Shunten International (Holdings) Limited
順騰國際(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 932)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL HIGHLIGHTS

	2019	2018	Change
	HK$'000	*HK$'000*	*%*
Revenue	**393,487**	264,451	48.8%
Gross profit	**255,611**	181,148	41.1%
Profit/(loss) from operations	**20,475**	(133,482)	N/A
Loss for the year attributable to:			
Owners of the Company	**(4,344)**	(139,217)	(96.9%)
Non-controlling interests	**(6,367)**	(5,531)	15.1%
	(10,711)	(144,748)	(92.6%)
Loss per share attributable to owners of the Company *(expressed in HK cents)*			
Basic	**(0.2)**	(6.6)	(97.0%)
Diluted	**(0.2)**	(6.6)	(97.0%)

The board (the "**Board**") of directors (the "**Directors**") announces the audited consolidated results of Shunten International (Holdings) Limited (the "**Company**", together with its subsidiaries collectively referred to as the "**Group**") for the year ended 31 March 2019, together with the comparative figures for the previous financial year. The audited consolidated results of the Group for the year ended 31 March 2019 were reviewed by the audit committee of the Company (the "**Audit Committee**") and agreed with the auditors.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
REVENUE	*4*	**393,487**	264,451
Cost of revenue		**(137,876)**	(83,303)
GROSS PROFIT		**255,611**	181,148
Other revenue and other net income/(loss)		**7,484**	565
Selling and distribution expenses		**(67,553)**	(49,566)
Administrative expenses		**(220,036)**	(168,864)
Share of profit of an associate		**3,400**	–
Equity-settled share-based payments		**(37,007)**	(29,290)
Fair value change of an investment property		**752**	–
Fair value change of contingent consideration payables		**23,049**	(9,264)
Fair value change of promissory notes payable		**7,007**	(447)
Fair value change of convertible bonds		**47,768**	(57,764)
PROFIT/(LOSS) FROM OPERATIONS		**20,475**	(133,482)
Finance costs	*5(c)*	**(20,968)**	(8,574)
LOSS BEFORE TAXATION	*5*	**(493)**	(142,056)
Taxation	*6*	**(10,218)**	(2,692)
LOSS FOR THE YEAR		**(10,711)**	(144,748)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(329)**	670
Release of translation reserve upon deregistration of subsidiaries		**(151)**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(480)**	670
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(11,191)**	(144,078)

	Note	**2019** *HK$'000*	2018 *HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(4,344)**	(139,217)
Non-controlling interests		**(6,367)**	(5,531)
		(10,711)	(144,748)
Total comprehensive loss attributable to:			
Owners of the Company		**(4,804)**	(138,797)
Non-controlling interests		**(6,387)**	(5,281)
		(11,191)	(144,078)
Loss per share attributable to owners of the Company for the year (expressed in HK cents per share)			
– basic	*8(a)*	**(0.2)**	(6.6)
– diluted	*8(b)*	**(0.2)**	(6.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**91,764**	121,672
Investment property		**8,130**	–
Interest in an associate		**73,400**	–
Intangible assets		**211,702**	206,166
Goodwill		**199,879**	177,496
Prepayments and deposits	*9*	**5,369**	2,932
		590,244	508,266
Current assets			
Inventories		**29,065**	22,091
Trade and other receivables	*9*	**107,519**	80,000
Cash and cash equivalents		**65,497**	158,913
Tax recoverable		**105**	508
		202,186	261,512
Current liabilities			
Trade and other payables	*10*	**77,604**	34,026
Bank borrowings		**39,056**	28,119
Contract liabilities		**1,675**	–
Convertible bonds		**262,001**	–
Contingent consideration payables		**37,878**	59,169
Promissory notes payable		**9,966**	1,491
Refund liabilities		**1,394**	–
Provisions		**–**	1,007
Tax payable		**6,058**	327
		435,632	124,139
Net current (liabilities)/assets		**(233,446)**	137,373
Total assets less current liabilities		**356,798**	645,639

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Contingent consideration payables		**47,692**	118,350
Promissory notes payable		**37,543**	9,087
Other borrowings		**26,500**	5,500
Convertible bonds		**–**	310,510
Amounts due to non-controlling interests		**1,227**	1,242
Deferred tax liabilities		**36,316**	34,215
		149,278	478,904
Net assets		**207,520**	166,735
EQUITY			
Equity attributable to owners of the Company			
Share capital		**5,308**	5,308
Reserves		**156,660**	109,483
		161,968	114,791
Non-controlling interests		**45,552**	51,944
TOTAL EQUITY		**207,520**	166,735

NOTES

1. CORPORATE INFORMATION

Shunten International (Holdings) Limited (the "**Company**") was incorporated and domiciled in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 5 December 2011. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company has established a principal place of business in Hong Kong at Unit A, 12/F, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong and has been registered as a non-Hong Kong company under the Hong Kong Companies Ordinance on 5 April 2012. The Company's issued shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 11 October 2013. On 20 November 2015, the listing of the shares of the Company has been transferred from the GEM to the Main Board of the Stock Exchange.

The Company is an investment holding company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the sale, marketing and distribution of health and beauty supplements and products in Hong Kong and the People's Republic of China (the "**PRC**"), provision of online advertising agency business, online payment business, e-commerce promotion business and game distribution business.

2. BASIS OF PREPARATION

These financial statements 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment property, contingent consideration payables, promissory notes payable designated at fair value through profit or loss ("**FVTPL**") and convertible bonds designated at FVTPL, which are stated at their fair value.

Going concern

As at 31 March 2019, the Group had net current liabilities of approximately HK$233,446,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstance, the directors of the Company (the “**Directors**”) have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its obligations to continue as a going concern. Certain measures have been taken to improve the Group’s financial position and alleviate its liquidity pressure, which include, but are not limited to, the following:

(i) As at 31 March 2019, included in the current liabilities of the Group was the liability component of convertible bonds issued on 13 February 2019 of approximately HK$89,259,000. The holders of the convertible bonds have the right to convert the convertible bonds into ordinary shares of the Company up to the maturity date of the convertible bonds but the holders do not have the option to require the Company to redeem the convertible bonds except for the occurrence of any events of default in which the Directors consider that the occurrence of any events of defaults is very remote. Therefore, these convertible bonds shall not in itself result in any cash outflow for the Group in the coming twelve months;

(ii) On 25 April 2019, the Company entered into a placing agreement (the “**Placing Agreement**”) with Kilmorey Securities Limited, the placing agent, to procure not less than six placees who are independent third parties to subscribe up to 58,000,000 placing shares at the placing price of HK$0.4275 per placing share (the “**Placing**”). Pursuant to the Company’s announcement dated 20 May 2019, all conditions of the Placing Agreement fulfilled. The Placing was completed on 20 May 2019 and 23,391,813 placing shares were successfully placed by the placing agent to not less than six placees and the Company raised approximately HK$9,780,000 (net of directly attributable expenses of approximately HK$220,000);

(iii) On 21 June 2019, the Company entered into a loan facility agreement with an affiliate of a financial institution (the “**Lender**”), an independent third party, pursuant to which the Lender agreed to provide an unsecured loan of HK$180,000,000 with fixed interest rate at 11% per annum to the Company exclusively for the settlement of the convertible bonds which will mature on 12 October 2019. If the loan facility is drawn down, the loan will be repayable after twelve months from the drawdown date; and

(iv) The Group is actively looking for additional sources of financing to enhance its financial position and support the plans to expand its operations.

