

State Innovation Holdings Limited

國科控股有限公司

(Formerly known as Beaver Group (Holding) Company Limited)

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8275

2022
First Quarterly Report

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

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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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “**Directors**”) of State Innovation Holdings Limited (formerly known as Beaver Group (Holding) Company Limited) (the “**Company**” and together with its subsidiaries, the “**Group**”) 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. 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.

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company presents the unaudited condensed consolidated results of the Group for the three months ended 30 June 2022, together with the unaudited comparative figures for the corresponding period in 2021 as follows:

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 30 June 2022

	Note	Three months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	25,636	27,143
Cost of sales		(34,504)	(23,816)
Gross (loss)/profit		(8,868)	3,327
Other income	5	850	249
Administrative expenses		(7,819)	(3,209)
Change in fair value of financial assets at fair value through profit or loss		103	–
(Loss)/profit from operations		(15,734)	367
Finance costs	6	(143)	(251)
(Loss)/profit before tax		(15,877)	116
Income tax credit	7	1,086	110
(Loss)/profit for the period attributable to owners of the Company		(14,791)	226
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Release of translation reserve upon deregistration of a subsidiary		–	(249)
Other comprehensive income for the period, net of tax		–	(249)
Total comprehensive income for the period attributable to owners of the Company		14,791	(23)
			(Restated)
Earnings per share			
Basic and diluted (HK cents)	9	(13.57)	0.49

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2022

	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 10b(i))	(Note 10b(ii))	(Note 10b(iii))		
For the three months ended						
30 June 2021						
As at 1 April 2021 (audited)	9,000	40,447	22	249	5,048	54,766
Issuance of shares upon rights issue	13,500	14,850	-	-	-	28,350
Transaction costs on issuance of shares upon rights issue	-	(567)	-	-	-	(567)
Total comprehensive income for the period (unaudited)	-	-	-	(249)	226	(23)
As at 30 June 2021 (unaudited)	22,500	54,730	22	-	5,274	82,526
For the three months ended						
30 June 2022						
As at 1 April 2022 (audited)	27,000	56,252	22	-	(32,748)	50,526
Issuance of shares upon rights issue	40,500	4,050	-	-	-	44,550
Transaction costs on issuance of shares upon rights issue	-	(740)	-	-	-	(740)
Total comprehensive income for the period (unaudited)	-	-	-	-	(14,791)	(14,791)
As at 30 June 2022 (unaudited)	67,500	59,562	22	-	(47,539)	79,545

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 3 January 2017. The address of its registered office is at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Room 1204, 12/F, Block 2, Golden Industrial Building, 16–26 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong. The Company's shares were listed on GEM of the Stock Exchange on 16 October 2017.

The Company is an investment holding company. The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metres to 3 metres of various pile lengths. The Group has invested considerably in reinforcing its machinery and the Group possesses all necessary standard plant and machinery and equipment for its construction of bored piles. The Group is also engaged in leasing of machinery.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2022 have been prepared in accordance with all Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), the applicable disclosure requirements of the GEM Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2022. The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 March 2022.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The unaudited condensed consolidated financial statements are presented in Hong Kong Dollars ("**HK\$**"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands ("**HK\$'000**"), unless otherwise indicated.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee (the "**Audit Committee**").

2. BASIS OF PREPARATION (Continued)

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2022. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations issued by the HKICPA. The adoption of these new and revised HKFRSs did not have any significant effect on the unaudited condensed consolidated financial statements.

3. REVENUE

An analysis of the Group’s revenue is as follows:

	Three months ended 30 June	
	2022	2021
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Construction contract income	25,426	27,143
Rental income from machinery	210	–
	25,636	27,143

4. SEGMENT INFORMATION

Operating segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the respective segments and to assess their performance.

As the Group principally engages in the provision of foundation work, ancillary services and machinery rental in Hong Kong, which are subject to similar business risks, and resources are allocated based on what is beneficial to the Group in enhancing the value of the Group as a whole, the Group’s chief operating decision maker considers the performance assessment of the Group should be based on the profit before tax of the Group as a whole. Therefore, management considers that there is only one operating segment under the requirements of HKFRS 8 “*Operating Segments*”.

4. SEGMENT INFORMATION (Continued)

Revenue from major customers

Customer base for whom transactions have exceeded 10% of the Group's revenue is as below:

	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer 1	15,062	–
Customer 2	6,763	6,544
Customer 3	–	8,862
Customer 4	–	4,544
Customer 5	–	4,150

5. OTHER INCOME

	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gain on deregistration of a subsidiary (Note i)	–	249
Government grants (Note ii)	708	–
Net realised gain on disposal of financial assets at fair value through profit or loss	108	–
Others	34	–
	850	249

Notes:

- (i) Upon the deregistration of 濠傑建築工程一人有限公司* (“**Ho Kit Construction**”), the subsidiary in Macau, which did not have any material assets and liabilities at the time of deregistration, the corresponding foreign currency translation reserve in relation to this subsidiary of HK\$249,000 was released and recognised in profit or loss for the three months ended 30 June 2021.
- (ii) For the three months ended 30 June 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government amounted to approximately HK\$708,000. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

* The English name of the subsidiary is used for identification purpose only. The official name of this entity is in Chinese.

