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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	**244,734**	158,380
Gross profit	**135,718**	97,743
Loss from operations	**(10,698)**	(8,516)
(Loss)/profit for the period attributable to:		
Owners of the Company	**(30,534)**	(15,431)
Non-controlling interests	**4,335**	(3,896)
	(26,199)	(19,327)
Loss per share attributable to owners of the Company for the period (expressed in HK cents per share)		
Basic	**(1.38)**	(0.73)
Diluted	**(1.38)**	(0.73)

The board (the "**Board**") of directors (the "**Directors**") of Shunten International (Holdings) Limited (the "**Company**", together with its subsidiaries collectively referred to as the "**Group**") announces the unaudited interim condensed consolidated results of the Group for the six months ended 30 September 2019 (the "**Reporting Period**") are as follows:.

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

For the six months ended 30 September 2019

		For the six months ended 30 September	
		2019	2018
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
REVENUE	*4*	**244,734**	158,380
Cost of revenue		**(109,016)**	(60,637)
GROSS PROFIT		**135,718**	97,743
Other revenue and other net loss		**1,466**	1,123
Selling and distribution expenses		**(32,435)**	(29,568)
Administrative expenses		**(108,305)**	(93,161)
Equity-settled share-based payments		**(5,810)**	(26,277)
Share of profits of an associate		**2,274**	2,223
Fair value change of an investment property		**—**	722
Fair value change of contingent consideration payables		**289**	(5,604)
Fair value change of promissory notes payable		**721**	4,460
Fair value change of convertible bonds		**(4,616)**	39,823
LOSS FROM OPERATIONS		**(10,698)**	(8,516)
Finance costs	*5(c)*	**(13,579)**	(8,853)
LOSS BEFORE TAXATION	*5*	**(24,277)**	(17,369)
Taxation	*6*	**(1,922)**	(1,958)
LOSS FOR THE PERIOD		**(26,199)**	(19,327)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(351)**	(382)
Release of translation reserve upon deregistration of subsidiaries		**—**	(151)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(26,550)**	(19,860)

	Note	For the six months ended 30 September	
		2019	2018
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(30,534)**	(15,431)
Non-controlling interests		**4,335**	(3,896)
		(26,199)	(19,327)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(30,704)**	(15,764)
Non-controlling interests		**4,154**	(4,096)
		(26,550)	(19,860)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD (EXPRESSED IN HK CENTS PER SHARE)			
— Basic	*8(a)*	**(1.38)**	(0.73)
— Diluted	*8(b)*	**(1.38)**	(0.73)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Note	**As at 30 September 2019** ***HK$'000*** **(unaudited)**	As at 31 March 2019 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**88,831**	91,764
Investment property		**8,130**	8,130
Right-of-use assets		**8,835**	—
Interests in an associate		**75,674**	73,400
Intangible assets		**209,179**	211,702
Goodwill		**199,879**	199,879
Prepayments and deposits	*9*	**5,636**	5,369
		596,164	590,244
Current assets			
Inventories		**32,801**	29,065
Trade and other receivables	*9*	**123,094**	107,519
Cash and cash equivalents		**94,916**	65,497
Tax recoverable		**178**	105
		250,989	202,186
Current liabilities			
Trade and other payables	*10*	**124,227**	77,604
Bank and other borrowings		**63,938**	39,056
Lease liabilities		**6,829**	—
Contract liabilities		**6,194**	1,675
Convertible bonds		**177,358**	262,001
Contingent consideration payables		**—**	37,878
Promissory notes payable		**9,245**	9,966
Refund liabilities		**1,531**	1,394
Tax payable		**8,175**	6,058
		397,497	435,632

	Note	As at 30 September 2019 HK$'000 (unaudited)	As at 31 March 2019 HK$'000 (audited)
Net current liabilities		**(146,508)**	(233,446)
Total assets less current liabilities		**449,656**	356,798
Non-current liabilities			
Contingent consideration payables		**51,916**	47,692
Promissory notes payable		**27,958**	37,543
Other borrowings		**40,000**	26,500
Lease liabilities		**2,082**	—
Amounts due to non-controlling interests		**1,227**	1,227
Deferred tax liabilities		**35,780**	36,316
		158,963	149,278
Net assets		**290,693**	207,520
EQUITY			
Equity attributable to owners of the Company			
Share capital		**6,298**	5,308
Reserves		**234,699**	156,660
		240,997	161,968
Non-controlling interests		**49,696**	45,552
TOTAL EQUITY		**290,693**	207,520

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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, PO 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

The interim condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements have been prepared on 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 measured at fair value, as appropriate.

Except as described in note 3, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019. Details of any changes in accounting policies are set out in note 3.

