Alpha Professional Holdings Limited
阿爾法企業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 948)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of Alpha Professional Holdings Limited (the "**Company**") announces that the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2020 with comparative figures for the six months ended 30 September 2019 are as follows.

The Group's unaudited consolidated results for the six months ended 30 September 2020 in this announcement was prepared on the basis of the unaudited condensed consolidated interim financial information which have not been audited, but has been reviewed by the audit committee of the Company (the "**Audit Committee**") and by the auditor of the Company (the "**Auditor**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Notes	**Six months ended 30 September 2020** HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Continuing operations			
Revenue	*5*	**103,200**	89,961
Cost of sales		**(96,018)**	(98,144)
Gross profits/(loss)		**7,182**	(8,183)
Other income	*6*	**478**	1,227
Selling and distribution costs		**(204)**	(276)
Administrative expenses		**(10,731)**	(16,877)
LOSS FROM OPERATIONS		**(3,275)**	(24,109)
Finance costs	*7(a)*	**(68)**	(72)
LOSS BEFORE TAXATION	*7*	**(3,343)**	(24,181)
Income tax expenses	*8*	**–**	(3)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(3,343)**	(24,184)
Discontinued operation			
Loss for the period from discontinued operation		**–**	(64,357)
LOSS FOR THE PERIOD		**(3,343)**	(88,541)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**24**	(2,213)
Other comprehensive income/(loss) for the period, net of income tax		**24**	(2,213)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX		**(3,319)**	(90,754)

	Notes	Six months ended 30 September **2020** ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Unaudited)
Loss for the period attributable to:			
Owners of the Company		**(3,343)**	(88,009)
Non-controlling interests		**–**	(532)
		(3,343)	(88,541)
Loss for the period attributable to owners of the Company:			
from continuing operations		**(3,343)**	(23,652)
from discontinued operation		**–**	(64,357)
		(3,343)	(88,009)
Total comprehensive loss for the period, net of income tax attributable to:			
Owners of the Company		**(3,319)**	(90,222)
Non-controlling interests		**–**	(532)
		(3,319)	(90,754)
Total comprehensive loss for the period, net of income tax attributable to owners of the Company:			
from continuing operations		**(3,319)**	(23,825)
from discontinued operation		**–**	(66,397)
		(3,319)	(90,222)
		HK cents **(Unaudited)**	*HK cents* (Unaudited)
LOSS PER SHARE	*10*		
From continuing operations			
Basic and diluted		**(1.1)**	(7.8)
From discontinued operation			
Basic and diluted		**–**	(21.1)
From continuing and discontinued operations			
Basic and diluted		**(1.1)**	(28.9)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	Notes	30 September 2020 HK$'000 (Unaudited)	31 March 2020 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**2,846**	3,394
Goodwill		**2,161**	2,161
Rental deposit	*11*	**92**	241
		5,099	5,796
Current assets			
Inventories		**77,174**	12,122
Trade and other receivables	*11*	**67,088**	119,916
Tax recoverable		**537**	537
Cash and bank balances		**102,508**	27,908
		247,307	160,483
Current liabilities			
Trade and other payables	*12*	**84,284**	32,445
Contract liabilities		**3,320**	8,943
Other borrowing		**–**	10,000
Lease liabilities		**1,340**	1,735
Tax payable		**112**	125
		89,056	53,248
Net current assets		**158,251**	107,235
Total assets less current liabilities		**163,350**	113,031
Non-current liability			
Lease liabilities		**1,495**	1,608
Net assets		**161,855**	111,423
Capital and reserves			
Share capital		**391,672**	329,662
Reserves		**(229,817)**	(218,239)
Equity attributable to owners of the Company and total equity		**161,855**	111,423

Notes:

1. REVIEW BY AUDITOR

The interim financial information of the Group for the six months ended 30 September 2020 has been reviewed by our Auditor, Crowe (HK) 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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and a modified review conclusion has been issued.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") including compliance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**").

The condensed consolidated interim financial information have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements which are set out in note 3.

The preparation of the condensed consolidated interim financial information in conformity with IAS 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 period to date basis. Actual results may differ from these estimates.

This condensed consolidated interim financial information 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 2020 annual financial statements. These condensed consolidated interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current reporting period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated interim financial information:

Amendments to IFRS 3 (Revised)	Definition of a Business
Amendments to IAS 39, IFRS 7 and IFRS 9	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material
Conceptual Framework for Financial Reporting	

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current reporting period.

4. SEGMENT INFORMATION

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 Company's executive directors (the chief operating decision maker) for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

1. The trading of milk powder and baby foods (the "**Milk Products Business**"); and

2. The provision of mobile handset solution (the "**Mobile Business**").

The provision of biotechnology and biological gene technology technical services (the "**Biological Business**") was discontinued during the six months ended 30 September 2019. The following segment information does not include any amounts for the discontinued operation.