6. FINANCE COSTS

	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
– bank and other borrowings	40	137
– lease liabilities	103	114
	143	251

7. INCOME TAX CREDIT

	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
– Provision for the period	–	–
Deferred tax	(1,086)	(110)
	(1,086)	(110)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2021: 16.5%) based on the assessable profit for the year less allowable losses brought forward.

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the three months ended 30 June 2022 (for the three months ended 30 June 2021: HK\$Nil).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company are based on the following:

	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(Restated)
(Loss)/profit for the period attributable to owners of the Company (HK\$'000)	(14,791)	226
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share ('000)	108,977	46,509
Earnings per share		
Basic and diluted (HK cents)	(13.57)	0.49

The corresponding weighted average number of ordinary shares for the three months ended 30 June 2021 has been retrospectively adjusted to reflect the share consolidation and rights issue.

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue for the periods ended 30 June 2022 and 2021.

10. RESERVES

(a) Reserves of the Group

The amounts of the Group's reserves and the movements therein are presented in the unaudited condensed consolidated statements of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law in the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

The merger reserve represented the aggregate of paid-in capital of Triangular Force Construction Engineering Limited, TMP Machinery Engineering Limited and Longson Enterprise Development Company Limited, which are the subsidiaries of the Company, of 10,000, 10,000 and 2,000 ordinary shares of HK\$1 each respectively.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a foundation contractor primarily specialising in bored piling works as well as other foundation works. The Group is capable of installing bored piles with diameters ranging from 1.5 metres to 3 metres of various pile lengths. The Group has invested considerably in reinforcing its machinery and the Group possesses all standard plant and machinery and equipment necessary for its construction of bored piles. The Group also engaged in leasing of machinery.

For the three months ended 30 June 2022, the Group recorded net loss of approximately HK\$14.8 million as compared to net profit of approximately HK\$0.2 million for the same period in 2021. Decrease in net profit earned by the Group during the three months ended 30 June 2022 as compared with profit for the same period in 2021 was primarily due to the combine effect of (i) the decrease in gross profit due to cost overrun in the Group's bored piling projects, mainly the project located in Hung Hom which experienced delay in work progress; (ii) the increase in administrative expenses due to the increase in legal and professional fee for 2022 Rights Issue and the increase in marketing expenses for business development.

Outlook

The Directors are of the view that the general outlook of the industry and the business environment in which the Group operates will remain challenging. The outbreak of the COVID-19 throughout the year has created economic uncertainty to Hong Kong and imposed negative impacts on the foundation industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines, and work stoppages due to measures imposed by the government. Looking ahead, the Group will continue to strive to improve its operational efficiency and the profitability of its business. The Group will also proactively seek potential business opportunities that will broaden the sources of income and increase the return of shareholders. The Directors believe that the finance and fintech industry has a promising prospect and the development of finance and fintech will enable the Group to benefit from diversified revenue streams, as well as market deployment and preparation in advance for its entry into the Hong Kong financial services market which offers growth potential and better capital return. The Group will invest in the manpower and information system to enhance its operational capacity and efficiency in foundation and site formation works and bored piling works.

Financial Review

Revenue

The Group's revenue for the three months ended 30 June 2022 was approximately HK\$25.6 million, representing a decrease of approximately 5.6% from approximately HK\$27.1 million for the three months ended 30 June 2021, which was primarily due to the delay in progress of certain projects.

Cost of Sales

The Group's cost of sales for the three months ended 30 June 2022 was approximately HK\$34.5 million, representing an increase of approximately 44.9% from approximately HK\$23.8 million for the three months ended 30 June 2021, which was primarily due to the increase of the construction material and subcontractor charge due to a delay in progress of certain projects.

Gross Profit and Gross Profit Margin

The Group's gross loss for the three months ended 30 June 2022 was approximately HK\$8.9 million, representing a decrease of approximately 366.5% from gross profit of approximately HK\$3.3 million for the three months ended 30 June 2021. The Group's gross profit margin decreased from approximately 12.3% to gross loss margin of approximately 34.6% for the period of comparison. Such decrease was primarily due to increase of the construction material and subcontractor charge due to delay in progress of certain projects.

