Shunten International (Holdings) Limited
順騰國際(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 932)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS

	2018	2017
	HK$'000	*HK$'000*
Revenue	**264,451**	220,853
Gross profit	**181,148**	157,121
EBITDA *(Note 1)*	**(120,430)**	21,192
Adjusted EBITDA *(Note 2)*	**(8,639)**	21,192
(Loss)/profit for the year attributable to:		
Owners of the Company	**(139,217)**	12,746
Non-controlling interests	**(5,531)**	(923)
	(144,748)	11,823
(Loss)/earnings per share attributable to owners of the Company *(expressed in HK cents) (Note 3)*		(Restated)
Basic	**(6.6)**	0.6
Diluted	**(6.6)**	0.6

Note 1: EBITDA represents (loss)/earnings before finance costs, taxation, depreciation and amortisation.

Note 2: Adjusted EBITDA represents EBITDA before (i) equity-settled share-based payments of approximately HK$29.3 million (2017: Nil); (ii) one-off transaction costs arising from the issuance of convertible bonds of HK$15.0 million (2017: Nil); (iii) fair value change of contingent consideration payables of HK$9.3 million (2017: Nil); (ix) fair value change of promissory notes payable of HK$0.4 million (2017: Nil); and (x) fair value change of convertible bonds of HK$57.8 million (2017: Nil).

Note 3: The weighted average number of ordinary shares for the purpose of calculating the (loss)/earnings per share for the years ended 31 March 2017 and 2018 have been adjusted for the effect of the Company's share subdivision which became effective on 5 December 2017.

The board (the "**Board**") of directors (the "**Directors**") announces that the audited consolidated results of Shunten International (Holdings) Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") for the year ended 31 March 2018. The final results were reviewed by the audit committee of the Company (the "**Audit Committee**") and agreed with the auditors.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
REVENUE	*3*	**264,451**	220,853
Cost of revenue		**(83,303)**	(63,732)
GROSS PROFIT		**181,148**	157,121
Other revenue and other net loss		**565**	209
Selling and distribution expenses		**(49,566)**	(43,873)
Administrative expenses		**(168,864)**	(97,041)
Equity-settled share-based payments		**(29,290)**	–
Fair value change of contingent consideration payables		**(9,264)**	–
Fair value change of promissory notes payable		**(447)**	–
Fair value change of convertible bonds		**(57,764)**	–
(LOSS)/PROFIT FROM OPERATIONS		**(133,482)**	16,416
Finance costs	*4(c)*	**(8,574)**	(776)
(LOSS)/PROFIT BEFORE TAXATION	*4*	**(142,056)**	15,640
Taxation	*5*	**(2,692)**	(3,817)
(LOSS)/PROFIT FOR THE YEAR		**(144,748)**	11,823
OTHER COMPREHENSIVE INCOME/(LOSS)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**670**	(504)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		**(144,078)**	11,319

	Note	**2018**	2017
		HK$'000	*HK$'000*
(Loss)/profit for the year attributable to:			
Owners of the Company		**(139,217)**	12,746
Non-controlling interests		**(5,531)**	(923)
		(144,748)	11,823
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(138,797)**	12,208
Non-controlling interests		**(5,281)**	(889)
		(144,078)	11,319
			(Restated)
(Loss)/earnings per share attributable to owners of the Company for the year (expressed in HK cents per share)			
– basic	*7(a)*	**(6.6)**	0.6
– diluted	*7(b)*	**(6.6)**	0.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Non-current assets			
Property, plant and equipment		**121,672**	54,314
Intangible assets		**206,166**	2,752
Prepayments and deposits	*8*	**2,932**	707
Goodwill		**177,496**	–
		508,266	57,773
Current assets			
Inventories		**22,091**	27,183
Trade and other receivables	*8*	**80,000**	70,146
Cash and cash equivalents		**158,913**	110,218
Tax recoverable		**508**	764
		261,512	208,311
Current liabilities			
Trade and other payables	*9*	**34,026**	16,632
Contingent consideration payables		**59,169**	–
Promissory notes payable		**1,491**	–
Bank borrowings		**28,119**	30,565
Tax payable		**327**	2,129
Provisions		**1,007**	1,345
		124,139	50,671
Non-current liabilities			
Contingent consideration payables		**118,350**	–
Promissory notes payable		**9,087**	–
Other borrowings		**5,500**	–
Convertible bonds		**310,510**	–
Amounts due to non-controlling interests		**1,242**	1,200
Deferred tax liabilities		**34,215**	589
		478,904	1,789
Net assets		**166,735**	213,624
EQUITY			
Equity attributable to owners of the Company			
Share capital		**5,308**	5,286
Reserves		**109,483**	206,758
		114,791	212,044
Non-controlling interests		**51,944**	1,580
TOTAL EQUITY		**166,735**	213,624

