)</u>	<u>(8,106)</u>
Gross profit		9,363	10,807	27,766	32,415
Other income		(378)	1,881	1,047	6,156
Selling expenses		(5,777)	(4,664)	(16,055)	(13,332)
Administrative and other operating expenses		(4,683)	(4,911)	(13,766)	(15,546)
Finance costs		(223)	(193)	(762)	(714)
Share of profit of an associate		<u>(1,056)</u>	<u>(437)</u>	<u>1,122</u>	<u>93</u>
(Loss)/profit before tax		(2,754)	2,483	(648)	9,072
Income tax expense	4	<u>(21)</u>	<u>(653)</u>	<u>(251)</u>	<u>(1,222)</u>
(Loss)/profit for the period attributable to the owners of the Company		<u>(2,775)</u>	<u>1,830</u>	<u>(899)</u>	<u>7,850</u>
Other comprehensive income for the period, net of tax:					
Item that may be reclassified to profit or loss:					
Exchange difference on translating foreign operations		<u>(20)</u>	<u>(182)</u>	<u>(461)</u>	<u>(976)</u>
Total comprehensive income for the period attributable to the owners of the Company		<u>(2,795)</u>	<u>1,648</u>	<u>(1,360)</u>	<u>6,874</u>
(Loss)/earnings per share					
Basic (HK cents)	6(a)	<u>(0.53)</u>	0.38	<u>(0.17)</u>	1.64
Diluted (HK cents)	6(b)	<u>(0.53)</u>	0.38	<u>(0.17)</u>	1.64

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2021

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity/ (capital deficiency) <i>HK\$'000</i>
At 1 April 2020 (audited)	4,800	34,250	(34)	281	525	(72,108)	(32,286)
Profit and total comprehensive income for the period (unaudited)	—	—	—	(976)	—	7,850	6,874
At 31 December 2020 (unaudited)	<u>4,800</u>	<u>34,250</u>	<u>(34)</u>	<u>(695)</u>	<u>525</u>	<u>(64,258)</u>	<u>(25,412)</u>
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)	<u>5,280</u>	<u>74,758</u>	<u>(34)</u>	<u>(272)</u>	<u>561</u>	<u>(69,342)</u>	<u>10,951</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2021

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 2021, 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 controlling shareholders of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated results of the Company for the nine months ended 31 December 2021 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 “**HKFRSs**”) 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.

These condensed results should be read in conjunction with the annual financial statements for the year ended 31 March 2021. 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 2021.

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 2021.

A number of other new standards are effective from 1 January 2021 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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (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	10,359	12,072	31,296	35,845
Provision of beauty services	214	492	967	1,037
Income from unused credit packages	1,574	966	4,717	3,639
	<u>12,147</u>	<u>13,530</u>	<u>36,980</u>	<u>40,521</u>

4. INCOME TAX EXPENSE

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current tax:				
Hong Kong Profits Tax	8	(503)	(64)	(876)
Macao Complementary Tax	(52)	(64)	(92)	(151)
PRC Enterprise Income Tax ("EIT")	23	(86)	(95)	(195)
	<u>(21)</u>	<u>(653)</u>	<u>(251)</u>	<u>(1,222)</u>

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 2020: 16.5%) on the estimated assessable profits for the three and nine months ended 31 December 2021. 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 2021.

PRC EIT has been provided at a rate of 25% (for the three and nine months ended 31 December 2020: 25%) on the estimated assessable profit of those subsidiaries established in the PRC for the three and nine months ended 31 December 2021.

5. DIVIDENDS

The Directors do not recommend the payment of a dividend for the three and nine months ended 31 December 2021 (for the three and nine months ended 31 December 2020: Nil).

6. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the following:

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
(Loss)/earnings				
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	<u>(2,775)</u>	<u>1,830</u>	<u>(899)</u>	<u>7,850</u>

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Number of shares				
Issued ordinary shares at the beginning of period	<u>480,000,000</u>	480,000,000	<u>480,000,000</u>	480,000,000
Effect of placing of new shares	<u>48,000,000</u>	<u>–</u>	<u>42,938,182</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	<u>528,000,000</u>	<u>480,000,000</u>	<u>522,938,182</u>	<u>480,000,000</u>

(b) Diluted (loss)/earnings per share

No diluted (loss)/earnings 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, the name of the Company has been changed from “My Heart Bodibra Group Limited” to “Ocean Star Technology Group Limited”. Reference is made to the announcements of Ocean Star Technology Group Limited (formerly known as My Heart Bodibra Group Limited) (the “**Company**”) dated 29 September 2021 and 16 July 2021, the circulars of the Company dated 28 July 2021 and the announcement of the Company relating to the poll result of the EGM dated 20 August 2021 in relation to, among other things, the change of the Company’s name. The Certificate of incorporation on Change of Name of the Company was issued by Registrar of Companies in Cayman Islands on 25 August 2021 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Companies Registry in Hong Kong on 23 September 2021.

During the period under review, it seems that the novel coronavirus pneumonia (the “**COVID-19 pandemic**”) was under control by the pandemic preventive measures imposed by the Hong Kong Government and the implementation of COVID-19 vaccination programmes held in Hong Kong. Unfortunately, the fifth wave of the COVID-19 pandemic rears its ugly head as the Omicron variant slipped into Hong Kong. Under the current challenging environment of the retail market in Hong Kong, the Group will (1) keep on adopting adequate cost control measures; (2) enrich its products by improving the quality, design and packaging in order to meet the changing customers’ needs; (3) develop e-commerce platforms with third parties to broaden its sales and marketing channels in PRC and Hong Kong; and (4) restructure and adequately expand the physical stores network within Hong Kong and PRC markets. Going forward, the Board will continue to enhance efficiency and seek business opportunities to deliver long term sustainable value to our shareholders.