In view of the intense competition in the communication technology industry, the Group has been exploring different business opportunities in other sectors in order to broaden the sources of income and to boost the business performance of the Group. The Group has commenced and developed the Milk Products Business since February 2020, and thus no comparative information for this segment for the six months ended 30 September 2019 is presented. The Milk Products Business derives revenue primarily from the sales of milk powder and baby foods.

The Mobile Business derives revenue primarily from the sales and distribution of mobile handsets and their components.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Company's executive directors monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets. Segment liabilities include trade and other payables, lease liabilities attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Company's executive directors for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2020 and 2019 is set out below.

	Six months ended 30 September 2020		
Continuing operations	**Milk Products Business** ***HK$'000*** **(Unaudited)**	**Mobile Business** ***HK$'000*** **(Unaudited)**	**Total** ***HK$'000*** **(Unaudited)**
Reportable segment revenue			
Disaggregated by timing of revenue recognition			
Point in time	**74,990**	**27,574**	**102,564**
Over time	**636**	**–**	**636**
Revenue from external customers and reportable segment revenue	**75,626**	**27,574**	**103,200**
Profit or loss			
Reportable segment profit/(loss) (adjusted EBITDA)	**9,005**	**(7,908)**	**1,097**
Depreciation			**(823)**
Finance costs			**(68)**
Unallocated head office and corporate interest and expenses other than interest income, depreciation and finance costs			**(3,549)**
Consolidated loss before taxation from continuing operations			**(3,343)**

	At 30 September 2020		
	Milk Products Business ***HK$'000*** **(Unaudited)**	**Mobile Business** ***HK$'000*** **(Unaudited)**	**Total** ***HK$'000*** **(Unaudited)**
Reportable segment assets	**101,733**	**62,477**	**164,210**
Unallocated head office and corporate assets			
– Cash and bank balances			**86,097**
– Other unallocated assets			**2,099**
Consolidated total assets			**252,406**
Reportable segment liabilities	**68,655**	**7,805**	**76,460**
Unallocated head office and corporate liabilities			**14,091**
Consolidated total liabilities			**90,551**

	Six months ended 30 September 2019
	Mobile Business
Continuing operations	*HK$'000*
	(Unaudited)
Reportable segment revenue	
Disaggregated by timing of revenue recognition	
Point in time	89,961
Revenue from external customers and reportable segment revenue	89,961
Profit or loss	
Reportable segment loss (adjusted EBITDA)	(19,099)
Bank interest income	2
Depreciation	(711)
Finance costs	(72)
Unallocated head office and corporate interest and expenses other than interest income, depreciation and finance costs	(4,301)
Consolidated loss before taxation from continuing operations	(24,181)

	At 31 March 2020		
	Milk Products Business	Mobile Business	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Reportable segment assets	28,295	118,007	146,302
Unallocated head office and corporate assets		–	
– Cash and bank balances			17,460
– Other unallocated assets			2,517
Consolidated total assets			166,279
Reportable segment liabilities	23,815	5,678	29,493
Unallocated head office and corporate liabilities			25,363
Consolidated total liabilities			54,856

There are no inter-segment revenue during the six months ended 30 September 2020 and 2019.

5. REVENUE

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 September	
	2020	2019
Continuing operations	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales and distribution of mobile handsets and their components	**27,574**	89,961
– Sales of milk powder and baby foods	**74,990**	–
– Franchise fee income	**636**	–
	103,200	89,961

6. OTHER INCOME

	Six months ended 30 September	
	2020	2019
Continuing operations	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income on financial assets measured at amortised cost		
– bank interest income	**–**	2
Gain on disposal of a subsidiary	**–**	1,051
Net foreign exchange gain	**–**	174
Gain on lease modification	**96**	–
Sundry income	**382**	–
	478	1,227

7. LOSS BEFORE TAXATION

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

	Six months ended 30 September	
	2020	2019
Continuing operations	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest on other borrowing	**4**	–
Interest on lease liabilities	**64**	72
Total interest expense on financial liabilities not at fair value through profit or loss	**68**	72
(b) Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	**4,391**	4,769
Retirement benefits scheme contributions	**57**	135
	4,448	4,904
(c) Other items:		
Cost of inventories#	**96,018**	98,144
Depreciation charges		
– owned property, plant and equipment	**44**	259
– right-of-use assets	**779**	452
Impairment loss of trade receivables	**1,608**	7,776
Impairment loss of prepayment	**1,501**	–
Short-term lease expense	**31**	844
Net foreign exchange loss/(gain)	**294**	(174)

Remark:

\# Cost of inventories include write-down of inventories of HK$3,292,000 (2019: HK$4,314,000).

8. INCOME TAX

Amounts recognised in profit or loss:

	Six months ended 30 September	
	2020	2019
Continuing operations	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
– The People's Republic of China (the "**PRC**") Enterprise Income Tax ("**EIT**") for the period	**–**	3
Income tax expenses on continuing operations	**–**	3

Notes:

(i) No Hong Kong Profits Tax has been provided for in the condensed consolidated interim financial information for the six months ended 30 September 2020 since the Group has accumulated tax losses brought forward which exceed the estimated assessable profits. No provision for Hong Kong Profits Tax has been made for the six months ended 30 September 2019 as the Group had no assessable profits.