The preparation of interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim condensed consolidated financial statements contain selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2019. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim condensed consolidated financial statements are unaudited, but have been reviewed by Elite Partners CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Going concern basis

As at 30 September 2019, the Group had net current liabilities of HK$146,508,000. 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 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) On 4 October 2019, the Company has completed the issue of convertible bonds due on 3 October 2021 ("**CB Due 2021**") with an aggregate principal amount of HK$180,000,000 to not less than six placees who are independent third parties of the Group. The CB Due 2021 bears interest from the date of issue at the rate of 10% per annum on the principal amount and payable by the Company semi-annually in arrears. The conversion rights can be exercised at any time on or after twelve months from 4 October 2019 up to the second anniversary of the date of issue of the CB Due 2021. The Company raised HK$178,200,000 (net of directly attributable expenses of HK$1,800,000) upon completion of the issue of the CB Due 2021; and

(ii) 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 30 September 2019. Accordingly, the Directors are of the view that it is appropriate to prepare these interim condensed 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 interim condensed consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

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:

Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvement 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The adoption of the above new standard, amendments, improvement and interpretation to existing HKFRSs do not have a material impact on the Group, except for HKFRS 16 "Leases" as set out below.

(b) HKFRS 16 "Leases" — Impact of adoption

The adoption of HKFRS 16 from 1 April 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provision in HKFRS 16, comparative figures have not been restated. The reclassification and adjustments arising from the new standard are therefore not reflected in the restated consolidated statement of financial position as at 31 March 2019, but are recognised in the opening consolidated statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.13%.

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	1 April 2019 *HK$'000* (unaudited)
Operating lease commitments disclosed as at 31 March 2019	13,389
Weighted average incremental borrowing rate as at 1 April 2019	5.13%
Discounted operating lease commitments as at 1 April 2019	8,416
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(336)
Lease liabilities as at 1 April 2019	8,080
Of which are:	
Current lease liabilities	6,994
Non-current lease liabilities	1,086
	8,080

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets related to the following types of assets:

	30 September 2019 ***HK$'000*** **(unaudited)**	1 April 2019 *HK$'000* (unaudited)
Land and building	**8,835**	8,015

The adjustments on the consolidated statement of financial position as at 1 April 2019 are summarised below:

	31 March 2019 as originally presented *HK$'000* (audited)	Effect of adoption of HKFRS 16 *HK$'000* (unaudited)	1 April 2019 as restated *HK$'000* (unaudited)
Non-current assets			
Right-of-use assets	—	8,015	8,015
Current liabilities			
Lease liabilities	—	(6,994)	(6,994)
Net current liabilities	(233,446)	(6,994)	(240,440)
Total assets less current liabilities	356,798	1,021	357,819
Non-current liabilities			
Lease liabilities	—	(1,086)	(1,086)
Net assets	207,520	(65)	207,455
Equity			
Reserves	156,660	(55)	156,605
Non-controlling interests	45,552	(10)	45,542
Total equity	207,520	(65)	207,455

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

The Group leases various warehouses, offices, and carparks. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year ended 31 March 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable;

— variable lease payment that are based on an index or a rate;

— amounts expected to be payable by the lessee under residual value guarantees;

— the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

— payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

— the amount of the initial measurement of lease liability;

— any lease payments made at or before the commencement date less any lease incentives received;

— any initial direct costs, and

— restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise certain IT equipments.

Extension and termination options are included in certain leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. The financial effect of revising lease terms to reflect the effect of exercising extension and termination options was insignificant.

4. REVENUE

The Group's 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 six months ended 30 September 2019 and 2018.

Disaggregation of revenue

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

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15:		
Health and beauty supplements and products	**146,624**	124,791
Online advertising agency business	**8,324**	4,554
Online payment business	**18,810**	5,817
E-commerce promotion business	**3,590**	3,304
Game distribution business	**67,386**	19,914
	244,734	158,380
Disaggregated by geographical locations of customers:		
Hong Kong (place of domicile)	**234,136**	154,902
The PRC	**5,260**	1,403
Singapore	**5,268**	2,060
Taiwan	**46**	2
Others	**24**	13
	244,734	158,380
Timing of revenue recognition:		
Point in time	**241,490**	153,934
Over time	**3,244**	4,446
	244,734	158,380

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting) the following:

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(a) Staff costs:		
Salaries, allowances, and other benefits (including Directors' emoluments)	**68,933**	56,055
Contributions to defined contribution retirement plans	**2,212**	1,923
Equity-settled share-based payments	**5,810**	26,277
	76,955	84,255
(b) Other items:		
Auditors' remuneration	**1,001**	800
Cost of inventories	**98,264**	51,224
Depreciation charge		
— owned property, plant and equipment	**4,245**	4,572
— right-of-use assets	**3,256**	—
Amortisation cost of intangible assets	**2,523**	3,369
Exchange loss, net	**23**	22
Net loss on disposal of property, plant and equipment	**333**	1,158
Net gain on disposal of right-of-use assets	**(10)**	—
Research and development costs	**1,602**	1,582
Rent for special designated counters	**32,032**	23,085
Rental income from an investment property less direct outgoings of HK$Nil (2018: HK$8,000)	**—**	(72)
(c) Finance costs:		
Interest on bank borrowings	**611**	382
Interest on other borrowings	**1,252**	297
Interest on lease liabilities	**315**	—
Interest on liability component of convertible bonds measured at amortised cost	**5,477**	—
Interest on promissory notes payables measured at amortised cost	**961**	—
Total interest expenses on financial liabilities not at fair value through profit or loss	**8,616**	679
Interest on convertible bonds designated at FVTPL	**4,963**	8,174
	13,579	8,853

6. TAXATION

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current taxation		
Hong Kong Profits Tax	**2,458**	2,213
Underprovision in respect of prior years		
PRC Enterprise Income Tax	**—**	289
Deferred tax		
Reversal of temporary differences	**(536)**	(544)
	1,922	1,958

The provision of Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2019 and 2018.

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%.

No provision for PRC Enterprise Income Tax (the "**EIT**") has been made as the Group has no assessable profit under EIT for the six months ended 30 September 2019 and 2018.

No provision for profits tax in the Cayman Islands, the British Virgin Islands ("**BVI**"), Malaysia, Macau and Taiwan have been made as the Group has no income or profit assessable for tax in these jurisdictions for the six months ended 30 September 2019 and 2018.

7. DIVIDENDS

The Board does not recommend any payment of interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

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

	For the six months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share *(HK$'000)*	**(30,534)**	(15,431)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,218,976,256**	2,123,002,150

(b) Diluted loss per share

For the six months ended 30 September 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 of the Company would result in a decrease in loss per share.

For the six months ended 30 September 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

	As at 30 September 2019 HK$'000 (unaudited)	As at 31 March 2019 HK$'000 (audited)
Trade receivables	**92,853**	78,075
Less: Allowance for doubtful debts	**(4,165)**	(2,879)
	88,688	75,196
Other receivables	**4,414**	3,796
Financial assets measured at amortised cost	**93,102**	78,992
Prepayments	**10,226**	8,334
Utility, trade and other deposits	**25,162**	25,345
Right-of-return assets	**240**	217
	35,628	33,896
	128,730	112,888

	As at 30 September 2019 HK$'000 (unaudited)	As at 31 March 2019 HK$'000 (audited)
Analysis of trade and other receivables:		
Non-current portion	**5,636**	5,369
Current portion	**123,094**	107,519
	128,730	112,888

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:

	As at 30 September 2019 *HK$'000* **(unaudited)**	As at 31 March 2019 *HK$'000* (audited)
0–30 days	**33,677**	40,697
31–60 days	**21,129**	21,836
61–90 days	**13,961**	7,892
91–180 days	**14,697**	3,347
181–365 days	**5,188**	1,388
Over 365 days	**36**	36
	88,688	75,196

The normal settlement terms of trade receivables arising from online payment business are one day after trade date. Trade receivables arising from businesses other than online payment business are normally due within 0–90 days from the date of billing.

10. TRADE AND OTHER PAYABLES

	As at 30 September 2019 *HK$'000* **(unaudited)**	As at 31 March 2019 *HK$'000* (audited)
Trade payables	**50,681**	16,251
Salary and welfare payables	**14,460**	23,388
Accrued advertising expenses	**3,224**	5,187
Other payables and accruals	**49,217**	26,041
Interests payables on other borrowings	**1,504**	1,623
Interests payable on convertible bonds designated at FVTPL	**5,141**	5,114
	124,227	77,604

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

	As at 30 September 2019 *HK$'000* (unaudited)	As at 31 March 2019 *HK$'000* (audited)
0–30 days	**14,019**	8,304
31–60 days	**11,021**	2,226
61–90 days	**10,584**	721
91–180 days	**14,636**	4,627
181–365 days	**40**	4
Over 365 days	**381**	369
	50,681	16,251

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, 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

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 loss, share of profits of an associate, fair value change of an investment property, fair value change of contingent consideration payables, fair value change of promissory notes payable, fair value change of convertible bonds, equity-settled share-based payments, unallocated finance costs and unallocated corporate expenses.