Taking into account of the measures above and the arrangements implemented to date, the Directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from 31 March 2019. Accordingly, the Directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

– HKFRS 9, Financial Instruments

– HKFRS 15, Revenue from Contracts with Customers and the related Amendments

– HK(IFRIC)-Int 22, Foreign Currency Transactions and Advance Consideration

– Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions

– Amendments to HKFRS 4, Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"

– Amendments to HKAS 28, As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

– Amendments to HKAS 40, Transfers of Investment Property

Except as disclosed in note 3(b) and 3(c) below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the financial statements.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and HKFRS 15:

	At 31 March 2018	Impact on initial application of HKFRS 9	Impact on initial application of HKFRS 15	At 1 April 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 3(b))	*(Note 3(c))*	
Trade and other receivables	80,000	(842)	224	79,382
Total current assets	261,512	(842)	224	260,894
Trade and other payables	34,026	–	(608)	33,418
Contract liabilities	–	–	608	608
Refund liabilities	–	–	1,007	1,007
Provisions	1,007	–	(1,007)	–
Total current liabilities	124,139	–	–	124,139
Net assets	166,735	(842)	224	166,117
Reserves	109,483	(842)	224	108,865
Total equity	166,735	(842)	224	166,117

(b) HKFRS 9, Financial Instruments

HKFRS 9 replaces HKAS 39, *Financial Instruments: Recognition and Measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on accumulated losses at 1 April 2018:

	HK$'000
Accumulated losses	
Loss allowance	842
Net increase in accumulated losses at 1 April 2018	842

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9:

	HKAS 39 carrying amount at 31 March 2018	**Remeasurement**	**HKFRS 9 carrying amount at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets carried at amortised cost			
Financial assets included in "trade and other receivables"	59,497	(842)	58,655
Cash and cash equivalents	158,913	–	158,913
	218,410	(842)	217,568

The measurement categories for all financial liabilities remain the same.

The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 April 2018.

(ii) *Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including financial assets included in trade and other receivables and cash and cash equivalents).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 March 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 April 2018:

	HK$'000
Loss allowance at 31 March 2018 under HKAS 39	162
Additional credit loss recognised at 1 April 2018 on:	
– Trade receivables	842
Loss allowance at 1 April 2018 under HKFRS 9	1,004

(iii) *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group):

  • the determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

The following table summarises the impact of transition to HKFRS 15 on accumulated losses at 1 April 2018:

	HK$'000
Accumulated losses	
Impact on right-of-return assets	224
Net decrease in accumulated losses at 1 April 2018	224

The Group is principally engaged in the sale, marketing and distribution of health and beauty supplements and products in Hong Kong and the PRC, provision of online advertising agency business, online payment business, e-commerce promotion business and game distribution business. The products are sold and the services are rendered on their own in separately identified contracts with customers.

The adoption of HKFRS 15 does not have a significant impact on the Group's revenue recognition policy, except for sales of health and beauty supplements and products as detailed below:

– *Sale of health and beauty supplements and products*

  The Group's contracts with customers for the sale of health and beauty supplements and products generally include one performance obligation. The Group has concluded that revenue from the sale of products should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition. However, the new classification and measurement are summarised as below.

Some contracts for the sale of health and beauty supplements and products provide customers with a right of return. Prior to the adoption of HKFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns. If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved.

Under HKFRS 15, rights of return give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using an approach similar to the expected value method under HKFRS 15. Prior to the adoption of HKFRS 15, the amount of revenue related to the expected returns was deferred and recognised in the statement of financial position within provisions with a corresponding adjustment to cost of sales. The initial carrying amount of goods expected to be returned was included in "provisions".

Under HKFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements in HKFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group presents a refund liability and an asset for the right to recover products from a customer separately in the consolidated statement of financial position. Upon adoption of HKFRS 15, the Group reclassified the provision for the right of return from "provisions" to "refund liabilities" and recognised the related return asset as "right-of-return assets".

The Group recognised "right-of-return assets" (being included in "trade and other receivables") and "refund liabilities" amounting to approximately HK$217,000 and approximately HK$1,394,000 respectively in the consolidated statement of financial position as at 31 March 2019.

The Group received short-term advances from customers. Prior to the adoption of HKFRS 15, the Group represented these advances as "receipt in advance" in "trade and other payables" in the consolidated statement of financial position. Upon the adoption of HKFRS 15, the Group reclassified the advances to "contract liabilities". As at 1 April 2018, the Group had short-term advances from customers amounting to approximately HK$608,000, which were reclassified to "contract liabilities" at the initial application of HKFRS 15.

4. REVENUE

The Group is principally engaged in the sale, marketing and distribution of health and beauty supplements and products mainly in Hong Kong and the PRC, provision of online advertising agency business, online payment business, e-commerce promotion business and game distribution business.

Revenue represents the income from sales of health and beauty supplements and products, provision of online advertising agency business, online payment business, e-commerce promotion business and game distribution business, net of returns, discounts, value-added tax and other sales taxes for the year.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical locations of customers are detailed as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15:		
Health and beauty supplements and products	**312,728**	250,797
Online advertising agency business	**11,535**	9,447
Online payment business	**14,922**	1,751
E-commerce promotion business	**7,487**	1,724
Game distribution business	**46,815**	732
	393,487	264,451
Disaggregated by geographical locations of customers:		
Hong Kong (place of domicile)	**379,460**	263,730
The PRC	**6,328**	606
Singapore	**7,366**	–
Taiwan	**29**	115
Others	**304**	–
	393,487	264,451
Timing of revenue recognition:		
Point in time	**384,349**	262,492
Over time	**9,138**	1,959
	393,487	264,451

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the followings:

		2019	2018
		HK$'000	*HK$'000*
(a)	**Staff costs:**		
	Salaries, allowances, and other benefits (including directors' emoluments)	**142,440**	84,160
	Contributions to defined contribution retirement plans	**4,076**	2,968
	Equity-settled share-based payments	**37,007**	29,290
		183,523	116,418
(b)	**Other items:**		
	Auditors' remuneration	**1,645**	1,431
	Cost of inventories	**116,636**	76,155
	Depreciation on property, plant and equipment	**8,785**	6,950
	Amortisation of intangible assets	**7,203**	6,102
	Operating lease charges: minimum lease payments	**8,361**	5,265
	Research and development costs (other than amortisation costs)	**4,543**	3,396
	Rent for special designated counters	**52,860**	37,922
	Rental income from an investment property less direct outgoings of HK$8,000 (2018: Nil)	**(72)**	–
	Impairment loss on trade receivables	**1,875**	–
	Legal and professional fee	**8,978**	14,867
(c)	**Finance costs:**		
	Interest on bank borrowings	**846**	1,283
	Interest on other borrowings	**1,482**	165
	Interest on convertible bonds measured at amortised cost	**1,667**	–
	Interest on promissory notes payable measured at amortised cost	**1,520**	–
	Total interest expenses on financial liabilities not at FVTPL	**5,515**	1,448
	Interest on convertible bonds designated at FVTPL	**15,240**	7,126
	Interest on promissory notes payable designated at FVTPL	**213**	–
		20,968	8,574

6. TAXATION

Income tax in the consolidated statement of profit or loss represents:

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**9,873**	3,743
Underprovision/(overprovision) in respect of prior years		
Hong Kong Profits Tax	**57**	–
PRC Enterprise Income Tax	**289**	(107)
Deferred tax		
Reversal of temporary differences	**(1)**	(944)
	10,218	2,692

The Group is subjected to Hong Kong Profits Tax at a rate of 16.5% (2018: 16.5%) for the year ended 31 March 2019.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and the assessable profits above HK$2,000,000 will be taxed at 16.5%.

For the year ended 31 March 2018 and 2019, no provision for PRC Enterprise Income Tax (the "**EIT**") has been made in the financial statements as the Group has no assessable profits under EIT.

No provision for profits tax in the Cayman Islands, the British Virgin Islands, Malaysia, Macau and Taiwan have been made as the Group has no income or profit assessable for tax in these jurisdictions for the years ended 31 March 2018 and 2019.

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the years ended 31 March 2018 and 2019.

8. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company	**(4,344)**	(139,217)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share *(Note)*	**2,123,002,150**	2,114,635,675

Note: For the year ended 31 March 2018, the weighted average number of ordinary shares for the purpose of basic loss per share have been adjusted to reflect the share subdivision on 5 December 2017.

(b) Diluted loss per share

For the year ended 31 March 2019, the diluted loss per share is the same as the basic loss per share because the effect of deemed issue of shares of certain outstanding share options and convertible bonds of the Company would result in a decrease in loss per share for the year.

For the year ended 31 March 2018, the calculation of diluted loss per share did not assume the conversion of the Company's outstanding convertible bonds and share options since their exercises would result in a decrease in loss per share.

9. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**78,075**	56,379
Less: Allowance for doubtful debts	**(2,879)**	(162)
	75,196	56,217
Other receivables	**3,796**	3,280
Financial assets measured at amortised cost	**78,992**	59,497
Prepayments	**8,334**	7,535
Utility, trade and other deposits	**25,345**	15,900
Right-of-return assets	**217**	–
	33,896	23,435
	112,888	82,932

	2019	2018
	HK$'000	*HK$'000*
Analysis of trade and other receivables:		
Non-current portion	**5,369**	2,932
Current portion	**107,519**	80,000
	112,888	82,932

The amount of the Group's utility, trade and other deposits and prepayments expected to be recovered or recognised as expense after more than one year is approximately HK$4,860,000 (2018: HK$1,919,000) and approximately HK$509,000 (2018: HK$1,013,000) respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

As of the end of the reporting period, the ageing analysis of trade receivables based on the date of revenue recognition and net of allowance for doubtful debts were as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**40,697**	38,957
31–60 days	**21,836**	11,648
61–90 days	**7,892**	4,261
91–180 days	**3,347**	1,351
181–365 days	**1,388**	–
Over 365 days	**36**	–
	75,196	56,217

10. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**16,251**	6,288
Salary and welfare payables	**23,388**	8,728
Accrued advertising expenses	**5,187**	3,922
Other payables and accruals	**26,041**	7,189
Interest payable on other borrowings	**1,623**	165
Interest payable on convertible bonds designed at FVTPL	**5,114**	7,126
Receipt in advance *(Note)*	**–**	608
	77,604	34,026

Note: Receipt in advance from customers are reclassified to contract liabilities under HKFRS 15.

As of the end of the reporting period, the ageing analysis of trade payables based on invoice date were as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**8,304**	5,394
31–60 days	**2,226**	506
61–90 days	**721**	17
91–180 days	**4,627**	2
181–365 days	**4**	154
Over 365 days	**369**	215
	16,251	6,288

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

11. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the board of directors of the Company, being the Group's chief operating decision maker ("**CODM**") for the purposes of resources allocation and performance assessment, the Group has presented the following reportable segments.

– Development, manufacturing and sales of health and beauty supplements and products

– Online advertising agency business

– Online payment business

– E-commerce promotion business

– Game distribution business

During the year ended 31 March 2019, in consideration of the expansion of e-commerce promotion business and game distribution business, which were classified as one reportable operating segment under "other businesses" during the year ended 31 March 2018, the CODM considered that it would be more appropriate to present the e-commerce promotion business and game distribution business separately as two reportable operating segments. Accordingly, the comparative figures of last year have been reclassified.

(a) Segment revenue, results, assets and liabilities

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating segment profit/(loss). The segment profit/(loss) before tax is measured consistently with the Group's loss before tax except for unallocated other revenue and other net income/(loss), share of profit of an associate, fair value change of contingent consideration payables, fair value change of promissory notes payable, fair value change of convertible bonds, fair value change of investment property, equity-settled share-based payments, finance costs and unallocated corporate expenses.

Segment assets exclude tax recoverable, investment property, interest in an associate, unallocated intangible assets, unallocated cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable, bank borrowings, other borrowings, contingent consideration payables, promissory notes payable, convertible bonds, amounts due to non-controlling interests and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance for the year ended 31 March 2019 and 2018 is set out below:

(i) Segment revenue and results

	For the year ended 31 March 2019						
	Development, manufacturing and sales of health and beauty supplements and products	**Online advertising agency business**	**Online payment business**	**E-commerce promotion business**	**Game distribution business**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Revenue from external customers	**312,728**	**11,535**	**14,922**	**7,487**	**46,815**	**–**	**393,487**
Inter-segment revenue	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	312,728	**11,535**	**14,922**	**7,487**	**46,815**	**–**	**393,487**
Segment results	**57,134**	**(6,841)**	**(4,096)**	**(3,732)**	**(798)**	**–**	**41,667**
Unallocated other revenue and other net income							**4,586**
Share of profit of an associate							**3,400**
Fair value change of contingent consideration payables							**23,049**
Fair value change of promissory notes payable							**7,007**
Fair value change of convertible bonds							**47,768**
Fair value change of investment property							**752**
Equity-settled share-based payments							**(37,007)**
Finance costs							**(20,968)**
Unallocated corporate expenses							**(70,747)**
Loss before taxation							**(493)**

	For the year ended 31 March 2018 (restated)						
	Development, manufacturing and sales of health and beauty supplements and products	Online advertising agency business	Online payment business	E-commerce promotion business	Game distribution business	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Revenue from external customers	250,797	9,447	1,751	1,724	732	–	264,451
Inter-segment revenue	–	600	–	–	–	(600)	–
	250,797	10,047	1,751	1,724	732	(600)	264,451
Segment results	30,522	(7,732)	(3,870)	(1,680)	(381)	–	16,859
Unallocated other revenue and other net loss							208
Fair value change of contingent consideration payables							(9,264)
Fair value change of promissory notes payable							(447)
Fair value change of convertible bonds							(57,764)
Equity-settled share-based payments							(29,290)
Finance costs							(8,574)
Unallocated corporate expenses							(53,784)
Loss before taxation							(142,056)

(ii) Segment assets and liabilities

	As at 31 March 2019					
	Development, manufacturing and sales of health and beauty supplements and products	**Online advertising agency business**	**Online payment business**	**E-commerce promotion business**	**Game distribution business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Segment assets	160,287	60,557	297,683	14,116	43,327	575,970
Tax recoverable						105
Investment property						8,130
Interest in an associate						73,400
Unallocated intangible assets						2,200
Unallocated cash and cash equivalents						59,036
Unallocated corporate assets						73,589
Total consolidated assets						792,430
Liabilities						
Segment liabilities	24,177	1,063	3,257	1,223	8,366	38,086
Deferred tax liabilities						36,316
Tax payable						6,058
Bank borrowings						39,056
Other borrowings						26,500
Contingent consideration payables						85,570
Promissory notes payable						47,509
Convertible bonds						262,001
Amounts due to non-controlling interests						1,227
Unallocated corporate liabilities						42,587
Total consolidated liabilities						584,910

	As at 31 March 2018 (restated)					
	Development, manufacturing and sales of health and beauty supplements and products	Online advertising agency business	Online payment business	E-commerce promotion business	Game distribution business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Segment assets	178,386	66,648	294,260	22,195	28,165	589,654
Tax recoverable						508
Unallocated intangible assets						2,200
Unallocated cash and cash equivalents						102,460
Unallocated corporate assets						74,956
Total consolidated assets						769,778
Liabilities						
Segment liabilities	15,345	431	4,322	612	1,344	22,054
Deferred tax liabilities						34,215
Tax payable						327
Bank borrowings						28,119
Other borrowings						5,500
Contingent consideration payables						177,519
Promissory notes payable						10,578
Convertible bonds						310,510
Amounts due to non-controlling interests						1,242
Unallocated corporate liabilities						12,979
Total consolidated liabilities						603,043

(iii) Other segment information

	For the year ended 31 March 2019					
	Development, manufacturing and sales of health and beauty supplements and products	**Online advertising agency business**	**Online payment business**	**E-commerce promotion business**	**Game distribution business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other information						
Additions of property, plant and equipment other than through acquisition of subsidiaries	939	46	4,101	90	63	5,239
Additions of unallocated property, plant and equipment other than through acquisition of subsidiaries						791
Total additions of property, plant and equipment other than through acquisition of subsidiaries						6,030
Additions of property, plant and equipment through acquisition of subsidiaries	147	–	–	–	–	147
Additions of unallocated property, plant and equipment through acquisition of subsidiaries						121
Total additions of property, plant and equipment through acquisition of subsidiaries*						268
Additions of intangible assets through acquisition of subsidiaries	12,739	–	–	–	–	12,739
Additions of goodwill through acquisitions of subsidiaries	22,383	–	–	–	–	22,383
Depreciation of property, plant and equipment	3,249	266	1,373	42	9	4,939
Unallocated depreciation of property, plant and equipment						3,846
Total depreciation of property, plant and equipment						8,785
Amortisation of intangible assets	869	5,781	–	553	–	7,203

* Including the business combinations and acquisition of assets and liabilities through acquisition of subsidiaries as detailed in notes 12 and 13 of this announcement respectively.