(ii) No PRC EIT has been provided for in the condensed consolidated interim financial information as the Group had no assessable profits for the six months ended 30 September 2020. The Group's subsidiary established in China was subject to the PRC EIT at 25% for the six months ended 30 September 2019.

(iii) The Group is not subject to any taxation under the jurisdiction of Bermuda and the British Virgin Islands for the six months ended 30 September 2020 and 2019.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

10. LOSS PER SHARE

(a) Basic loss per share

Continuing operations

The calculation of basic loss per share from continuing operations is based on the loss for the period attributable to owners of the Company from continuing operations of HK$3,343,000 (2019: HK$23,652,000) and the weighted average number of 309,965,000 (2019: 305,076,000) ordinary shares in issue during the period, calculated as follows:

	Six months ended 30 September	
	2020	2019
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 April	**264,360**	305,076
Effect of shares issued upon placing	**45,605**	–
Weighted average number of ordinary shares	**309,965**	305,076
Basic loss per share *(HK cents per share)*	**(1.1)**	(7.8)

Discontinued operation

There is no profit or loss from discontinued operation for the six months ended 30 September 2020. Hence, no basic loss per share from discontinued operation is presented.

For the six months ended 30 September 2019, the calculation of basic loss per share from discontinued operation was based on the loss for the period attributable to owners of the Company from discontinued operation of HK$64,357,000 and the weighted average number of 305,076,000 ordinary shares in issue.

Continuing and discontinued operations

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of HK$3,343,000 (2019: HK$88,009,000) and the weighted average number of 309,965,000 (2019: 305,076,000) ordinary shares in issue during the period.

	Six months ended 30 September	
	2020	2019
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares	**309,965**	305,076
Basic loss per share *(HK cents per share)*	**(1.1)**	(28.9)

(b) Diluted loss per share

There were no dilutive potential ordinary shares in issue during the six months ended 30 September 2020 and 2019. The diluted loss per share is the same as the basic loss per share for the six months ended 30 September 2020 and 2019.

11. TRADE AND OTHER RECEIVABLES

	At 30 September	At 31 March
	2020	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables, net of loss allowance *(notes (i) and (ii))*	**17,546**	42,565
Other receivables	**19**	150
Amount due from a related party *(note (iii))*	**–**	239
Financial assets measured at amortised cost	**17,565**	42,954
Prepayments to suppliers	**49,248**	76,585
Other prepaid expenses	**–**	81
Rental deposits	**333**	414
Other deposits	**34**	123
	67,180	120,157
Representing:		
Current	**67,088**	119,916
Non-current	**92**	241
	67,180	120,157

Except for the rental deposit of HK$92,000 (31 March 2020: HK$241,000) which is expected to be recovered after more than one year, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Notes:

(i) Aging analysis

As of the end of the reporting period, the ageing analysis of trade receivables based on invoice date and net of loss allowance, is as follows:

	At 30 September 2020	At 31 March 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-30 days	**17,546**	12,163
31-60 days	**–**	–
61-90 days	**–**	–
Over 90 days	**–**	30,402
	17,546	42,565

Trade receivables are due within 0 to 90 days (31 March 2020: 0 to 90 days) from the date of billing.

(ii) Disposal of trade receivables

On 24 June 2020, the Group entered into a disposal agreement with an independent third party for disposal of trade receivables (before impairment) of approximately US$5,051,000 (equivalent to approximately HK$39,401,000) that are due from two customers at a cash consideration of HK$30,000,000. The consideration is fully received on 26 June 2020 and the disposal is completed on the same day. The disposal of trade receivables is without recourse against of the Group. An impairment loss of trade receivables of HK$9,401,000 was recognised for the year ended 31 March 2020.

(iii) The amount is due from a company controlled by key management personnel of a principal subsidiary of the Group. The balance was unsecured, interest free and repayable on demand. No provision has been made for the amount due as at 31 March 2020. The balance is fully repaid to the Group during the six months ended 30 September 2020.

12. TRADE AND OTHER PAYABLES

	At 30 September 2020	At 31 March 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables *(note (i))*	**67,255**	13,209
Other payables	**2,313**	3,559
Accruals	**690**	1,629
Interest payable	**–**	63
Salary payable	**2,493**	2,441
Financial liabilities measured at amortised cost	**72,751**	20,901
Other tax payable	**11,533**	11,544
	84,284	32,445

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

Note:

(i) Aging analysis

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

	At 30 September 2020 HK$'000 (Unaudited)	At 31 March 2020 HK$'000 (Audited)
0-30 days	**67,255**	12,310
31-60 days	**–**	–
61-90 days	**–**	–
Over 90 days	**–**	899
	67,255	13,209

EXTRACT FROM REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Auditor has issued the "except for" review conclusion on the Group's interim financial information for the six months ended 30 September 2020, an extract of which is as follows:

SCOPE OF REVIEW

Except as explained in the paragraph headed "Basis for Qualified Conclusion" below, we conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BASIS FOR QUALIFIED CONCLUSION

Corresponding figures

On 29 January 2019, the Group had acquired (the "**Acquisition**") the entire equity interests in Great Empire International Group Limited ("**GE International**") and its subsidiaries (collectively the "**GE Group**"), whose principal activity was engaged in the provision of biotechnology and biological gene technology technical services (the "**Biological Business**").