NOTES

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

(a) Corporate Information

Shunten International (Holdings) Limited (formerly known as "RM Group Holdings Limited") (the "**Company**") was incorporated and domiciled in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 5 December 2011. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company has established a principal place of business in Hong Kong at Unit A, 12/F, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong and has been registered as a non-Hong Kong company under the Hong Kong Companies Ordinance on 5 April 2012. The Company's issued shares have been listed on the Growth Enterprise Market 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.

Pursuant to a special resolution passed by the shareholders of the Company on 5 January 2018, the Company's name was changed from "RM Group Holdings Limited" to "Shunten International (Holdings) Limited" with effect from 9 January 2018.

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, Taiwan 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.

(b) Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The measurement basis used in the preparation of the financial statements is the historical cost basis except for contingent consideration payables, promissory notes payable and convertible bonds which are stated at their fair value.

2. APPLICATION OF NEW AND REVISED HKFRSs

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in the financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of Cash Flows: Disclosure Initiative,* which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

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

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

	2018	2017
	HK$'000	*HK$'000*
Health and beauty supplements and products	**250,797**	220,853
Online advertising agency business	**9,447**	–
Online payment business	**1,751**	–
Others	**2,456**	–
	264,451	220,853

4. (LOSS)/PROFIT BEFORE TAXATION

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

		2018	2017
		HK$'000	*HK$'000*
(a)	**Staff costs:**		
	Salaries, allowances, and other benefits	**84,160**	58,982
	Contributions to defined contribution retirement plans	**2,968**	2,176
	Equity-settled share-based payments	**29,290**	–
		116,418	61,158
(b)	**Other items:**		
	Auditors' remuneration	**1,431**	1,239
	Cost of inventories *(note (i) below)*	**76,155**	63,732
	Depreciation on property, plant and equipment	**6,950**	4,633
	Amortisation of intangible assets	**6,102**	143
	Provisions for goods returns	**609**	932
	Operating lease charges: minimum lease payments	**5,265**	1,888
	Research and development costs (other than amortisation costs)	**3,396**	3,073
	Impairment loss on trade receivables	**–**	23
	Rent for special designated counters	**37,922**	31,128
	Transaction costs arising from the issuance of convertible bonds	**15,026**	–
	Legal and professional fee	**14,867**	4,228
(c)	**Finance costs:**		
	Bank overdrafts interest	**–**	3
	Interest on bank borrowings	**1,283**	773
	Interest on other borrowings	**165**	–
	Total interest expenses on financial liabilities not at fair value through profit or loss	**1,448**	776
	Interest on convertible bonds	**7,126**	–
		8,574	776

Note:

(i) For the year ended 31 March 2018, cost of inventories includes HK$5,291,000 (2017: HK$5,309,000) relating to staff costs, depreciation on property, plant and equipment and provision for goods return, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

5. TAXATION

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

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**3,743**	3,281
PRC Enterprise Income Tax	**–**	573
Overprovision in respect of prior years		
PRC Enterprise Income Tax	**(107)**	–
Deferred tax		
Reversal of temporary differences	**(944)**	(37)
	2,692	3,817

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year.

For the year ended 31 March 2018, no provision for PRC Enterprise Income Tax (the "**EIT**") has been made in the consolidated financial statements as the Group has no assessable profits under EIT. For the year ended 31 March 2017, the provision for EIT is calculated at the standard rate of 25% on the estimated assessable profit for the year as determined in accordance with the relevant income tax rules and regulations of the PRC.