	For the year ended 31 March 2018 (restated)					
	Development, manufacturing and sales of health and beauty supplements and products	Online advertising agency business	Online payment business	E-commerce promotion business	Game distribution business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other information						
Additions of property, plant and equipment other than through acquisition of subsidiaries	957	1,217	611	2	–	2,787
Additions of unallocated property, plant and equipment other than through acquisition of subsidiaries						2,665
Total additions of property, plant and equipment other than through acquisition of subsidiaries						5,452
Additions of property, plant and equipment through acquisition of subsidiaries	26,834	196	3,280	68	–	30,378
Additions of unallocated property, plant and equipment through acquisition of subsidiaries						39,000
Total additions of property, plant and equipment through acquisition of subsidiaries#						69,378
Additions of intangible assets through acquisition of subsidiaries	–	34,445	172,313	2,758	–	209,516
Additions of goodwill through acquisitions of subsidiaries	–	31,214	113,373	8,348	24,561	177,496
Depreciation of property, plant and equipment	3,955	145	546	18	–	4,664
Unallocated depreciation of property, plant and equipment						2,286
Total depreciation of property, plant and equipment						6,950
Amortisation of intangible assets	143	5,809	–	150	–	6,102

Including the business combinations and acquisition of assets and liabilities through acquisition of subsidiaries as detailed in notes 12 and 13 of this announcement respectively.

(b) Geographical information

The Company is domiciled in Hong Kong. The Group's operations are mainly located in Hong Kong, the PRC and Taiwan.

The revenue information below is based on the location of the operations.

	2019		2018	
		Non-current		Non-current
	Revenue	**assets**	Revenue	assets
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Hong Kong (place of domicile)	**393,455**	**589,580**	263,730	507,585
The PRC	**19**	**664**	606	681
Taiwan	**13**	**–**	115	–
	393,487	**590,244**	264,451	508,266

(c) Information about major customer

Revenues from external customer contributing 10% or more of the total revenue of the Group is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A*	**150,137**	134,017

* The revenues were derived from the development, manufacturing and sales of health and beauty supplements and products.

12. BUSINESS COMBINATIONS

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the years ended 31 March 2019 and 2018 as at their respective dates of acquisition are set out below:

	2019	2018			
	H365 Group (defined below) ***HK$'000*** ***(Note)***	Star Root Limited *HK$'000*	Empire Access Limited *HK$'000*	Others *HK$'000*	Total *HK$'000*
Non-current assets					
Plant and equipment	**147**	196	3,280	68	3,544
Intangible assets	**12,739**	34,445	172,313	2,758	209,516
Current assets					
Trade and other receivables	**1,793**	274	169	3,869	4,312
Cash and cash equivalents	**931**	70	915	2,074	3,059
Inventories	**3,593**	–	–	–	–
Tax recoverable	**–**	–	–	100	100
Current liabilities					
Trade and other payables	**(363)**	(400)	(1,363)	(3,743)	(5,506)
Shareholder's loans	**(3,912)**	–	–	–	–
Tax payable	**(121)**	–	–	–	–
Non-current liabilities					
Deferred tax liabilities	**(2,102)**	(5,683)	(28,432)	(455)	(34,570)
Total identifiable net assets at fair value	**12,705**	28,902	146,882	4,671	180,455
Goodwill arising on acquisitions	**22,383**	31,214	113,373	32,909	177,496
Non-controlling interests	**–**	(10,116)	(44,075)	(1,454)	(55,645)
Assignment of shareholder's loans to the Group	**3,912**	–	–	–	–
Total consideration	**39,000**	50,000	216,180	36,126	302,306
Consideration satisfied by:					
Cash consideration paid	**39,000**	50,000	5,000	13,920	68,920
Cash consideration payable	**–**	–	55,000	–	55,000
Fair value of contingent consideration payables	**–**	–	156,180	12,075	168,255
Fair value of promissory notes payable	**–**	–	–	10,131	10,131
	39,000	50,000	216,180	36,126	302,306

Note:

On 28 November 2018, Golden Challenge Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party vendor to acquire the entire equity interest of CJ Pharmaceutical Limited, H365 Health Products Limited and CV Virtue Limited (collectively known as "**H365 Group**"), companies incorporated in Hong Kong, together with the shareholder's loans of H365 Group, at a cash consideration of HK$39,000,000. H365 Group are principally engaged in the sales and distribution of healthcare products. The management considers that such acquisition will provide an excellent opportunity for the Group to expand and grow its main business in health and beauty supplements and products. The acquisition was completed on 17 December 2018.

13. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

The fair values of the assets and liabilities acquired through acquisition of subsidiaries during the years ended 31 March 2018 and 2019 as at their respective dates of acquisition are set out below:

	2019	2018		
	Able One Limited ("Able One")	Giant Bloom Holdings Limited	Super Value Sporting Goods Company Limited ("**Super Value**")	Total
	HK$'000 ***(Note)***	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Investment property	**7,378**	–	–	–
Properties, plant and equipment	**121**	39,000	26,834	65,834
Current assets				
Deposits and prepayments	**6**	–	166	166
Cash and cash equivalents	**36**	–	–	–
Current liabilities				
Shareholder's loan	**(461)**	–	–	–
Deposits received	**(40)**	–	–	–
Bank overdrafts	**(1)**	–	–	–
Total identifiable net assets at fair value	**7,039**	39,000	27,000	66,000
Assignment of shareholder's loan to the Group	**461**	–	–	–
Total consideration	**7,500**	39,000	27,000	66,000
Consideration satisfied by:				
Cash consideration paid	**7,500**	34,000	27,000	61,000
Consideration payable	**–**	5,000	–	5,000
	7,500	39,000	27,000	66,000

Note:

On 4 May 2018, the Group entered into a sale and purchase agreement with an independent third party vendor to acquire the entire equity interest in and the shareholder's loan of Able One for a total cash consideration of HK$7,500,000. Able One is principally engaged in property investment. The transaction was completed on 10 May 2018. This acquisition has been accounted for as an acquisition of assets and liabilities through acquisition of a subsidiary.

14. DISPOSAL OF SUBSIDIARIES

(a) Disposal of the entire equity interest and the shareholders' loan in Super Value

On 25 July 2018 and 18 December 2018, the Group entered into a provisional sale and purchase agreement and sale and purchase agreement respectively with an independent third party whereby the Group agreed to dispose of its entire equity interest and the shareholder's loan in Super Value for a consideration of HK$31,000,000. Super Value is principally engaged in property investment. The transaction was completed on 18 December 2018.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	**26,026**
Accruals	**(27)**
Shareholder's loans	**(25,635)**
Net assets disposed of attributable to owners of the Company	**364**
Gain on disposal of a subsidiary:	
Consideration received in cash	**31,000**
Expenses incurred on disposal	**(921)**
Net assets disposed of attributable to owners of the Company	**(364)**
Sale of shareholder's loans	**(25,635)**
	4,080

(b) **Disposal of 65% equity interest in Max Excel Corporation Limited ("Max Excel")**

On 22 November 2018, the Group disposed of 65% equity interest in Max Excel to its non-controlling shareholder for a consideration of HK$6,500. The transaction was completed on 22 November 2018.

	HK$'000
Net assets/(liabilities) disposed of :	
Amount due from a non-controlling interest	**4**
Accruals	**(2)**
	2
Net assets disposed of attributable to non-controlling interests	**(5)**
Net liabilities disposed of attributable to owners of the Company	**(3)**
Gain on disposal of a subsidiary:	
Consideration received in cash	**7**
Net liabilities disposed of attributable to owners of the Company	**3**
	10

15. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Completion of placing

On 25 April 2019, the Company entered into a Placing Agreement with Kilmorey Securities Limited, the placing agent, to procure not less than six placees who are independent third parties to subscribe up to 58,000,000 placing shares at the placing price of HK$0.4275 per placing share.

Pursuant to the Company's announcement dated 20 May 2019, all conditions of the Placing Agreement fulfilled. The Placing was completed on 20 May 2019 and 23,391,813 placing shares were successfully placed by the placing agent to not less than six placees at the placing price of HK$0.4275 per placing shares.