Administrative Expenses

The Group's administrative expenses for the three months ended 30 June 2022 were approximately HK\$7.8 million, representing an increase of approximately 143.7% from approximately HK\$3.2 million for the three months ended 30 June 2021. The increase was mainly attributable to the increase in legal and professional fee for 2022 Rights Issue and the increase in marketing expenses for business development.

Loss for the Period

For the three months ended 30 June 2022, the Group recorded loss attributed to owners of the Company of approximately HK\$14.8 million as compared to profit attributed to owners for the three months ended 30 June 2021 of approximately HK\$0.2 million. The effect was mainly attributable to (i) the decrease in gross profit due to cost overrun in the Group's bored piling projects, mainly the project located in Hung Hom which experienced delay in work progress; (ii) the increase in administrative expenses due to the increase in legal and professional fee for 2022 Rights Issue and the increase in marketing expenses for business development.

Dividend

The Board does not recommend the payment of interim dividend for the three months ended 30 June 2022 (for the three months ended 30 June 2021: HK\$Nil).

2021 Placing of New Shares

On 1 September 2021 (after trading hours of the Stock Exchange), the Company entered into the placing agreement with Tiger Faith Securities Limited (the "**Placing Agent**"), pursuant to which the Placing Agent conditionally agreed, as agent of the Company, to procure on a best effort basis then expected to be not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 45,000,000 Placing Shares at the placing price of HK\$0.175 per new share to be placed (the "**Placing Share**") (the "**2021 Placing of New Shares**"). The Company was of the view that the 2021 Placing of New Shares represented an opportunity to strengthen the Group's financial position, reduce the high gearing ratio of the Group and enlarge the shareholder base of the Company which may in turn enhance the liquidity of its shares, and provide working capital to the Group to meet any financial obligations of the Group.

On 21 September 2021, the 2021 Placing of New Shares was completed and a total of 45,000,000 Placing Shares were placed by the Placing Agent to not less than six placees at the placing price of HK\$0.175 per Placing Share, representing (i) 20% of the issued share capital of the Company immediately before completion of the 2021 Placing of New Shares; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the 2021 Placing of New Shares, determined with reference to the prevailing market price. The closing price per share of the Company as quoted on the Stock Exchange on 1 September 2021, being the date of the placing agreement, was HK\$0.215 per share. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) each of the placees is independent of and not connected with the Company, its connected persons and their respective associates, who and whose ultimate beneficial owner(s) (where applicable) are all independent third parties. The net proceeds from the 2021 Placing of New Shares (after deducting the estimated expenses) were approximately HK\$7.3 million, representing a net issue price of approximately HK\$0.162 per Placing Share, which were used as to (i) approximately HK\$4.3 million for the repayment of accounts payable which were overdue for more than 180 days; and (ii) approximately HK\$3 million for general working capital of the Group. Details of the 2021 Placing of New Shares are set out in the Company's announcements dated 1 September 2021 and 21 September 2021.

As at 30 June 2022, the actual use of the net proceeds of the 2021 Placing of New Shares was as follows:

	Planned use of net proceeds as stated in the announcement dated 1 September 2021	Actual use of proceeds up to 30 June 2022	Unutilised net proceeds up to 30 June 2022
Repayment of accounts payable which are overdue for more than 180 days	4.3	4.3	–
General working capital	3.0	3.0	–
Total	7.3	7.3	–

As at 30 June 2022, all net proceeds raised from the 2021 Placing of New Shares had been fully utilised in the manner consistent with the proposed allocations as set out in the announcement dated 1 September 2021.

2022 Rights Issue

On 14 January 2022, the Company announced a proposed rights issue on the basis of 3 Rights Shares for every 2 consolidated shares in issue at a subscription price of HK\$0.55 per Rights Share (the "2022 Rights Issue") to raise approximately HK\$44.55 million by issuing 81,000,000 Rights Shares to the qualifying shareholders.

On 3 May 2022, the Company completed the 2022 Rights Issue and issued 81,000,000 Rights Shares with par value of HK\$0.5 each at a subscription price of HK\$0.55 per Rights Shares determined with reference to, among others, the market price of the shares under the prevailing market conditions. The theoretical closing price per Share was HK\$0.725 per share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.145 per Share as quoted on the Stock Exchange on 14 January 2022, being the last trading day). The net proceeds from the 2022 Rights Issue (after deducting the estimated expenses) were approximately HK\$42.6 million, representing a net price of approximately HK\$0.53 per Rights Share, which were used as to (i) approximately HK\$3.1 million for repayment of the principal amount and interest accrued thereon of the Promissory Note to be due six months after the date of issue of the Promissory Note (i.e. 13 June 2022); (ii) approximately HK\$20 million for the acquisition of a new office premise and the relevant renovation cost; (iii) approximately HK\$7 million for recruitment of additional full-time staff who will be responsible for implementing and overseeing quality control to enhance the Group's operational capacity and efficiency in foundation and site formation works and bored piling works, as well as additional full-time staff who will be responsible for business development to acquire more business opportunities and broaden the sources of income; (iv) approximately HK\$3 million for business development and marketing expenses in order to expand the Group's customer base and acquire more projects; and (v) the remaining balance of approximately HK\$9.5 million for general working capital due to the tightened cash flow of the Group as a result of the negative impacts of the COVID-19 pandemic on the foundation industry including supply chain disruptions, workforce shortages due to illness and preventative quarantines, and work stoppages due to measures imposed by the government.