Segment assets exclude investment property, interests in an associate, tax recoverable, 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 tax payable, deferred tax liabilities, contingent consideration payables, promissory notes payable, bank and other borrowings, 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 is set out below:

(i) Segment revenue and results

	For the six months ended 30 September 2019 (unaudited)						
	Development, manufacturing and sales of health and beauty supplements and products *HK$'000*	Online advertising agency business *HK$'000*	Online payment business *HK$'000*	E-commerce promotion business *HK$'000*	Game distribution business *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue:							
Revenue from external customers	146,624	8,324	18,810	3,590	67,386	—	244,734
Inter-segment revenue	—	—	—	—	—	—	—
	146,624	8,324	18,810	3,590	67,386	—	244,734
Segment results	9,257	4,738	6,680	140	3,929	—	24,744
Unallocated other revenue and other net loss							(284)
Share of profits of an associate							2,274
Fair value change of contingent consideration payables							289
Fair value change of promissory notes payable							721
Fair value change of convertible bonds							(4,616)
Equity-settled share-based payments							(5,810)
Unallocated finance costs							(13,408)
Unallocated corporate expenses							(28,187)
Loss before taxation							(24,277)

	For the six months ended 30 September 2018 (unaudited)						
	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	124,791	4,554	5,817	3,304	19,914	—	158,380
Inter-segment revenue	—	—	—	—	—	—	—
	124,791	4,554	5,817	3,304	19,914	—	158,380
Segment results	13,386	(4,783)	(3,351)	(3,059)	(1,132)	—	1,061
Unallocated other revenue and other net loss							339
Share of profits of an associate							2,223
Fair value change of an investment property							722
Fair value change of contingent consideration payables							(5,604)
Fair value change of promissory notes payable							4,460
Fair value change of convertible bonds							39,823
Equity-settled share-based payments							(26,277)
Unallocated finance costs							(8,853)
Unallocated corporate expenses							(25,263)
Loss before taxation							(17,369)

(ii) Segment assets and liabilities

	As at 30 September 2019 (unaudited)					
	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***
Segment assets	**166,243**	**60,295**	**305,048**	**15,478**	**83,291**	**630,355**
Segment liabilities	**21,183**	**6,424**	**4,773**	**2,444**	**44,438**	**79,262**

	As at 31 March 2019 (audited)					
	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*
Segment assets	160,287	60,557	297,683	14,116	43,327	575,970
Segment liabilities	24,177	1,063	3,257	1,223	8,366	38,086

12. EVENTS AFTER THE REPORTING PERIOD

(a) Issuance of convertible bonds

On 4 October 2019, the Company issued the CB Due 2021 with an aggregate principal amount of HK$180,000,000 to not less than six placees who are independent third parties of the Group. The CB Due 2021 bears interests from the date of issue at 10% per annum on the principal amount and payable by the Company semi-annually in arrears.

The bondholders of the CB Due 2021 have the right to convert all or any portion of the CB Due 2021 into shares of the Company at the conversion price of HK$0.432 per conversion share (subject to anti-dilutive adjustments). The conversion rights can be exercised at any time on or after twelve months from 4 October 2019 (date of issue) up to the second anniversary of the date of issue of the CB Due 2021.

(b) Proposed disposal of subsidiaries

Subsequent to the end of the reporting period, the management of the Company has decided to streamline the Company's existing business segments and operations to focus on the health and beauty supplements and products business. On 19 November 2019, Empire Access Limited and Empire Advance Limited (the "**Vendors**"), each of which being a direct wholly-owned subsidiary of the Company, and Grand Spread Limited (the "**Purchaser**"), an independent third party purchaser, entered into a sale and purchase agreement to dispose of 70% of the equity interest of N Dimension Limited and its subsidiaries (collectively referred to as "**ND Group**") being held by the Vendors at the consideration of HK$229,000,000 (the "**Proposed Disposal**"). The ND Group is principally engaged in the business of provision of WeChat Pay cross-border solutions to Tenpay under the segment of online payment business. Further details of the Proposed Disposal can be found in the announcement of the Company dated 19 November 2019. The Proposed Disposal was not yet completed up to the date of issue of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in 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 Reporting Period, we had been facing a very challenging year in Hong Kong which had been affected by the weaker performance of global economy and social unrest in Hong Kong since June 2019. Market sentiment in local market has also been suppressed by the local political and economic atmosphere. Owing to good revenue diversification strategy, the Group recorded an unaudited revenue of approximately HK$244.7 million for the Reporting Period (2018: HK$158.4 million), representing an increase of approximately HK$86.3 million or 54.5% over the corresponding period of last year. In addition to the core health and beauty supplements and products business recording a revenue of approximately HK$146.6 million, the Group had recorded a revenue of approximately HK$8.3 million from the online advertising agency business and a revenue of approximately HK$18.8 million from the online payment business and approximately HK$67.4 million from game distribution business during the Reporting Period. The results exhibit the Group's effort to diversify our revenue stream and balance our operating profit portfolio which have been materialized after the acquisition of Star Root Limited in April 2017. During the Reporting Period, the core health and beauty supplements and products business segment contributed approximately 59.9% (2018: 78.8%) to the Group's revenue whereas the online advertising agency, online payment, e-commerce promotion and game distribution segments accounted for approximately 40.1% (2018: 21.2%) of the Group's revenue.