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 years ended 31 March 2017 and 2018.

6. DIVIDENDS

The Board does not recommend the payment of any dividend for the years ended 31 March 2017 and 2018.

7. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	2018	2017 (Restated)
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic (loss)/earnings per share *(HK$'000)*	**(139,217)**	12,746
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share *(Note)*	**2,114,635,675**	2,082,858,082

Note:

For the years ended 31 March 2017 and 2018, the weighted average number of ordinary share for the purpose of basic (loss)/earnings per share have been adjusted to reflect the share subdivision on 5 December 2017.

(b) Diluted (loss)/earnings per share

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

For the year ended 31 March 2017, the computation of diluted earnings per share did not assume the conversion of the Company's share option because the exercise price of the Company's share options were higher than the average market price of the Company's shares during the year.

8. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**56,379**	41,810
Less: Allowance for doubtful debts	**(162)**	(162)
	56,217	41,648
Other receivables	**3,280**	4,324
Loans and receivables	**59,497**	45,972
Prepayments	**7,535**	5,154
Utility, trade and other deposits	**15,900**	14,727
Deposits paid for potential acquisition	**–**	5,000
	23,435	24,881
	82,932	70,853

	2018	2017
	HK$'000	*HK$'000*
Analysis of trade and other receivables:		
Non-current portion	**2,932**	707
Current portion	**80,000**	70,146
	82,932	70,853

The amount of the Group's utility, trade and other deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$1,919,000 (2017: HK$631,000) and HK$1,013,000 (2017: HK$76,000) respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

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

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**38,957**	28,758
31–60 days	**11,648**	8,036
61–90 days	**4,261**	4,842
Over 90 days	**1,351**	12
	56,217	41,648

9. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**6,288**	3,142
Salary and welfare payables	**8,728**	5,671
Accrued advertising expenses	**3,922**	3,533
Other payables and accruals	**7,189**	4,286
Interest payable on other borrowings	**165**	–
Interest payable on convertible bonds	**7,126**	–
Receipt in advance	**608**	–
	34,026	16,632

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

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**5,394**	2,442
31–60 days	**506**	603
61–90 days	**17**	26
91–180 days	**2**	–
181–365 days	**154**	–
Over 365 days	**215**	71
	6,288	3,142

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

10. SEGMENT REPORTING

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

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

— Online advertising agency business

— Online payment business

— Other businesses include small operating segments namely the e-commerce promotion business and the game distribution business where the revenue, results and assets from these segments are below the quantitative thresholds under HKFRS 8 for determining a reportable segment.

During the year ended 31 March 2018, in view of the significance of the newly acquired businesses, the CODM revised the organisation of segments based on revenue contribution from its products and service lines so as to enhance operational efficiency, and considered to group the reportable and operating segments in prior years, namely (i) proprietary brands comprising the development, manufacturing and sales of self-developed health supplements; (ii) proprietary brands comprising the development, manufacturing and sales of self-developed beauty supplements and products; (iii) private label brands comprising the development, manufacturing and sales of health supplements; (iv) private label brands comprising the development, manufacturing and sales of beauty supplements and products; (v) trading of goods comprising the trading and sales of health supplements; (vi) trading of goods comprising the trading and sales of beauty supplements and products and (vii) other items relating to the provision of Chinese medical consultation services and provision of health food processing services, into a single operating segment. The comparatives have been restated.

During the year ended 31 March 2018, the Group introduced three new reportable segments, the online advertising agency business, online payment business and other businesses, as a result of the business combinations through acquisition of subsidiaries as detailed in note 11 of this announcement.

(a) Segment revenue, results, assets and liabilities

Before the introduction of the three new reportable segments, no segment assets and liabilities information is presented as such information is not a key indicator for the purposes of allocating resources to segments and assessing their performance by the Group's CODM. After the introduction of the three new reportable segments, the CODM also reviews assets and liabilities of each of the operating segment. As a result, the comparative figures of segment assets and liabilities have been restated for reviewing purpose of the CODM.

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 (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except for unallocated other revenue and other net loss, 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, finance costs and unallocated corporate expenses.