During the course of our audit for the year ended 31 March 2019, we noticed certain inconsistencies between third parties documents and information provided by the Group and that we had obtained directly for revenue transactions under the Biological Business. We were unable to perform practicable audit procedures to verify the inconsistencies in the documents and information available to us, and to carry out satisfactory audit procedures to obtain reasonable assurance regarding the occurrence, completeness and accuracy of the revenue of the Biological Business of HK$13,904,000, and the corresponding trade receivables balances of HK$14,751,000 as at 31 March 2019. Furthermore, the intangible assets and goodwill arising from the Acquisition of GE Group, amounted to HK$110,943,000 and HK$48,430,000, respectively, had been allocated to the Biological Business cash generating units. The fair values had been estimated using the cash flows projections from the Biological Business. Due to the inconsistencies in documents and information available to us mentioned above and limitation in the scope of work, we were unable to assess whether the fair values as at the acquisition date and the recoverable amount of these assets as at 31 March 2019 were reliably measured. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the carrying amounts of the intangible assets and goodwill, the associated amortisation expenses attributed to the intangible assets and tax relating to the Biological Business were free from material misstatement.

In addition, because of the inconsistencies in the documents and information described above, there were no alternative audit procedures we could perform to satisfy ourselves as to the occurrence and existence, accuracy, valuations, rights and obligations, completeness, classification, disclosure and presentation of the transactions for the year ended 31 March 2019 and the assets and liabilities related to the Biological Business as at 31 March 2019. Accordingly, we were not able to obtain sufficient appropriate audit evidence to determine whether any adjustments to the consolidated financial statements as at and for the year ended 31 March 2019 were necessary.

On 17 September 2019, the Company entered into a settlement agreement with the vendor to the Acquisition (the "**Vendor**"), the guarantor to the Acquisition and GE International to unwind the Acquisition by the return of 40,716,000 settlement shares from the Vendor plus the settlement cash in the amount of approximately HK$18,804,000 to be paid by the Vendor to the Company, and the Company shall transfer its entire legal and beneficial interest in GE International to the Vendor (the "**Unwinding**").

Prior to the completion of the Unwinding on 23 January 2020, the Group recognised a loss from discontinued operation of HK$64,357,000 for the six months ended 30 September 2019 for the Biological Business. As mentioned above, due to the inconsistencies in the documents and information provided, we are unable to determine whether adjustments might be necessary for the opening balances of assets, liabilities and reserves as at 1 April 2019, the loss from discontinued operation for the six months ended 30 September 2019 and the closing balances of assets, liabilities and reserves as at 30 September 2019.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential effect on the Group's financial performance and cash flows for the six months ended 30 September 2019, and the related disclosures thereof in the interim financial information.

QUALIFIED CONCLUSION

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described in the paragraph headed "Basis for Qualified Conclusion" above, based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group reported improved business results for the six months ended 30 September 2020 as compared to the same period of last year. The loss for the period of the Group for the six months ended 30 September 2020 was approximately HK$3.3 million (2019: HK$88.5 million), a decrease of HK$85.2 million as compared to the same period of last year. The substantial reduction in the loss was primarily attributable to: (i) the recognition of a one-off impairment loss of the assets held for sale of HK$66.2 million for the six months ended 30 September 2019 on the discontinued operation of the Biological Business, which was non-recurring; (ii) a profit of HK$8.6 million contributed by the Group's new business segment of the Milk Products Business during the period; and (iii) a reduction of loss from the Mobile Business during the period as compared to the corresponding period in 2019.

The revenue of the Group for the six months ended 30 September 2020 from continuing operations was approximately HK$103.2 million (2019: HK$90.0 million), representing an increase of 14.7% compared to the same period of last year, which was primarily due to a significant contribution of revenue from the Milk Products Business and partially offset by a decrease in revenue from the Mobile Business. The loss for the period attributable to the owners of the Company from continuing operations was approximately HK$3.3 million (2019: HK$23.7 million). The basic loss per share from continuing operations amounted to HK1.1 cents (2019: HK7.8 cents).

For the six months ended 30 September 2020, the administrative expenses of the Group for continuing operations amounted to approximately HK$10.7 million (2019: HK$16.9 million), representing a decrease of 36.7% as compared to the same period of last year. This was mainly due to the decrease of an impairment loss of trade receivables.

Business Review

The Group is principally engaged in the Milk Products Business and the Mobile Business.