The gross profit margin of the Group for the Reporting Period was approximately 55.5% (2018: 61.7%), representing a decrease of approximately 6.2 percentage points over the corresponding period of last year. Such decrease was mainly due to the rising proportion of business segments of the Group with lower gross profit margins as compared to health and beauty supplements and products segment.

Apart from the revenue diversification, contributions operating profit from different segments have also changed substantially. The Group recorded a turnaround under the non-core segments of online advertising agent business, online payment business, e-commerce promotion business and game distribution business from the operation segment loss to segment profit compared with the corresponding period of last year.

The Group recorded a loss attributable to owners of the Company of approximately HK$30.5 million for the Reporting Period as compared to approximately HK$15.4 million of the same period in 2018, representing an increase of approximately HK$15.1 million or 98.1% over the corresponding period of last year. The significant increase in the loss was primarily due to the fair value change in non-cash items including convertible bonds, promissory notes payable and contingent consideration payables.

On 19 November 2019, the Group entered into a sale and purchase agreement in relation to the disposal of its 70% interest in N Dimension Limited and its subsidiaries which are principally engaged in WeChat Pay cross-border payment business. Following the disposal, the Group will be able to focus on the health and beauty supplements and products business, streamline the Company's existing business segments and operations, and sharpen the Company's strategic focus on its core business. In addition, the disposal of online payment segment allows the Group to realise its investment and retrieve its invested capital. The Group will further explore other business opportunities to maximise our investor's return.

Health and beauty supplements and products segment

Revenue of health and beauty supplements and products segment

The total retail sales of Hong Kong suffered from devastating drops in the first nine months of 2019. The retail market in Hong Kong is facing the worst ever hit since 2003. However, by virtue of the management's strategy of expanding sales and promoters force together with improving sales incentive schemes, this segment recorded an aggregate revenue of approximately HK$146.6 million for the Reporting Period (2018: HK$124.8 million), representing an increase of approximately HK$21.8 million or 17.5% over the corresponding period of last year.

Revenue attributable to proprietary brands maintained at an increase of approximately 10.7% to approximately HK$68.2 million for the Reporting Period (2018: HK$61.6 million). The revenue attributable to the health supplements increased by approximately HK$9.2 million or 27.7% to HK$42.4 million for the Reporting Period (2018: HK$33.2 million), which was mainly due to increased customers' loyalty and their increasing demand to those health supplement products, whereas the revenue attributable to beauty supplements and products decreased by approximately HK$2.6 million or 9.2% to HK$25.8 million (2018: HK$28.4 million) for the Reporting Period as the Group focused its resources on marketing health supplements.

Revenue attributable to private label brands increased by approximately HK$4.8 million or 8.8% to approximately HK$59.1 million for the Reporting Period (2018: HK$54.3 million). The surge in revenue attributable to private label brands was primarily due to the expansion of the products range and engagement of key opinion leaders **("KOLs")**, together with the increase in "Health Proof" brand special designated counters to promote the private brand health supplements.

H365 Group which was acquired by the Group in December 2018 contributed approximately HK$10.1 million to the revenue, representing approximately 6.9% of the total revenue for the Reporting Period in this segment.

Revenue attributable to trading of health supplements amounted to approximately HK$8.9 million for the Reporting Period (2018: HK$8.3 million).

Results of health and beauty supplements and products segment

Owing to the increase in turnover, the gross profit of this segment for the Reporting Period also experienced growth to approximately HK$110.6 million (2018: HK$95.3 million). The gross margin ratio for the Reporting Period was approximately 75.4% (2018: 76.4%), representing a marginal decrease of 1.0 percentage points from that of the corresponding period of last year.

The segment's selling and distribution expenses increased in line with the increase in segment turnover for the Reporting Period. The increment was mainly due to the increase in commission paid to promoters for their contribution to the increase in turnover. The selling and distribution expenses incurred by the Group also include, but not limited to, conducting digital marketing through bloggers and KOLs in addition to the traditional marketing media so as to broaden the customer base.

The administrative expenses of this segment also increased for the Reporting Period, which was primarily due to the increase in number of special designated counters, the related rental expenses, increase in the number of promoters and salaries increment over the corresponding period of last year.

As a result, the profit generated by this segment decreased by approximately HK$4.1 million to approximately HK$9.3 million (2018: HK$13.4 million), representing a decrease of approximately 30.6% over the corresponding period of last year.

Online advertising agency segment

Revenue of online advertising agency segment

During the Reporting Period, the online advertising agency business segment recorded a revenue of approximately HK$8.3 million (2018: HK$4.6 million), representing an increase of approximately HK$3.7 million or 80.4% over the corresponding period of last year.

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.