(b) Memorandum of understanding in respect of the formation of joint venture and cooperation on homing pigeon products supply chain business in the PRC

On 20 May 2019, the Company entered into a non-legally binding memorandum of understanding with potential cooperation parties to leverage on their respective background and expertise and cooperate to jointly develop the homing pigeon products supply chain business in the PRC through the joint venture company, with focus on supply of animal feed, supplements and medicine and animal logistics businesses. The Company and the potential vendors shall negotiate with one another on the amount and payment terms of the consideration of the acquisition in the formal agreement. Up to the date of this announcement, there is no formal agreement signed and the transaction is not yet completed.

Further details are set out in the Company's announcement dated 20 May 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group is principally engaged in the formulating, marketing, sales and distribution of health and beauty supplements and products in Hong Kong and the PRC, provision of online advertising agency business, online payment business, e-commerce promotion business and game distribution business. During the year ended 31 March 2019, we have been facing a very challenging year for Hong Kong and nearby retail and fast-moving consumer goods market. The China-US trade war initiated in the second half of 2018 has posed rising threat to the global market. Market sentiment in local market has also been suppressed by both the local political and economic atmosphere. Consequently, the above stated factors have resulted in declining retail sales and negative growth. Since both our core business and E-business are retail and consumer related, the Group is consistently deploying a variety of measures to achieve higher return for our shareholders. Notwithstanding the above, the Group has successfully acquired H365 Group in December 2018 to strengthen our existing core business operations particularly in diversification and expansion of sales and distribution channels. The management believes that the acquisition will offer excellent opportunity for the Group to raise our market penetration in health and beauty supplements and products market.

For the year ended 31 March 2019, the Group recorded a revenue of approximately HK$393.5 million (2018: HK$264.5 million), representing an increase of approximately HK$129.0 million or 48.8% over the corresponding period last year. Revenue from the core business, health and beauty supplements and products segment, contributed approximately HK$312.7 million (2018: HK$250.8 million), representing 79.5% (2018: 94.8%) of the total revenue of the Group. Meanwhile, online advertising agency business, online payment business, e-commerce promotion business and game distribution business contributed HK$11.6 million, HK$14.9 million, HK$7.5 million and HK$46.8 million respectively to the revenue of the Group for the year ended 31 March 2019. These online businesses accounted for approximately HK$80.8 million (2018: HK$13.7 million), representing 20.5% (2018: 5.2%) of the total revenue of the Group. The increase in revenue from online businesses was due to the Group's "Internet Plus" connectivity strategy launched last year, which exhibited successful diversification of business. Given the broader revenue base and internal synergy among different intragroup business entities, it is expected that the performance of the online businesses of the Group can be further improved in the near future.

The gross profit margin of the Group for the year ended 31 March 2019 was approximately 65.0% (2018: 68.5%), representing a decrease of approximately 3.5 percentage points over the corresponding period of the pervious year. Such decrease was mainly due to lower gross profit margins of the online business segments as compared to that of the health and beauty supplements and products segment of the Group.

Major factors which contributed to the loss of previous financial year were under control and the impact thereof was minimized. These improved results were attributed to (i) the significant increase in revenue from our core business; (ii) the decrease in one-off legal and professional fee as compared to the corresponding period of previous year; and (iii) net fair value gain on convertible bonds issued by the Company in 2017 and other liabilities as a result of accounting treatments, which do not have any actual impact on the results of the operations and cash flows of the Group. The Group reported a loss of approximately HK$10.7 million for the year ended 31 March 2019 as compared to the loss of HK$144.7 million of the corresponding period in 2018.

Health and beauty supplements and products segment

Revenue of health and beauty supplements and products segment

As at 31 March 2019, the Group sold and distributed 77 (2018: 33) health supplements and 11 (2018: 8) beauty supplements and products under its proprietary brands; 59 (2018: 53) health supplements and Nil (2018: 1) beauty supplement and product under the distribution facilitator's private label brands; and 9 (2018: 14) health supplements under trading of goods.

The following table sets forth the breakdown of revenue by product categories for the two years ended 31 March 2019:

	For the year ended 31 March			
	2019		2018	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Categories				
Health supplements	**267,860**	**85.6%**	213,658	85.2%
Beauty supplements and products	**43,985**	**14.1%**	28,371	11.3%
Others	**883**	**0.3%**	8,768	3.5%
Total	**312,728**	**100.0%**	250,797	100%

The health and beauty supplements and products segment recorded a revenue of approximately HK$312.7 million for the year ended 31 March 2019 (2018: HK$250.8 million), representing an increase of approximately HK$61.9 million or 24.7% over the previous year.

The overall increase in revenue was due to an increase in sales of health supplements, of which HK$43.1 million was resulted from the expansion of the product variety of private label health supplements, which was promoted by the engagement of a brand ambassador in Hong Kong. Benefited from increased utilisation of digital marketing platform and building product popularity within the health supplement market, the revenue attributable to health supplements increased by approximately HK$54.2 million or 25.4% to HK$267.9 million (2018: HK$213.7 million).

The Group acquired H365 Group in December 2018 and H365 Group contributed HK$4.2 million to the revenue, representing 1.3% of the segment's total revenue for the year ended 31 March 2019.

For the year ended 31 March 2019, the top 4 best-selling products were Royal Medic No.1 Chinese Cs-4, RM Broken Ganoderma Spore, Melty Enzyme and Health Proof Junior Milk CA+DHA PF, which in aggregate contributed approximately HK$113.7 million or 36.4% of the segment's total revenue.

For the year ended 31 March 2018, the top 4 best-selling products were Royal Medic No.1 Chinese Cs-4, RM Broken Ganoderma Spore, Melty Enzyme and Health Proof Junior Milk CA+DHA PF, which in aggregate contributed approximately HK$90.0 million or 35.9% of the segment's total revenue.

Revenue by sales and distribution channels

The following table sets forth the breakdown of the health and beauty supplements and products segment's revenue by distribution channels for the two years ended 31 March 2019:

	For the year ended 31 March			
	2019		2018	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Shelves in distribution facilitators' stores in Hong Kong	**151,150**	**48.4%**	134,017	53.4%
Special designated counters ("**SDCs**") located in distribution facilitators' stores in Hong Kong	**141,047**	**45.1%**	90,663	36.2%
Other distribution channels *(Note 1)*	**1,719**	**0.5%**	9,291	3.7%
Hong Kong Brands and Products Expo	**18,205**	**5.8%**	15,608	6.2%
Others *(Note 2)*	**607**	**0.2%**	1,218	0.5%
Total	**312,728**	**100.0%**	250,797	100.0%

Note 1: "Other distribution channels" mainly includes a distribution facilitator in Taiwan and the PRC, the Wisdom Club, wholesalers, and Royal Medic Chinese Medicine Clinics.

Note 2: "Others" mainly represents service income.

As at 31 March 2019, the Group had 19 (2018: 18) Royal Medic SDCs, 44 (2018: 30) Health Proof SDCs and 28 (2018: Nil) H365 SDCs in distribution facilitators' stores in Hong Kong.

Revenue by geographical locations

Over 99.0% of the revenue for the two years ended 31 March 2019 was contributed by the Hong Kong market, with very limited contribution from the PRC market.

Owing to the economic slowdown in Taiwan, the operations of the health and beauty supplements business line in Taiwan was experiencing challenge in the past few years. The Group tried different approaches to improve its performance but was still not satisfactory and sustained losses. The Company is of the view that the resources of the Group could be better allocated for other existing or potential businesses and decided to close down the operation in Taiwan during the year ended 31 March 2018.