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

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance for the year ended 31 March 2018 and 2017 is set out below:

(i) *Segment revenue and results*

	For the year ended 31 March 2018					
	Development, manufacturing and sales of health and beauty supplements and products	**Online advertising agency business**	**Online payment business**	**Other businesses**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Revenue from external customers	**250,797**	**9,447**	**1,751**	**2,456**	**–**	**264,451**
Inter-segment revenue	**–**	**600**	**–**	**–**	**(600)**	**–**
	250,797	**10,047**	**1,751**	**2,456**	**(600)**	**264,451**
Segment results	**30,522**	**(7,732)**	**(3,870)**	**(2,061)**	**–**	**16,859**
Unallocated other revenue and other net loss						**208**
Fair value change of contingent consideration payables						**(9,264)**
Fair value change of promissory notes payable						**(447)**
Fair value change of convertible bonds						**(57,764)**
Equity-settled share-based payments						**(29,290)**
Finance costs						**(8,574)**
Unallocated corporate expenses						**(53,784)**
Loss before taxation						**(142,056)**

	For the year ended 31 March 2017 (restated)				
	Development, manufacturing and sales of health and beauty supplements and products	Online advertising agency business	Online payment business	Other businesses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Revenue from external customers	220,853	–	–	–	220,853
Segment results	30,583	–	–	–	30,583
Unallocated other revenue and other net loss					209
Finance costs					(776)
Unallocated corporate expenses					(14,376)
Profit before taxation					15,640

(ii) Segment assets and liabilities

	As at 31 March 2018				
	Development, manufacturing and sales of health and beauty supplements and products	**Online advertising agency business**	**Online payment business**	**Other businesses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Segment assets	**178,386**	**66,648**	**294,260**	**50,360**	**589,654**
Tax recoverable					**508**
Unallocated intangible assets					**2,200**
Unallocated cash and cash equivalents					**102,460**
Unallocated corporate assets					**74,956**
Total consolidated assets					**769,778**
Liabilities					
Segment liabilities	**15,345**	**431**	**4,322**	**1,956**	**22,054**
Deferred tax liabilities					**34,215**
Tax payable					**327**
Bank borrowings					**28,119**
Other borrowings					**5,500**
Contingent consideration payables					**177,519**
Promissory notes payable					**10,578**
Convertible bonds					**310,510**
Amounts due to non-controlling interests					**1,242**
Unallocated corporate liabilities					**12,979**
Total consolidated liabilities					**603,043**

	As at 31 March 2017 (restated)				
	Development, manufacturing and sales of health and beauty supplements and products	Online advertising agency business	Online payment business	Other businesses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Segment assets	142,443	–	–	–	142,443
Tax recoverable					764
Unallocated intangible assets					2,200
Unallocated cash and cash equivalents					81,736
Unallocated corporate assets					38,941
Total consolidated assets					266,084
Liabilities					
Segment liabilities	14,422	–	–	–	14,422
Deferred tax liabilities					589
Tax payable					2,129
Bank borrowings					30,565
Amounts due to non-controlling interests					1,200
Unallocated corporate liabilities					3,555
Total consolidated liabilities					52,460

(iii) Other segment information

	For the year ended 31 March 2018				
	Development, manufacturing and sales of health and beauty supplements and products *HK$'000*	Online advertising agency business *HK$'000*	Online payment business *HK$'000*	Other businesses *HK$'000*	Total *HK$'000*
Other information					
Additions of property, plant and equipment other than through acquisition of subsidiaries	**957**	**1,217**	**611**	**2**	**2,787**
Additions of unallocated property, plant and equipment other than through acquisition of subsidiaries					**2,665**
Total additions of property, plant and equipment other than through acquisition of subsidiaries					**5,452**
Additions of property, plant and equipment through acquisition of subsidiaries	**26,834**	**196**	**3,280**	**68**	**30,378**
Additions of unallocated property, plant and equipment through acquisition of subsidiaries					**39,000**
Total additions of property, plant and equipment through acquisition of subsidiaries*					**69,378**
Additions of intangible assets through acquisition of subsidiaries	**–**	**34,445**	**172,313**	**2,758**	**209,516**
Additions of goodwill through acquisitions of subsidiaries	**–**	**31,214**	**113,373**	**32,909**	**177,496**
Depreciation of property, plant and equipment	**3,955**	**145**	**546**	**18**	**4,664**
Unallocated depreciation of property, plant and equipment					**2,286**
Total depreciation of property, plant and equipment					**6,950**
Amortisation of intangible assets	**143**	**5,809**	**–**	**150**	**6,102**

* Including the business combinations and acquisition of assets through acquisition of subsidiaries as detailed in notes 11 and 12 of this announcement respectively.