During the period from March to June 2019, the online advertising agency business continued to grow with the successful launch of our Hong Kong brand competition and other media projects. Total revenue from these activities has been on an uptrend. As a result of the aforesaid, the revenue from traditional advertising still have ample growth over the corresponding period of last year. However, most advertising projects came to halt since the emergence of domestic social unrest in June 2019.

2019 has been a very challenging year for the whole advertising agency industry in Hong Kong. In face of changing market sentiment, the management has adopted new strategy. The Company signed a collaboration agreement with Best Video Limited in which Tenfok Asia will receive grantee advertising sales income within 12 months. Such a stable income stream may become the cornerstone for revenue growth in the second half of the financial year.

Results of online advertising agency segment

The Hong Kong Station of gd.qq.com is currently one of the preferred China-Hong Kong cross-border online advertising media broadcast platform in the Greater Bay Area. The Hong Kong Station of gd.qq.com targets to realise real-time content broadcast in the region subjected to partner's channel and internal control. Therefore, staff costs were inevitably expanded in order to enhance content compliance and government clearance in the Greater Bay Area to consolidate our niche to Hong Kong clientele. As a result, the segment recorded profit of approximately HK$4.7 million (2018: segment loss of HK$4.8 million), representing an increase of approximately HK$9.5 million or 197.9% over the corresponding period of last year.

Online payment segment

Revenue of online payment segment

During the Reporting Period, the online payment business segment recorded revenue of approximately HK$18.8 million (2018: HK$5.8 million), representing an increase of approximately HK$13.0 million or 224.1% over the corresponding period of last year.

The tremendous growth was attributable to the management's strategy to diversify our revenue stream and business model by enhancing our payment clientele in order to develop e-commerce in the Greater Bay Area through deploying mini-program. However, revenue from online payment segment has been dropping since August 2019 due to sharp decrease in the number of visitors from PRC in recent months.

Results of online payment segment

As a result of the aforesaid, the segment recorded segment profit of approximately HK$6.7 million for the Reporting Period (2018: segment loss of HK$3.4 million), representing an increase of approximately HK$10.1 million or 297.1% over the corresponding period of last year. With the intensified competition and declining margin on payment side, the widening profit mostly came from the set up and development of mini-program for our existing client network.

Game distribution segment

For game distribution platform (including online and offline), with the increasing popularity and penetration of smartphones and computer games, IAHGames Hong Kong Limited ("**IAHGames**"), a subsidiary of the Company, has already distributed over 10 new games including the released Call of Duty: Black Ops 4.

Revenue of game distribution segment

The game distribution business segment recorded revenue of approximately HK$67.4 million for the Reporting Period (2018: HK$19.9 million) representing a strong and robust growth of approximately HK$47.5 million or 238.7%. Revenue from game distribution segment has been the second largest contributor in the Group's overall revenue. IAHGames currently distributes over 10 triple-A grade games in Asia (excluding China). Major game titles under our distribution list include Overcooked 2, Crash Bandicoot and Call of Duty Series.

During the Reporting Period, the revenue of this segment has continued 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 relationships with game distributors or studios, IAHGames has also taken up marketing execution appointed by the distributor or publisher which results in the increase in revenue from marketing consulting experienced strong growth.

Results of game distribution segment

The game distribution business segment recorded a profit of approximately HK$3.9 million for the Reporting Period (2018: segment loss of HK$1.1 million) which is the fastest growing segment, representing an increase of approximately HK$5.0 million or 454.5% over the corresponding period of last year.

FINANCIAL POSITION AND LIQUIDITY

As at 30 September 2019, cash and bank balances of the Group amounted to approximately HK$94.9 million (at 31 March 2019: HK$65.5 million). The current ratio (current asset divided by current liabilities) of the Group was approximately 0.6 times as at 30 September 2019 (at 31 March 2019: 0.5 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 110.0% as at 30 September 2019 (at 31 March 2019: approximately 158.4%). The Group is exposed to foreign currency risk primarily through purchases that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily United States dollars and Renminbi. In order to manage and minimise the foreign currency risk, the management will continue to manage and monitor such currency exposure to ensure that appropriate measures are implemented in a timely and effective manner.

Convertible Bonds

On 12 October 2017, the Group completed the issue of convertible bonds in the aggregate principal amount of HK$265.0 million (the "**2017 Convertible Bonds**"). The net proceeds from the placing of the 2017 Convertible Bonds of approximately HK$250.0 million have been fully utilised by the Group as the general working capital of the Company and in acquisition by the Company relating to (i) its principal business, (ii) online or e-commerce technology business including but not limited to the acquisition under the acquisition agreement dated 30 June 2017 in relation to the WeChat cross-border payment business. On 13 February 2019, the Group completed the placing of convertible bonds in the aggregate principal amount of HK$106.0 million (the "**February 2019 Convertible Bonds**"). Approximately HK$90.0 million out of the net proceeds of HK$103.2 million from the issue of the February 2019 Convertible Bonds had been fully utilised 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. On 11 October 2019, the Company redeemed the 2017 Convertible Bonds and paid the outstanding interest accrued as a full and final settlement of 2017 Convertible Bonds. Please refer to the announcements dated 22 January 2019, 13 February 2019 and 22 February 2019 for details relating to the February 2019 Convertible Bonds.