Milk Products Business – Continuing operations

Since the Group's acquisition of subsidiaries which are principally engaged in the trading of milk powder and baby foods in February 2020, the Group has been running its Milk Products Business with a focus on cross-border milk powder trading in the PRC, Hong Kong and Australia. For the six months ended 30 September 2020, the revenue of the Milk Products Business was approximately HK$75.6 million, of which the revenue of sales of milk powder and baby foods was approximately HK$75.0 million, franchise fee income was approximately HK$0.6 million, and the corresponding gross profit was approximately HK$9.3 million. The reportable segment profit was approximately HK$9.0 million.

During the period, the Group sold products under three milk powder brands from Australia and New Zealand respectively, namely "A2", "Bubs" (including the namesake brand and the two adult milk powder sub-brands thereunder, being "Capela" and "Caprilac") and "Aptamil". For the six months ended 30 September 2020, the Group's revenue from sales of the products under the three brands of "A2", "Bubs" and "Aptamil" were approximately HK$30.1 million, HK$22.6 million and HK$22.3 million, respectively, accounting for 40.1%, 30.2% and 29.7% of the revenue of sales of milk powder and baby foods, respectively.

Mobile Business – Continuing operations

During the period, the operation and results of the Mobile Business was inevitably affected as a result of the Coronavirus disease 2019 (the "**COVID-19**"). The operations of the Mobile Business were scaled down as the sales was severely hit. Regionally, the revenue of the Mobile Business attributed from Dubai and South Africa have fallen by 100% respectively as compared to the corresponding period of last year. For the six months ended 30 September 2020, the revenue of the Mobile Business was approximately HK$27.6 million (2019: HK$90.0 million), representing a decrease of 69.3% as compared with the corresponding period of last year, and the reportable segment loss was approximately HK$7.9 million (2019: HK$19.1 million).

Financial Review

Financial Resources, Liquidity and Capital Structure

On 17 April 2020, 50,000,000 ordinary shares of the Company (the "**Shares**") were issued additionally by way of placing (the "**Placing**"), raising gross proceeds of HK$55.0 million. Details of the Placing were set out in the section headed "The Placing and Use of Proceeds" of this announcement.

As at 30 September 2020, the trade and other receivables were approximately HK$67.2 million (31 March 2020: HK$120.2 million), the decrease was mainly attributable to the disposal of accounts receivables (before impairment) of approximately US$5.1 million as elaborated below and a decrease in prepayments to suppliers of approximately HK$27.3 million. On 24 June 2020, H K Rich Technology International Company Limited ("**HK Rich**"), a direct wholly-owned subsidiary of the Company, as vendor and BH Management Company Limited ("**BH Management**") as purchaser entered into the disposal agreement, pursuant to which HK Rich agreed to sell, and BH Management agreed to acquire, the accounts receivables amounting to approximately US$5.1 million at the consideration of HK$30.0 million. The transaction was completed on 26 June 2020. Details of the transaction were set out in the announcements of the Company dated 24 June 2020 and 26 June 2020, respectively.

Except for the proceeds received from the issuance of Shares through the Placing and from the disposal of accounts receivables, the Group's capital expenditure, daily operations and investments for the six months ended 30 September 2020 are mainly funded by cash generated from its operations and loan from a financial institution. The liquidity and financing requirements of the Group are reviewed on a regular basis. On 3 April 2020, the Group had repaid the loan from a financial institution amounting to HK$10.0 million with the Group's internal funds.

As at 30 September 2020, the Group had current assets of approximately HK$247.3 million (31 March 2020: approximately HK$160.5 million) and current liabilities of approximately HK$89.1 million (31 March 2020: approximately HK$53.2 million). With the expansion of operations of the Milk Products Business, (i) the inventories of the Group increased from approximately HK$12.1 million as at 31 March 2020 to approximately HK$77.2 million as at 30 September 2020; and (ii) the trade and other payables of the Group increased from approximately HK$32.4 million as at 31 March 2020 to approximately HK$84.3 million as at 30 September 2020. The liquidity of the Group as evidenced by the current ratio (current assets over current liabilities) was 2.78 times (31 March 2020: 3.01 times).

As at 30 September 2020, the Group maintained cash and bank balances of approximately HK$102.5 million (31 March 2020: approximately HK$27.9 million), of which 88.6% (31 March 2020: 79.5%) were denominated in Hong Kong dollars ("**HK$**") or United States dollars ("**US$**"). The increase of cash and bank balances of approximately HK$74.6 million as compared to the position as at 31 March 2020 was mainly due to the proceeds received from the Placing and the disposal of accounts receivables.

The Group had no outstanding borrowings as at 30 September 2020 (31 March 2020: HK$10.0 million).