	For the year ended 31 March 2017 (restated)				
	Development, manufacturing and sales of health and beauty supplements and products	Online advertising agency business	Online payment business	Other businesses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other information					
Additions of property, plant and equipment	3,287	–	–	–	3,287
Additions of unallocated property, plant and equipment					1,511
Total additions of property, plant and equipment					4,798
Depreciation of property, plant and equipment	3,465	–	–	–	3,465
Unallocated depreciation of property, plant and equipment					1,168
Total depreciation of property, plant and equipment					4,633
Amortisation of intangible assets	143	–	–	–	143

(b) Geographical information

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

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

	2018	
	Revenue	**Non-current assets**
	HK$'000	***HK$'000***
Hong Kong (place of domicile)	**263,730**	**507,585**
The PRC	**606**	**681**
Taiwan	**115**	**–**
	264,451	**508,266**

	2017	
	Revenue	Non-current assets
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	220,620	57,635
The PRC	–	121
Taiwan	233	17
	220,853	57,773

(c) Information about major customer

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

	2018	2017
	HK$'000	*HK$'000*
Customer A*	**134,017**	125,419

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

11. BUSINESS COMBINATIONS

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

	Star Root Limited ("Star Root") *HK$'000* *(note (a))*	Empire Access Limited ("Empire Access") *HK$'000* *(note (b))*	Others *HK$'000* *(note (c))*	Total *HK$'000*
Non-current assets				
Plant and equipment	196	3,280	68	3,544
Intangible assets	34,445	172,313	2,758	209,516
Current assets				
Trade and other receivables	274	169	3,869	4,312
Cash and cash equivalents	70	915	2,074	3,059
Tax recoverable	–	–	100	100
Current liabilities				
Trade and other payables	(400)	(1,363)	(3,743)	(5,506)
Non-current liabilities				
Deferred tax liabilities	(5,683)	(28,432)	(455)	(34,570)
Total identifiable net assets at fair value	28,902	146,882	4,671	180,455
Goodwill arising on acquisitions	31,214	113,373	32,909	177,496
Non-controlling interests	(10,116)	(44,075)	(1,454)	(55,645)
Total consideration	50,000	216,180	36,126	302,306
Consideration satisfied by:				
Cash consideration paid	50,000	5,000	13,920	68,920
Cash consideration payable	–	55,000	–	55,000
Fair value of contingent consideration payables	–	156,180	12,075	168,255
Fair value of promissory notes payable	–	–	10,131	10,131
	50,000	216,180	36,126	302,306

Notes:

(a) Acquisition of Star Root

On 9 January 2017, the Company entered into a sale and purchase agreement with an independent third party vendor to acquire the entire equity interest of Star Root, a company incorporated in the BVI, at a cash consideration of HK$50,000,000. Star Root and its subsidiary (65% equity interest held by Star Root) are principally engaged in the online advertising agency business. The management considers that such acquisition will enable the Group to partner with and access to an online information platform in Hong Kong and PRC to expand the sales and advertising channels for the Group's products, provide an additional income and cash flow stream for the Group and further diversify the Group's overall business. The acquisition was completed on 13 April 2017.

The purchase price allocation of the acquisition of Star Root at 13 April 2017 was completed in March 2018. The Group revised the provisional amounts recognised at the acquisition date to reflect new information obtained about the facts and circumstances that existed as of the acquisition date. This resulted in an adjustment to certain assets and liabilities due to the completion of the valuation of the fair values as at the date of acquisition, along with a corresponding decline in goodwill in the consolidated statement of financial position.

The non-controlling interests in the subsidiary of Star Root recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the fair value of net assets of the subsidiary of Star Root at that date.