During the Reporting Period, the holders of the February 2019 Convertible Bonds converted the convertible bonds with aggregate principal amount of HK$106.0 million at a conversion price of HK$0.29 per share into 365,517,237 ordinary shares of the Company.

On 4 October 2019, the Group completed the issue of convertible bonds in the aggregate principal amount of HK$180.0 million (the "**October 2019 Convertible Bonds**"). The net proceeds from the placing of the October 2019 Convertible Bonds (the "**Placing**") amounted to approximately HK$178.1 million. The intended use of the net proceeds of the Placing are as follows: (i) approximately 50.0% of the net proceeds in the amount of HK$89.1 million be used to redeem the outstanding principal amount of the 2017 Convertible Bonds, interest and other amounts accrued thereunder of approximately HK$178.22 million; (ii) approximately 40.0% of the net proceeds in the amount of HK$71.2 million be used to enhance and further develop the formulating, marketing, sale and distribution of health and beauty supplements and products in Hong Kong and the PRC; and (iii) approximately 10.0% of the net proceeds in the amount of HK$17.8 million be used to replenish the Group's general working capital. Up to the date of this announcement, a total of HK$106.9 million have been utilised on redeeming the outstanding principal amount of 2017 Convertible Bonds and the Group's general working capital. Please refer to the announcements of the Company dated 16 September 2019, 17 September 2019 and 4 October 2019 for details relating to the October 2019 Convertible Bonds.

CAPITAL MANAGEMENT

The Group's objective in capital management is to ensure that entities in the Group will be able to continue expanding 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 Reporting Period.

EMPLOYEE INFORMATION

As at 30 September 2019, the Group had 309 employees (at 31 March 2019: 309). For the Reporting Period, staff costs including Directors' emoluments were approximately HK$77.0 million (2018: HK$84.3 million) (including the equity-settled share-based payments of HK$5.8 million (2018: HK$26.3 million) during the period).

MATERIAL ACQUISITIONS OR DISPOSALS

There were no material acquisitions or disposals of subsidiaries, associated companies and joint ventures during the period of review. However, subsequent to the end of the Reporting Period, the Group entered into a sale and purchase agreement on 19 November 2019 for disposal of its 70% shareholding in N Dimension Limited, details of which are set out in note 12 to the unaudited consolidated financial statements in this announcement.

CHARGES ON ASSETS

As at 30 September 2019, the Group had secured bank loans of approximately HK$37.4 million (at 31 March 2019: HK$39.1 million). The banking facilities were secured by the Group's leasehold land and buildings, having carrying amount of approximately HK$75.8 million as at 30 September 2019 (at 31 March 2019: HK$77.2 million).

CAPITAL COMMITMENT

As at 30 September 2019, the Group did not have significant capital commitment.

INTERIM DIVIDEND

The Board does not recommend any payment of an interim dividend for the Reporting Period (2018: Nil).

OUTLOOK

Health and beauty supplements and products segment

Hong Kong's current social tension, together with severe drop in tourist arrivals, have imposed devastating impact on the local retail market. Retail sales volume of Hong Kong in the third quarter of 2019 dropped by 19.5% on a year-on-year, almost at par with the record decline in the third quarter of 1998, according to government data. Most of our counterparts in the local health and beauty supplements and products industry are suffering from the unprecedented incidents and weak consumer sentiments. In view of the above status, the Group will adopt more measures on cost control and strengthen our partnerships with distribution channels for seaming and improving our performance in the second half of the financial year.

Collaboration with universities

As it is the Group's tradition of using its own research and development resources to develop our proprietary intellectual property products since its listing on the Stock Exchange in 2013, we are collaborating closely with CUCAMed Company Limited and The Chinese University of Hong Kong ("**CUHK**") to create intellectual property products and commercialise our health products chain. Under such a tripartite relationship, the Hong Kong government and the Group jointly funded the research and the Group controlled and owned the intellectual property. Although the Group did not launch any product under the brand "LEGEND" for the Reporting Period but a new Innovation Technology Fund ("**ITF**") product, which focuses on dementia, based on the result of government sponsored, product is under development and will be launched under brand "LEGEND" in the fourth quarter of 2019.

Moreover, the Group had research projects with purpose of product development and strengthening the competitiveness of current products. The Group signed a new contract on an ITF project with CUHK in July 2019. This project focuses on the development of a product for topical use.