The Group's strategy was to maintain the gearing ratio at the lowest as possible. The gearing ratio (calculated by net debt over total equity) of the Group as at 30 September 2020 was as follows:

	At 30 September 2020 *HK$'000* **(Unaudited)**	At 31 March 2020 *HK$'000* (Audited)
Total debt	**90,551**	54,856
Less: cash and bank balances	**(102,508)**	(27,908)
Net debt	**(11,957)**	26,948
Total equity	**161,855**	111,423
Gearing ratio	**N/A**	24.2%

Treasury Policy and Financial Management

The Group's treasury policy aims to ensure that (i) the funding requirements for capital commitments, investments and operations of the Group can be fulfilled; and (ii) liquidity can be managed to ensure that fund inflows are matched against all maturing repayment obligations to enhance cash flow management.

The Group aims to minimise its financial risk exposure. The Group's policy is not to engage in speculative derivative financial transactions and not to invest its existing capital resources in financial products with significant risks.

Risk of Foreign Exchange Fluctuation

As the Group's cash and bank balances and transactions are mainly denominated in HK$, Renminbi, Australian dollars and US$, the Directors considered the Group was exposed to exchange risk. For the six months ended 30 September 2020, the Group did not use any financial instruments for hedging purpose and the Group did not have any hedging instruments outstanding as at 30 September 2020.

The Group will monitor closely the exchange rate risk arising from the Group's existing operations and potential new investments in the future, and will implement necessary hedging arrangement to mitigate any significant foreign exchange risks when and if appropriate.

Charge on Group Assets

As at 30 September 2020, the Group did not have any charges on its assets (31 March 2020: Nil).

Contingent Liabilities

The Group had no contingent liabilities as at 30 September 2020 (31 March 2020: Nil).

Material Capital Commitments

The Group had no material capital commitments as at 30 September 2020 (31 March 2020: Nil).

Material Acquisitions and Disposals

The Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures for the six months ended 30 September 2020.

Event after the End of the Reporting Period

On 22 October 2020, the Company had received an enforcement judgment ((2020)粵執複707號) dated 29 September 2020 issued by the Higher People's Court of the Guangdong Province*（廣東省高級人民法院）of the PRC, the details were set out in the section headed "Litigation Update" of this announcement.

Litigation Update

On 22 October 2020, the Company received an enforcement judgment ((2020)粵執複707號) dated 29 September 2020, being a final judgement, issued by the Higher People's Court of the Guangdong Province*（廣東省高級人民法院）of the PRC, in relation to the following rulings:

(i) the enforcement judgment ((2019)粵03執異631號) issued by the Shenzhen Intermediate People's Court of Guangdong Province (the "**Court**"), which ruled against the Company's appeal on the enforcement notice ((2018)粵03執2033號) dated 29 April 2019 (the "**2019 Enforcement Notice**") and an enforcement judgment ((2018)粵03執2033號之二) dated 28 April 2019 (the "**2019 Enforcement Judgment**"), be dismissed; and

(ii) the enforcement of the 2019 Enforcement Notice and the 2019 Enforcement Judgement issued by the Court against the Company be terminated.

Details of this litigation were set out in the announcements of the Company dated 10 May 2019, 11 May 2020 and 27 October 2020, respectively.

Employees

As at 30 September 2020, the Group had 27 employees (31 March 2020: 34). Total staff cost from continuing operations, including Directors' emoluments, of approximately HK$4.4 million (2019: approximately HK$4.9 million) was incurred for the six months ended 30 September 2020. The Group maintains a policy of paying competitive remuneration. Remuneration of employees which included salary and discretionary performance bonus is decided with reference to the results of the Group, the market level as well as individual performance and contributions. Remuneration packages (including performance bonus) are reviewed on a regular basis.

The Placing and Use of Proceeds

On 26 March 2020, the Company entered into the placing agreement (the "**Placing Agreement**") with Morton Securities Limited (the "**Placing Agent**"), pursuant to which, the Placing Agent has conditionally agreed, as the placing agent of the Company, to procure, on a best effort basis, not less than six placees (the "**Placees**") to subscribe for up to 50,000,000 Shares (the "**Placing Shares**") at the placing price of HK$1.10 per Placing Share. The market price of the Share on 26 March 2020, the date on which the terms of the Placing were fixed, was HK$1.25 per Share.

The Placing Shares were allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company convened on 28 August 2019. The Directors are of the view that the Placing will enhance the capital base and shareholders base of the Company. In addition, the net proceeds of the Placing will strengthen the Group's financial position supporting the operations and business development of the Group. The Placing was completed on 17 April 2020, a total of 50,000,000 Placing Shares have been successfully placed to not less than six Placees who are individuals, professionals, institutional or other investors whom the Placing Agent has procured to subscribe for any of the Placing Shares pursuant to its obligations under the Placing Agreement who (including its ultimate beneficial owners) are regarded as public (as defined in the Listing Rules) and independent of and not connected with the Company, the Directors, chief executive and substantial shareholders of the Group or any of their respective associates. The gross proceeds from the Placing were HK$55.0 million while the net proceeds was approximately HK$53.8 million (after deduction of commission and other expenses of the Placing), representing a net issue price of approximately HK$1.08 per Placing Share. It is intended that the net proceeds would be used by the Group for (i) general working capital; and (ii) financing future investment or new business development as and when opportunities arise. The Group currently does not have any intention to change its plan for the use of proceeds. Details of the Placing were set out in the announcements of the Company dated 26 March 2020 and 17 April 2020, respectively.