Results of health and beauty supplements and products segment

The following table sets forth the breakdown of the health and beauty supplements and products segment's gross profit and gross profit margin by operating segments for the two years ended 31 March 2019:

	For the year ended 31 March			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
Health supplements				
Proprietary brands	**100,939**	**78.8%**	80,269	75.4%
Private label brands	**100,663**	**82.7%**	65,529	83.3%
Trading of goods	**12,352**	**68.3%**	11,679	40.9%
	213,954	**79.9%**	157,477	73.7%
Beauty supplements and products				
Proprietary brands	**31,447**	**71.5%**	17,533	61.9%
Private label brands	**–**	**–**	26	74.3%
	31,447	**71.5%**	17,559	61.9%
Others	**675**	**76.5%**	740	8.4%
Total	**246,076**	**78.7%**	175,776	70.1%

Owing to the increase in the segment turnover, the gross profit of the health and beauty supplements and products segment for the year ended 31 March 2019 was approximately HK$246.1 million (2018: HK$175.8 million), representing an increase of approximately 40.0% over the previous year. The gross profit margin of the health and beauty supplements and products segment for the year ended 31 March 2019 increased to approximately 78.7% (2018: 70.1%). The increase in gross profit margin was mainly attributed to the change in sales composition.

The selling and distribution expenses of the segment increased by approximately HK$18.0 million or 36.3% to HK$67.6 million for the year ended 31 March 2019 (2018: HK$49.6 million). The selling and distribution expenses increased in line with the increase in segment turnover during the year. The said increase in expenses was also due to additional resources that has been employed by the Group to conduct digital marketing through bloggers and KOLs (key opinion leaders) in addition to the traditional marketing media, so as to boarden the customer base. The administrative expenses of this segment also increased primarily due to the inflated rental expenses of special designated counter and increase in headcounts. The administrative expenses of the segment increased by approximately HK$26.9 million or 28.1% to HK$122.5 million for the year ended 31 March 2019 (2018: HK$95.6 million).

As a result, the segment profits increased by HK$26.6 million to approximately HK$57.1 million, representing a significant increase of approximately 87.2% over the previous year (2018: HK$30.5 million).

Online advertising agency segment

Revenue of online advertising agency segment

For the year ended 31 March 2019, the online advertising agency business segment recorded revenue of approximately HK$11.6 million (for the period from 14 April 2017 to 31 March 2018: HK$9.4 million), representing an increase of approximately HK$2.2 million or 23.4% over the period from 14 April 2017 to 31 March 2018.

Since the acquisition of Star Root Limited in April 2017, its subsidiary Tenfok Asia Limited ("**Tenfok Asia**") has become the cross-border online advertising arm of the Group and it has been the only Hong Kong and overseas content partner of gd.qq.com under the name of Hong Kong Station of gd.qq.com. gd.qq.com has been the joint venture project between Tencent Group and Nanfang Daily Media Group (南方報業傳媒集團) , the largest media company in the Greater Bay Area since 2011. According to unaudited figures, total number of viewers of gd.qq.com per month exceeds 200 million. Leveraging on the affiliated Apps function of Hong Kong Station of gd.qq.com, we can achieve the multi-platform function and boost our advertising content to reach over 200 million viewers per month.

According to a popular and market measurement of actual viewership, the number of followers under our WeChat official account doubled from around 2 million in March 2018 to around 4.1 million in March 2019. Tenfok Asia also uses the Facebook platform of Hong Kong Station of gd.qq.com in Hong Kong which allows our advertising clients to have exposure to the Facebook channel of Hong Kong Station of gd.qq.com.

Result of online advertising agency segment

Hong Kong Station of gd.qq.com successfully built the news media connecting Hong Kong and Mainland China with a focus on features that cater to the needs of Mainland users for entertainment, lifestyle and fashion information in Hong Kong. The portal provides online and offline information platforms that cover entertainment, food, tourism, beauty, fashion, parent-child interaction, pets and E-sports, so as to extend the time users spend on their terminal devices.

The management has exercised strong cost control and expanded the income stream by strengthening the brand with Tencent Group. The results are very promising as proven by the fact that online advertising agency segment recorded a loss of HK$6.8 million for the year ended 31 March 2019 (including the amortisation for the financial year recorded HK$5.8 million). In addition, from January to March 2019, Tenfok Asia is on an improving trend. The management is optimistic over the future income stream.

Online payment business segment

Since our acquisition of Empire Access Limited ("**Empire Access**") in September 2017, the online payment business has been offering stable contribution in income and clientele to the Group and further diversifing the Group's overall business.

In addition to N Dimension Limited ("**N Dimension**"), a subsidiary of Empire Access, and one of the authorised WeChat payment service providers in Hong Kong, the Group has set up another marketing arm, Junten Technology Limited ("**Junten**"), to capture the integrated payment service segment. They jointly provide peripheral software, settlement and hardware solutions support to merchants in Hong Kong for adopting the integrated cross-border electronic fund transfer system.

The monthly payment amount on e-payment processed through our system grew significantly from HK$64.1 million in March 2018 to HK$187.1 million in March 2019, representing a 191.9% year-on-year growth.

Revenue of online payment segment

For the year ended 31 March 2019, the online payment segment recorded revenue of approximately HK$14.9 million (for the period from 22 September 2017 to 31 March 2018: HK$1.8 million), representing multiple folds of strong increase.

Online payment service serves as an important platform for our internet e-commerce business. We strengthened our dominance in the field of mobile payment (in terms of the number of active accounts) and further enhanced our penetration in commercial transactions.

Results of online payment segment

For the year ended 31 March 2019, the online payment segment recorded a loss of HK$4.1 million. N Dimension started to contribute operating profit from December 2018 onwards. With proper cost control and proactive market expansion strategy, we are optimistic on the prospect of this segment.

Out of the loss for the year ended 31 March 2019 of HK$4.1 million, of which HK$3.3 million loss was incurred by the newly setup subsidiary, Junten. Since Junten was a newly setup entity in which the money services operators licence and other third-party payment related licences were granted in early 2019, the loss can be regarded as the cost incurred during the course of investment and is of a non-recurrent in nature. It is expected future income stream will emerge in the coming year.

Game distribution segment

The Group completed the acquisition of IAHGames Hong Kong Limited ("**IAHGames**") in February 2018, which is a publisher and distributor of video games and offers video game developers a single point of access to bring video games from around the world to gamers in Greater China and Southeast Asia. The game distribution segment performed strongly during the year. The basic game publishing and distribution business grew significantly during the year with the increased number of games titles and direct reselling of blockbuster titles like Call of Duty Black Operations 4 and Overcooked.

Revenue of game distribution segment

During the year ended 31 March 2019, the game distribution segment recorded a revenue of approximately HK$46.8 million, which accounted for 11.9% of the total revenue of the Group. During the year, the Company has started its new online e-commerce business through the direct sales of game products to the Greater China market. The game publishing and distribution business and online business unit recorded sales of HK$41.7 million and HK$5.1 million respectively. The revenue of this segment shall continue to improve by leveraging the establishment of direct reseller relationship with major game storage card providers to increase the margin. By virtue of the direct relationship with game distributor or studio, IAHGames has also taken up marketing execution appointed by the distributor or publisher which results in the increase revenue from marketing consulting.

IAHGames has successfully achieved the geographic diversification from Hong Kong market alone in first half of the financial year to include and capture ASEAN markets in the second half of the year ended 31 March 2019. This segment contributed the fastest growing part in the consolidated revenue of the Group, of which the revenue from Singapore accounted for approximately HK$7.4 million or 15.8% of total revenue in the game distribution segment.

Results of game distribution segment

During the year ended 31 March 2019, the game distribution segment recorded an operating loss of approximately HK$0.8 million.

Equity-settled share-based payments

During the year ended 31 March 2019, the Group recognised a total expense of HK$37.0 million (2018: HK$29.3 million) in relation to the share options granted by the Company.

Loss for the year

As a result of the foregoing factors, the Group's loss amounted to approximately HK$10.7 million for the year ended 31 March 2019 (2018: HK$144.7 million). The Group's loss attributable to the owners of the Company amounted to approximately HK$4.3 million for the year ended 31 March 2019 (2018: HK$139.2 million).

Disclaimer

Save for Royal Medic No.1 Chinese Cs-4, none of the Group's products is registered under the Pharmacy and Poison Ordinance (Chapter 138 of the Laws of Hong Kong) and the Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong). Any claim made by those products has not been subject to evaluation for such registration. Those products are not intended to diagnose, treat or prevent any disease.