Upon the completion of the 2022 Rights Issue in May 2022, the number of shares in issue became 135,000,000 of par value HK\$0.5 each thereafter. Details of the 2022 Rights Issue are set out in the Company's announcements dated 14 January 2022, 27 January 2022, 19 April 2022, 29 April 2022, 3 May 2022, circular dated 24 February 2022 and prospectus dated 29 March 2022.

As at 30 June 2022, the actual use of the net proceeds of the 2022 Rights Issue was as follows:

	Planned use of net proceeds as stated in the prospectus dated 29 March 2022	Actual use of proceeds up to 30 June 2022	Unutilised net proceeds up to 30 June 2022
Repayment of the principal amount and interest accrued thereon of the Promissory Notes	3.1	3.1	–
Acquisition of a new office premise and the relevant renovation cost	20.0	2.1	17.90
Recruitment of additional full-time staff	7.0	–	7.00
Business development and marketing expenses	3.0	1.0	2.00
General working capital	9.5	9.5	–
Total	42.6	15.7	26.90

As at 30 June 2022, the net proceeds in the amount of approximately HK\$15.7 million have been utilized and the remaining balance of HK\$26.9 million will be utilized as intended.

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 June 2022, none of the Directors and chief executives of the Company has any shares or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")) which are required 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 were taken or deemed to have under such provisions), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial and Other Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as known to the Directors or chief executives of the Company, as at 30 June 2022, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 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, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
China New Economy Fund Limited <i>(Note 1)</i>	Beneficial owner	26,358,750	19.53%
Success Run International Limited	Beneficial owner	18,350,000	13.59%
Lion Spring Enterprises Limited	Beneficial owner	3,440,000	2.55%
Ms. Wong Fei Heung Terbe <i>(Note 2)</i>	Interested in controlled corporations	21,790,000	16.14%
Mr. Tai Pik Yeung Tyler	Beneficial owner	8,934,000	6.62%

Notes:

1. China New Economy Fund Limited is a company incorporated in the Cayman Islands, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 80).
2. Ms. Wong Fei Heung Terbe ("**Ms. Wong**") legally and beneficially owns the entire issued share capital of Success Run International Limited ("**Success Run**") and Lion Spring Enterprises Limited ("**Lion Spring**"). Therefore, Ms. Wong is deemed, or taken to be, interested in all the Shares held by Success Run and Lion Spring for the purpose of the SFO. Ms. Wong is the sole director of Success Run and the director of Lion Spring.

Save as disclosed above, as at 30 June 2021, there was no person or corporation, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 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, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2022.

Competition and Conflict of Interest

None of the Directors, the controlling shareholders or substantial shareholders of the Company or 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 interest with the Group during the three months ended 30 June 2022.

Directors' Securities Transactions

The Company has adopted Rules 5.48 to 5.68 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "**Required Standard of Dealings**"). Following specific enquiries to all the Directors, each of them has confirmed that he has complied with the Required Standard of Dealing and there was no event of non-compliance during the three months ended 30 June 2022.

Share Option Scheme

The Company operates a share option scheme (the “**Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries. The Share Option Scheme became effective on 22 September 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Share Option Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company’s shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders’ meetings.

For the three months ended 30 June 2022, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

Corporate Governance Practice

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders’ value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “CG Code”), in force for the three months ended 30 June 2022, set out in Appendix 15 of the GEM Listing Rules. During the three months ended 30 June 2022, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

Audit Committee

The Audit Committee was established on 22 September 2017. The chairman of the Audit Committee is Mr. He Dingding, an independent non-executive Director, and other members include Ms. Chan Tsz Hei Sammi (formerly known as Chan Wan Ling Sammi) and Ms. Liu Ching Man, both an independent non-executive Director. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's unaudited condensed consolidated financial statements for the three months ended 30 June 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2022 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board

State Innovation Holdings Limited

Tang Kwai Leung Stanley

Chairman and Executive Director

Hong Kong, 9 August 2022

As at the date of this report, the Board comprises Mr. Tang Kwai Leung Stanley and Mr. Chui Koon Yau as executive Directors; and Mr. He Dingding, Ms. Chan Tsz Hei Sammi (formerly known as Chan Wan Ling Sammi) and Ms. Liu Ching Man as independent non-executive Directors.