As at 30 September 2020 and the date of this announcement, a total of approximately HK$20.0 million of the net proceeds from the Placing had been utilised by the Group as general working capital for the Milk Products Business. There is no specific timeline for the utilisation of the remaining net proceeds of HK$33.8 million.

Business Development

The Group's business strategy has been to (i) reinforce the existing business foundation; (ii) strengthen the Group's competitive edge; and (iii) actively seek opportunities of business development and diversification.

Since the completion of the acquisition of subsidiaries engaged in the Milk Products Business by the Group in February 2020, the Group has devoted considerable resources to such business. The Milk Products Business, being a new business segment of the Group, has achieved impressive performance during the period. The brands of "Aptamil" and "A2" enjoy a high level of awareness in the PRC and have a relatively stable customer base. The Group will continue to optimise the sales strategies of these two brands in the future. During the period, the Group has started to introduce the sales of milk products under the "Bubs" brand and will actively promote such brand in the future with the aim of increasing its brand awareness and market share in the PRC, hoping to boost the overall business performance of the Group.

With respect to the Australian market, the Group has gradually established a more complete and stable supplier and customer base, and will strive to maintain relationships with suppliers and customers for steady development in the future.

Regarding the target customers, the Group has been actively developing different customer base and has introduced the sales of milk powder products for adults under the brands of "Capela" and "Caprilac", targeting both adult and elderly customers. Meanwhile, the Group has also actively promoted product diversification. In the fourth quarter of 2020, the Group plans to introduce a newly developed series of infant health care products under the "Bubs" brand to meet the increasing demand of existing and potential customers.

The successive lockdown of certain cities and countries across the world due to the worldwide outbreak of COVID-19 since the beginning of 2020 has disrupted the procurement of raw materials in the global supply chain, labour mobility, port operations and import and export transportation, which has exerted an impact on the international economy. The sales of mobile handsets by manufacturers have been greatly affected, with a significant impact on the Group's existing and pending orders. On the one hand, this has resulted in overstocking of raw materials and, on the other hand, longer delivery times for existing orders, which put tremendous pressure on the operations and performance of the Mobile Business during the period.

Outlook

The worldwide outbreak of COVID-19 in 2020 has resulted in economic downturn to varying degrees across the world. Compared to the tourism, service and luxury product industries, infant milk powder, as a necessity, has been affected but only to a limited extent. In respect of the current markets of Australia and the PRC, being the end markets of the Group's major products, Australia is doing well in general, while economic activities in the PRC have resumed. It is believed that the sales of the Milk Products Business will increase steadily along with the recovery of the economies of both countries in the future. The introduction of new products, the improvement in the entire product portfolio and the expansion of the customer base will not only enable further development of the Milk Products Business, but also enhance the stability of the future revenue of the Group.

The Mobile Business is facing a certain degree of pressure from the unstable environment of existing market competition and expected economic downturn. In response to the international environment and in light of the Group's past experience, the Group will continue to focus on the development of the medium and low-end mobile phone markets in the future, maintain and explore the current markets in Bangladesh, India and Vietnam, and aim to actively and continuously expand its foothold in the target markets including Southeast Asia, Africa, South America and Europe. The Group will also further strengthen its internal management, shorten the turnover time of the supply chain, and reduce expenditure so as to overcome the external challenges.

In 2020, the pandemic brought an unprecedented impact on enterprises around the world. Various industries are undergoing changes, and both crises and opportunities have emerged for enterprises. In order to improve its business performance and maintain its long-term value, the Group will continue to develop in line with its business strategy in an attempt to reinforce its business foundation, strengthen its competitive edge and capture opportunities for business development and diversification.

THE "EXCEPT FOR" REVIEW CONCLUSION ISSUED BY AUDITOR

Reason for Issuing of the "Except for" Review Conclusion and the Impact on the Financial Position

Reference is made to the section headed "The Disclaimer of Opinion Issued by Auditor" under the "Management Discussion and Analysis" in the annual report 2020 of the Company and the issue of the "except for" review conclusion by the Auditor as disclosed in the section headed "Extract from Report on review of interim financial information" in this announcement.

On 29 January 2019, the Group had acquired (the "**Acquisition**") the entire equity interests in Great Empire International Group Limited ("**GE International**") and its subsidiaries (collectively the "**GE Group**"), whose principal activity was engaged in the Biological Business.