REVENUE

During the period under review, the Group recorded a revenue of approximately HK\$37.0 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 8.6% compared with the revenue of approximately HK\$40.5 million recorded for the corresponding period in 2020 as a result of the decrease in sales volume due to the COVID-19 pandemic which weakens the consumer sentiment.

GROSS PROFIT MARGIN

Gross profit margin of the Group has decreased by approximately 6.1% from approximately 80.0% for the nine months ended 31 December 2020 to approximately 75.1% for the nine months ended 31 December 2021. This is mainly due to the net effect of effective cost control on the production costs and the inventory management enhancement and the increase in the depreciation of right-of-use assets recorded pursuant to HKFRS 16.

EXPENSES

Selling expenses during the period under review increased by approximately HK\$2.8 million from approximately HK\$13.3 million for the nine months ended 31 December 2020 to approximately HK\$16.1 million for the corresponding period in 2021, which was mainly due to the net effect of the increase in marketing expenses and the decrease in the depreciation of right-of-use assets recorded pursuant to HKFRS 16.

Administrative expenses and other operating expenses decreased by approximately HK\$1.7 million from approximately HK\$15.5 million for the nine months ended 31 December 2020 to approximately HK\$13.8 million for the corresponding period in 2021, which was primarily due to the net effect of the increase in staff costs and the decrease in the depreciation of property, plant and equipment and the depreciation of right-of-use assets recorded pursuant to HKFRS 16.

INCOME TAX EXPENSE

Income tax expense decreased by approximately HK\$0.9 million from an expense of approximately HK\$1.2 million for the nine months ended 31 December 2020 to an expense of approximately HK\$0.3 million for the corresponding period in 2021.

(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company for the nine months ended 31 December 2021 amounted to approximately HK\$0.9 million, whereas there was a profit attributable to owners of the Company of approximately HK\$7.9 million recorded for the corresponding period in 2020. This was primarily due to (1) the increase in staff cost and marketing expenses and (2) the decrease in sales volume, the Government grants under the Employment Support Scheme and the COVID-19 rent concessions received granted by Landlords.

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 2021, 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.

(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 2021, 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 and 3)	170,000,000	32.19%
Mr. Chan Lin So Alan ("Mr. Chan")	Interest in a controlled corporation	170,000,000	32.19%
Mr. Yiu Koon Pong ("Mr. Yiu")	Interest in a controlled corporation	170,000,000	32.19%

Name of Shareholder	Nature of interest/ holding capacity	Number of shares	Percentage of issued share capital of the Company
Waichun Logistics Technology Limited (“ Waichun Logistics ”)	Beneficial owner (Notes 4, 5 and 6)	81,125,000	15.36%
Mr. Xian Hui (“ Mr. Xian ”)	Interest in a controlled corporation	81,125,000	15.36%

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 is deemed to be interested in the 210,000,000 shares held by Global Succeed as at 1 April 2021. Mr. Chan, Mr. Yiu and Global Succeed remain the controlling shareholders of the Company. Mr. Chan ceased to be a consultant of the Company since 1 April 2021.
- (2) On 30 April 2021, 48,000,000 placing shares have been allotted and issued to not less than six places pursuant to the generate mandate of the Company (the “**Placing**”). As a result, the shareholding interests in the Company held by Global Succeed was diluted from approximately 43.75% to approximately 39.77%.
- (3) Global Succeed sold 40,000,000 shares of the Company on 31 August 2021, 18 October 2021 and 15 December 2021 respectively and as at 31 December 2021, Global Succeed holds 170,000,000 shares of the Company. After the Placing and disposal of shares, Mr. Chan, Mr. Yiu and Global Succeed still remain the controlling shareholders of the Company.
- (4) Waichun Logistics is the direct shareholder of the Company. According to the information available to the Company, Waichun Logistics holds 110,000,000 shares of the Company as 1 April 2021 and Waichun Logistics is beneficially owned by the Mr. Xian.
- (5) Subsequent to the Placing, the shareholding interests in the Company held by Waichun Logistics was diluted from approximately 22.92% to approximately 20.83%.
- (6) On 2 September 2021, Waichun Logistics purchased 2,125,000 shares of the Company and sold 31,000,000 shares of the Company on 28 October 2021. As at 31 December 2021, Waichun Logistics holds 81,125,000 shares of the Company.

Save as disclosed above, as at 31 December 2021, 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.

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 announcement, 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 2021.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company endeavors to adopt prevailing best corporate governance practices. For the nine months ended 31 December 2021, 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 A.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. The roles and functions of chief executive officer and chairman 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 and chairman if the Board considers appropriate and necessary.

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 2021. 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 2021.

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 2021.

AUDIT COMMITTEE

The financial information in this announcement has not been audited by the auditor of the Company. Pursuant to Rule 5.28 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 announcement, 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 2021 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
Tam Chak Chi
Executive Director

Hong Kong, 8 February 2022

As at the date of this announcement, the executive Directors are Mr. Tam Chak Chi and Mr. Xu Xue; and the independent non-executive Directors are Mr. Lai Kim Fung, Mr. Tang Yiu Kay and Mr. Tong Zhu.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and will also be published on the Company's website at www.bodibra.com.