Online advertising agency business segment

In view of the declining economy and trimming retail market in the second half of the financial year, the management may exercise stronger cost control and keep more outlook prudence measures.

The sudden increase in society tension which has drastically reduced the tourism from mainland to Hong Kong is slowly being reflected on the advertising business. Our Group's previous collaboration projects with major business associations to launch offline campaigns has been on hold since July 2019. However, most of the association's members have transformed their efforts with us on the WeChat official account and mini-program development.

Besides, the contract with Best Video Limited has offered stable and source income for our online advertising agency business segment until June 2020. The management will further exercise cost control measures and explore more diversified parties in the cross-border advertising market in the future.

Online payment business segment

Owing to the sharp decrease in the number of visitors arrivals to Hong Kong (especially from the PRC) in recent months, retail market and cross-border payment activities are under escalating level of uncertainties. Besides, the growth of mobile payment among the PRC and Hong Kong local population was slower than expected.

While facing the decline in profit margin of payment business due to intensified competition and cut throat price war as well as overall market downturn, our strategy of enhancing mini-program for clients proved to be successful in the first half of 2019. However, the Group may switch our resources and focus on exploring more business opportunities.

Game distribution segment

Unlike the Group's other retail and online payment businesses, the recent social tension seems to have positive effect on sales of game distribution. Mature operation team and channel network have jointly contributed to increasing high graded game titles under our distribution basket.

Game distribution platforms (including online and offline) shall continue to grow as the Company has built up strong pipelines for upcoming game titles: Pokemon, Overwatch and Darksiders Genesis. Given the company targets to distribute around 4 to 5 new games (mostly Double A or Triple A Class in the market with strong revenue track record) per year on the pipeline, it is expected that a stable income improvement can be achieved in the coming two years. 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 are 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, the increase in marketing events and activities driven from E-sports. The management is confident that this business segment will continue to thrive in the second half of financial year ending 31 March 2020.

EVENTS AFTER REPORTING PERIOD

Save for the events set out in note 12 to the unaudited consolidated financial statements in this announcement, there is no significant event occurring after Reporting Period.

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 the followings:

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 fail 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 consumers' preferences and spending which in turn could have a material adverse effect on the Group's business, operating 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 utilising 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, for instance 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. Since the number of available merchant shops in Hong Kong is constantly high, 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 the trend which will essentially affect the Group's business, operating results and financial conditions.

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 regularly consider and implement measures such as system/software updates and engage 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 AND 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 Reporting Period (Period of six months ended 30 September 2018: Nil).

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. The Company has adopted the code provisions set out in the Corporate Governance Code (amended from time to time, the "**Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Throughout the Reporting Period, the Company had fully complied with all code provisions of the Code except the deviation from Code provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The duties of the chairman of the Board and the chief executive officer of the Company have been temporarily undertaken by Mr. Wang Xihua, an executive Director, since the date of resignation of the former chairman of the Company, Mr. Chan Yan Tak, on 1 April 2019. The Company is in the course of identifying a suitable candidate with appropriate experience to fill the vacancy left by Mr. Chan and the Company will make announcement thereon in due course in accordance with the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")

The Company has adopted the Model Code (amended from time to time) 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 confirmed that they fully complied with the required standards set out in the Model Code throughout the Reporting Period, and there is no event of non-compliance. Senior managers, other nominated managers and staff who, because of their offices in the Group, are likely to be in possession of inside information of the Company, have also been requested to comply with the provisions of the Model Code.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**"), is currently composed of four independent non-executive Directors, namely Mr. LEUNG Winson Kwan Yau (Chairman), Ms. SZETO Wai Ling, Virginia, Mr. TAM Kin Yip and Mr. LEUNG Man Loon, for the purpose of reviewing and providing, *inter alia*, supervision over the Group's financial reporting, internal control and risk management system with written terms of reference in compliance with the Listing Rules.

At the request of the Audit Committee, the Company's auditor, Elite Partners CPA Limited, had carried out a review of the unaudited interim financial information of the Group for the Reporting Period (the "**2019/2020 Interim Results**") in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial

Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The 2019/2020 Interim Results has also been reviewed by the Audit Committee.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company's independent auditor's report on review of interim condensed consolidated financial statements for the Reporting Period has included a separate section under the heading "Material Uncertainty Related to Going Concern" but without affecting the review opinion, an extract of which is as follows:

We draw attention to note 2 to the interim condensed financial information which indicates that the Group had net current liabilities of HK$146.5 million as at 30 September 2019. This condition indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

APPROVAL OF INTERIM REPORT

The interim report and the unaudited interim condensed consolidated results of the Group for the Reporting Period were approved and authorised for issue by the Board on 25 November 2019.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at *www.shunten.com.hk* and the website of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The 2019/2020 interim 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, 25 November 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.