After the Acquisition of the GE Group, the Auditor issued a disclaimer of opinion in the consolidated financial statements of the Group for the year ended 31 March 2019 because:

(a) the Auditor was unable to perform practicable audit procedures to verify the inconsistencies in the documents and information available, and to carry out satisfactory audit procedures to obtain reasonable assurance regarding the occurrence, completeness and accuracy of the revenue of the Biological Business, and the corresponding trade receivables balances of approximately HK$14.8 million as at 31 March 2019;

(b) in relation to the intangible assets and goodwill arising from the Acquisition of the GE Group, which amounted to approximately HK$110.9 million and approximately HK$48.4 million, respectively, the Auditor was unable to assess whether the fair values as at the acquisition date and the recoverable amount of these assets as at 31 March 2019 are reliably measured. There are no alternative audit procedures that the Auditor could perform to satisfy itself as to whether the carrying amounts of the intangible assets and goodwill, the associated amortisation expenses attributed to the intangible assets and tax relating to the Biological Business were free from material misstatement; and

(c) due to the inconsistencies in the documents and information provided as described above, there were no alternative audit procedures the Auditor could perform to satisfy itself as to the occurrence and existence, accuracy, valuations, rights and obligations, completeness, classification, disclosure and presentation of the transactions for the year ended 31 March 2019 and the assets and liabilities related to the Biological Business as at 31 March 2019, and accordingly, the Auditor was not able to obtain sufficient appropriate audit evidence to determine whether any adjustments to the consolidated financial statements as at and for the year ended 31 March 2019 were necessary.

During the year ended 31 March 2020, the Board decided to unwind the Acquisition by disposing of GE International. Prior to the completion of the disposal of GE International on 23 January 2020, the Group recognised a loss from discontinued operation of approximately HK$64.4 million for the six months ended 30 September 2019 for the Biological Business. As mentioned above, due to the inconsistencies in the documents and information provided, the Auditor was unable to determine whether adjustments might be necessary for the opening balances of assets, liabilities and reserves as at 1 April 2019, the loss from discontinued operation for the six months ended 30 September 2019 and the closing balances of assets, liabilities and reserves as at 30 September 2019, and the Auditor has issued the "except for" conclusion (the "**Except For Review Conclusion**") on the Group's interim financial information for the six months ended 30 September 2020 which merely related to figures for the six months ended 30 September 2019 shown as corresponding figures and comparative financial information in the condensed consolidated interim financial information of the Group for the six months ended 30 September 2020.

Position of the Management and the Audit Committee

Since the GE Group ceased to be subsidiaries of the Group upon completion of the disposal of GE International on 23 January 2020, the Group did not continue to carry out the Biological Business. Therefore, the management of the Company is of the view that the Except For Review Conclusion would not be carried forward to the six months ending 30 September 2021. The Audit Committee has reviewed and agreed with the management's position.

Plans to Address the Issue

It is expected that the Except For Review Conclusion would not be carried forward to the six months ending 30 September 2021. It is considered that unwinding the Acquisition by disposing of GE International (which has been completed during the year ended 31 March 2020) is the final step taken by the Company to address the issues arising from the Biological Business, and save for the disposal, the Company has no further plans to address the Except For Review Conclusion.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2020, save and except for the deviation as follows:

During the period, the Company has not met (i) the minimum of three independent non-executive Directors requirement under Rule 3.10(1) of the Listing Rules; (ii) the composition requirement of the Audit Committee under Rule 3.21 of the Listing Rules; (iii) the chairman and composition requirement of the remuneration committee of the Company (the "**Remuneration Committee**") under Rule 3.25 of the Listing Rules; and (iv) the composition requirement of the nomination committee of the Company (the "**Nomination Committee**") under code provision A.5.1 of the CG Code. Due to, among other things, the continued spread of COVID-19, lockdowns, travel restrictions and other pandemic containment measures imposed by government authorities in the PRC and Hong Kong, the Company has faced difficulties in identifying and organising site visits and physical meetings with potential independent non-executive Director candidate(s) to fill the vacancy occasioned by the resignation of Mr. Cui Songhe and thus, been unable to comply with the requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules, and code provision A.5.1 of the CG Code.

Following the appointment of Mr. Ngai Wah Sang as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee, and the cessation of Mr. Yi Peijian as a member of each of the Remuneration Committee and the Nomination Committee on 28 October 2020, the Company has complied with the requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules, and code provision A.5.1 of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to each of the Directors and all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2020.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30 September 2020. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external Auditor 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 as well as reports obtained from the management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 September 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The 2020 interim report of the Company will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange (http://www.hkexnews.hk) and of the Company (http://www.hk-alpha.com) in due course.

ACKNOWLEDGEMENT

I would like to offer the Board's sincere gratitude to the management team and all employees for their hard work and dedication. Their excellence and commitment are of vital importance in enhancing the Company's sustainability. I also take this opportunity to thank our shareholders and all other stakeholders for their continuous support and confidence in us.

On behalf of the Board of
Alpha Professional Holdings Limited
XIONG Jianrui
Chairman

Hong Kong, 25 November 2020

As at the date of this announcement, the executive Directors are Mr. Xiong Jianrui, Mr. Yi Peijian and Mr. Chen Zeyu and the independent non-executive Directors are Mr. Li Chak Hung, Mr. Choi Kin Man and Mr. Ngai Wah Sang.

* *For identification purpose only*