FINANCIAL POSITION AND LIQUIDITY

As at 31 March 2019, cash and bank balances of the Group amounted to approximately HK$65.5 million (2018: HK$158.9 million) and the current ratio (current assets divided by current liabilities) of the Group was 0.5 times as at 31 March 2019 (2018: 2.1 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 158.4% as at 31 March 2019 (2018: 207.1%). The decrease in gearing ratio was primarily due to increase in equity as a result of the increase in convertible bonds reserve and share option reserve during the year ended 31 March 2019. In view of the Group's current level of cash and bank balances, funds generated internally from operations and the unutilised banking facilities available, the Board is confident that the Group will have sufficient resources to meet its financial needs for its operations. As at 31 March 2019, the Group had unutilised general banking facilities of approximately HK$4.2 million (2018: HK$6.2 million). On 12 October 2017, the Group completed the issue of the convertible bonds in the aggregate principal amount of HK$265.0 million (the "**2017 Convertible Bonds**"). On 13 February 2019, the Group completed the placing of the convertible bonds in the aggregate principal amount of HK$106.0 million (the "**2019 Convertible Bonds**"). Approximately HK$90.0 million out of the net proceeds amount of HK$103.2 million from the issue of the 2019 Convertible Bonds was used in the purchase of the same principal amount of the 2017 Convertible Bonds and approximately HK$13.2 million was used as the Company's general working capital. Meanwhile, the purchase of the 2017 Convertible Bonds was completed on 21 February 2019 and the 2017 Convertible Bonds in the aggregate principal amount of HK$90.0 million were cancelled in accordance with the terms and conditions thereof and the outstanding principal amount of the 2017 Convertible Bonds has been reduced from HK$255.0 million to HK$165.0 million. Please refer to the announcements dated 22 January 2019, 13 February 2019 and 22 February 2019 for details.

CAPITAL MANAGEMENT

The Group's objectives in managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. The Group also monitors capital on the basis of the net gearing ratio. The Group's overall strategy remains unchanged throughout the period of review.

EMPLOYEE INFORMATION

As at 31 March 2019, the Group had 309 employees (2018: 260). For the year ended 31 March 2019, staff costs including directors' remuneration was approximately HK$183.5 million (2018: HK$116.4 million).

REMUNERATION POLICY

The Group's Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses them for expenses, which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operation of the Group. In addition, the Company has adopted a share option scheme as an incentive to Directors and eligible participants. The Group regularly reviews and determines the remuneration and compensation package of the Group's Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Group's Directors and the performance of the Group.

OUTLOOK

Health and beauty supplements and products segment

The proactive measures taken by the Group to recruit new generation customers and increase the market share in today's digital world shows promising results after the Group allocated more resources on digital marketing. The increase in the combination of online live programs and offline events during the first half of the year ended 31 March 2019 enhanced customer loyalty and product awareness of both the existing and new product portfolios of the Group.

The quality management accreditation for the existing food factory including ISO22000 and HACCP obtained in March 2018 earmarked the sustainable commitment of the Group to uphold highest quality.

With the aim to expand the Group's distribution channels and grow its main business in health and beauty supplements and products, the Group completed the acquisition of H365 Group in December 2018.

Collaboration with CUCAMed Company Limited

The laboratory collaborated with CUCAMed Company Limited ("**CUCAMed**") in Hong Kong to research and develop new Chinese medicines and health products has commenced operation in September 2017. During the year ended 31 March 2019, no new product under the "LEGEND" brand was launched. A new product that was originally planned to be launched in early 2018 was rescheduled to late 2019.

Online advertising agency segment

In addition to the routine content and advertising model, Tenfok Asia has successfully launched a brand campaign in 2018 with very positive market responses and sustainable income was generated from 2019 onwards.

Leveraging on the track record of event and content penetration on the largest online media platform (Hong Kong Station of gd.qq.com), Tenfok Asia has been collaborating with a number of business associations to launch several brand campaigns under the name of Hong Kong Station of gd.qq.com in the Greater Bay Area during the coming two years. Tenfok Asia has been media partner of the major events and campaigns co-organised with the Federation of Hong Kong Brands (香港品牌總商會), Greater Bay Area Medical and Health Society (大灣區醫療健康業協會), Hong Kong Biotechnology Organisation (香港生物科技協會), Asia Art of Cuisine Society (亞洲餐飲廚藝協會) and other business associations from different industries. Over 3,000 corporates in Hong Kong and the Greater Bay Area have been registered as the members of these associations and their affiliated counterparties. The terms of collaboration contracts signed with different associations normally exceed 2 years so as to generate more revenue and build up long term business relationships. We believe the new partnership with business associations and trade fair organisers will bring in more revenue and quality clientele.

Utilising the State policy of promoting Greater Bay Area as the nation's hub for technology, brands and financing, we believe our online advertising and media platform can be well positioned to enhance our clients to benefit from building international brands and increasing cross-border businesses. Our management is very positive on the revenue stream from the segment in the coming two years.

Online payment business segment

Under the current China-US trade war, retail market and cross-border payment activities are under uncertainties. Besides, the growth of mobile payment among the PRC and Hong Kong local population was slower than expected. The reason was attributable to decrease in retail transactions in Hong Kong by Mainland visitors and intensified competition. From the date of our acquisition of N Dimension till now, the number of market players authorized by WeChat Pay has increased by several folds within 2 years. This has resulted in cut throat price war in the same market segments. The market rate for merchants has been decreasing. However, our marketing strategy and business partners relationship still enhance our market position and growth. The Group endeavors to continue growing this new business by way of expanding its sales efforts, collaborating with other market players that complement the Group's direction of development.

The Group is still confident in the prospect of WeChat cross-border payment business in Hong Kong. Recently, we are working closely with WeChat to offer special incentive programmes to our merchant clientele in Hong Kong. Moreover, N Dimension has started to conduct joint marketing effort to integrate our intra-Group subsidiaries business resources. Our internal synergy has shown promising results. Capitalising on the brand awareness, we will be able to enhance our competitiveness.

At the same time, we actively developed the extended online payment services and launched mini programmes to connect our users with numerous online and offline services, which include retail, e-commerce, lifestyle services, livelihood and games. The objective is to encourage users to share and connect with others in daily life, promote interaction with partners within the ecosystem, and develop innovative "Payment Plus" products to better extend business models and increase revenue.

Game distribution segment

Game distribution platforms (including online and offline) shall continue to grow as the Company has built up strong pipelines for upcoming game titles. For the online e-commerce business, it is foreseen that the sales of game card business shall continue to expand due to the established relationship with local Chinese merchants and the wider variety of products such as gaming consoles and E-sports peripherals is forecasted to be one of the major growths in the gaming market. The marketing consultancy sector shall see steady growth due to the increase in the number of game releases and the increase in marketing events and activities driven from E-sports. The management is confident this business segment in the coming second half of the year ending 31 March 2020.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in notes 12, 13 and 14 to the audited consolidated financial statements in this announcement, there was no other material acquisition and disposal of subsidiaries and joint ventures during the year ended 31 March 2019.

FOREIGN EXCHANGE EXPOSURE

Presently, the Group does not have a hedging policy with respect to the foreign exchange exposure. The Group is exposed to currency risk primarily through sales and purchases, which give rise to receivables and payables and cash balances that are denominated in foreign currencies, other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("**US$**") and Renminbi ("**RMB**"). In order to manage and minimize the foreign currency risk, the management will continue to manage and monitor the foreign currency exposure to ensure appropriate measure are implemented in a timely and effective manner.

CHARGES ON ASSETS

As at 31 March 2019, the Group had secured bank loans of approximately HK$39.1 million (2018: HK$28.1 million). The banking facilities are secured by the Group's leasehold land and buildings, having carrying amount of approximately HK$77.2 million as at 31 March 2019 (2018: HK$41.8 million).

USE OF PROCEEDS ON CONVERTIBLE BONDS

Convertible Bonds

On 12 October 2017, the Group completed the issue of the convertible bonds in the aggregate principal amount of HK$265.0 million (the "**2017 Convertible Bonds**"). On 13 February 2019, the Group completed the placing of the convertible bonds in the aggregate principal amount of HK$106.0 million (the "**2019 Convertible Bonds**"). The net proceeds amount of HK$103.2 million from the issue of the 2019 Convertible Bonds of approximately HK$90.0 million was used as in the purchase of the same principal amount of the 2017 Convertible Bonds and approximately HK$13.2 million as the Company's general working capital. Meanwhile, on 21 February 2019, the 2017 Convertible Bonds in the principal amount of HK$90.0 million so purchased by the Company were cancelled in accordance with the terms and conditions thereof and the outstanding principal amount of the 2017 Convertible Bonds has been reduced from HK$255.0 million to HK$165.0 million. Please refer to the announcements dated 22 January 2019, 13 February 2019 and 22 February 2019 for details.

PRINCIPAL RISKS AND UNCERTAINTIES

Based on the Group's risk management system, the Group has examined all of the possible risks and uncertainties that might affect the Group and considered that the most important risks and uncertainties would include:

Regulatory risks

The health supplement industry in Hong Kong generally believes that changes in regulatory policies and laws in respect of the monitoring and control of food and health supplement products which include Chinese medicinal ingredients may be proposed and implemented by the authorities concerned in the coming years. Significant effect may impact on the future development of health supplements as well as the food industry. If the Group fails to keep up and comply with these changes, such factors would affect the Group's success.

The Group has closely monitored the regulatory changes, strengthened its interpretation and analysis capability of regulatory policies and would adjust strategies in advance to cope with the ever-changing operating environment.

Prolonged economic downturn

The Group's health and beauty supplements and products business is closely related to the economic conditions of Hong Kong. Slowing economic growth or a recession may affect consumer preferences and spending which in turn could have a material adverse effect on the Group's business, operational results and financial conditions.

In response to these challenges, the Group will closely monitor the changing economic conditions and also actively implement effective measures to control the administration and production costs. The Group will also continue to roll out more new products and open up more distribution channels, and diversify its business to improve the Group's overall performance.

Failure to introduce successful new products

Owing to the rapid changing nature of the health and beauty supplements and products markets in Hong Kong, if the Group fails to anticipate market trends and develop new products to respond to such trends in a timely manner, it will adversely affect its business in the long term. In addition to the Group's own product development and collaboration with external research partners, such as with CUCAMed to promote and sell products developed by CUCAMed under the brand "LEGEND", the Group is also actively looking for opportunities to collaborate with different reputable universities to conduct researches for the purpose of developing new products. Besides researches, the Group will also continue to place strong emphasis on a multifaceted market strategy through utilizing various media and channels to promote its brands and products.

Macro-economic condition, PRC tourist spending and payment habits

The health of the Group's WeChat cross-border payment business relies significantly on the number of PRC tourists visiting Hong Kong and their ensuing spending habit using WeChat Pay as the payment gateway. Should there be any adverse change in macro-economic condition, the number of PRC tourists visiting Hong Kong or their spending or a change in habit using WeChat Pay, the Group's business may be adversely affected. In addition, regulatory or other changes in the PRC such as a major outbreak of disease that affects the number of inbound PRC tourists to Hong Kong will have similar adverse impact. However, the Group believes that this online payment business is still at a start-up stage with growth potential so the Group will closely monitor the development in this business sector.

Competition

At present, there are various WeChat Pay service providers and agents operating in Hong Kong. With number of available merchant shops in Hong Kong being a relatively stable figure, there is intense competition among these service providers and agents. Should these service providers and agents actively engage in price competition, the Group may be forced to follow suit so that its business, operational results and financial conditions may accordingly be adversely affected. However, the Group believes that this online payment business is still at a start-up stage with growth potential so the Group will closely monitor the development in this business sector.

Operational risk

The Group's online payment business is heavily dependent on the stable operation of its IT systems including system software, processing systems, telecommunications networks, cloud servers as well as systems provided by third parties. Such mission critical services are susceptible to risks attributable to system outage, data loss or breach in security. Should such a situation occur, payments made to the merchant shops may not be properly processed and may expose the Group to liability to third parties. The Group will closely monitor such risks, and periodically consider and implement measures such as system/software updates, redundancy, and subcontracting to suitable and competent third party vendors.

Industry and technological changes

The Group's online advertising agency and online payment businesses are characterised by rapid technological changes, frequent and numerous product introductions and enhancements, continually evolving industry security standards and rapidly changing customers' requirements. The success of the Group in these business segments depends on a large extent upon the Group's continued ability to offer its online advertising agency and payment businesses within this environment and to meet changing market requirements, including conformity with applicable standards.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2019 (2018: Nil).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 14 August 2019 to Monday, 19 August 2019 (both dates inclusive), for the purpose of determining the eligibility of the shareholders' of the Company to attend and vote at the annual general meeting of the Company to be held on Monday, 19 August, 2019 (the "**2019 AGM**") and during which no transfer of shares of the Company will be effected. In order to qualify for attendance of the 2019 AGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be changed **from Level 22 to Level 54**, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) not later than 4:30 p.m. on Tuesday, 13 August 2019.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to the Company's growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. Throughout the year ended 31 March 2019, the Group complied with the code provisions as set out in the Corporate Governance Code (amended from time to time, the "**Code**") contained in the Appendix 14 to the Listing Rules except for the deviation from Code provision A.2.1 under Appendix 14 to the Listing Rules.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 March 2019, Mr. Chan Yan Tak ("**Mr. Chan**") was the chairman of the Board and the chief executive officer of the Company and he resigned from both positions with effect from 1 April 2019.

Mr. Chan has been responsible for the overall management and strategic development of the Group since 2005. His expert knowledge in the areas of development and retail marketing of health and beauty supplement products has assisted the Group to grow substantially over the past ten years. The Board therefore agreed that it is beneficial to and in the interest of the Group for Mr. Chan acting as the chairman of the Board and chief executive officer of the Company during the year ended 31 March 2019.

The duties of the chairman and the chief executive officer of the Company are temporarily undertaken by Mr. Wang Xihua, an executive Director since the effective date of resignation of Mr. Chan, on 1 April 2019. The Company is in the course of identifying a suitable candidate with appropriate experience to fill the vacancy left by the resignation of Mr. Chan and the Company will make announcement thereon in due course in accordance with the Listing Rules.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' transactions in the securities of the Company. Upon the Company's specific enquiry, each Director has confirmed that he or she has fully complied with the Model Code throughout the year ended 31 March 2019, and there is no event of non-compliance.

COMPETING INTEREST

For the year ended 31 March 2019, the Directors were not aware of any business or interest of the Directors, the controlling shareholders, and their respective close associates that competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

EVENTS AFTER REPORTING PERIOD

Save as the events as disclosed in note 15 to the audited consolidated financial statements in this announcement, there is no significant event occurring after the year ended 31 March 2019 up to the date of this announcement.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor's report for the year ended 31 March 2019 has included a separate section under the heading "Material Uncertainty Related to Going Concern" but without affecting the audit opinion, an extract of which is as follows:

Material Uncertainty Related to Going Concern

We draw attention in note 2 to the consolidated financial statements which describes that the Group had net current liabilities with the amount of approximately HK$233,446,000. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of on this matter.

SCOPE OF WORK OF MESSRS. ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Elite Partners CPA Limited ("**Elite Partners**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Elite Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Elite Partners on this preliminary announcement.

AUDIT COMMITTEE

The Audit Committee has been established in compliance with Rule 3.21 of the Listing Rules and comprises four members, namely Mr. Leung Winson Kwan Yau (Chairman of the Audit Committee), Ms. Szeto Wai Ling, Virginia, Mr. Tam Kin Yip and Mr. Leung Man Loon, all being independent non-executive Directors.

The Audit Committee has reviewed the consolidated financial results of the Group for the year ended 31 March 2019.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the respective websites of the Company at *http://www.shunten.com.hk* and Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The 2018/2019 Annual Report will be published and despatched in the manner as required by the Listing Rules in due course.

By order of the Board
Shunten International (Holdings) Limited
WANG Xihua
Executive Director

Hong Kong, 26 June 2019

As at the date of this announcement, the executive Directors are Mr. LEE Chi Hang, Sidney, Mr. WANG Xihua and Mr. LAI Wei Lam, William; and the independent non-executive Directors are Ms. SZETO Wai Ling, Virginia, Mr. LEUNG Winson Kwan Yau, Mr. TAM Kin Yip and Mr. LEUNG Man Loon.