(b) Acquisition of Empire Access

On 30 June 2017, the Company entered into a sale and purchase agreement with four independent third party vendors to acquire the entire equity interest of Empire Access, a company incorporated in the BVI, for a total cash consideration of HK$270,000,000. On 15 September 2017, the Company entered into a supplemental agreement with the vendors pursuant to which the total consideration was revised and adjusted downward to not more than HK$240,000,000, which comprises fixed cash consideration of HK$60,000,000 and contingent consideration to be settled in the form of promissory note issued by the Company. Empire Access and its subsidiary (70% equity interest held by Empire Access) are principally engaged in the business of provision of WeChat Pay cross border solutions to Tenpay Payment Technology Company Limited, an integrated online payment platform, and the retail merchants in Hong Kong. The management considers that such acquisition will enable the Group to enter into the mobile payment industry which will provide an additional income and cash flow stream to the Group and further diversify the Group's overall business. The acquisition was completed on 21 September 2017.

In accordance with the cooperation agreements in relation to the option granted to the subsidiary of Empire Access, N Dimension Limited ("N Dimension") by the existing shareholders of Hoi On Technology Limited ("Hoi On"), it allows N Dimension to exercise a call option to acquire 100% equity interest in Hoi On at a fixed exercise price of HK$10,526. As a result, for accounting purpose, it has been determined that the existence of the option has given the Group full access to the economic benefits and risks associated with the actual ownership of the non-controlling interests. Therefore, Hoi On has been accounted for as a wholly-owned subsidiary without non-controlling interests as at 21 September 2017. On 5 March 2018, the Group exercised the call option and the acquisition of Hoi On was completed.

The non-controlling interests in the subsidiaries of Empire Access recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the fair value of net assets of the subsidiaries of Empire Access at that date.

(c) Others refer to the aggregate information of two subsidiaries acquired by the Group during the year ended 31 March 2018 that are not individually material. Details of these two acquisitions are as follows:

(i) Acquisition of Soul Marketing Group Limited ("Soul Marketing")

On 11 December 2017, Empire Access, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with two independent third party vendors to acquire 68.5% equity interest of Soul Marketing, a company incorporated in Hong Kong, for consideration of HK$12,000,000 (subject to downward adjustment in respect of the guaranteed profit as described in the sale and purchase agreement). On 19 December 2017, Empire Access entered into a supplemental agreement with the vendors pursuant to which the total consideration of not more than HK$12,000,000 would be settled by a fixed cash consideration of HK$7,200,000 and contingent consideration to be settled in the form of promissory notes issued by the Company. Soul Marketing and its subsidiaries are principally engaged in the e-commerce promotion business. The management considers that such acquisition will enable the Group to enter into the e-commerce promotion business which will provide an additional income and cash flow stream to the Group and enhance and integrate the online business. The acquisition was completed on 22 December 2017.

The non-controlling interests in the subsidiaries of Soul Marketing recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the fair value of net assets of the subsidiaries of Soul Marketing at that date.

(ii) Acquisition of IAHGames Hong Kong Limited ("IAHGames")

On 5 January 2018, Ultra Land Group Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party vendor to acquire 62.07% equity interest of IAHGames, a company incorporated in Hong Kong, for consideration of not more than HK$22,000,000 (subject to downward adjustment in respect of the guaranteed profit as described in the sale and purchase agreement), which comprises fixed cash consideration of HK$11,000,000 and contingent consideration to be settled in the form of promissory notes issued by the Company. On 28 February 2018 and 4 May 2018, the Company entered into the second supplemental agreement and third supplemental agreement respectively with the vendor pursuant to which the composition of the consideration was revised to a fixed cash consideration of HK$1,220,000 and contingent consideration to be settled in the form of promissory notes issued by the Company. To reflect new information as stated in the third supplemental agreement which was signed subsequent to the reporting period about facts and circumstances that existed at the acquisition date, the fair value of the consideration was adjusted in accordance with the terms in the third supplemental agreement dated 4 May 2018. IAHGames is principally engaged in the game distribution business in Hong Kong. The management considers that such acquisition will enable the Group to enter into the game distribution industry which will provide an additional income and cash flow stream to the Group and enhance and integrate the online business. The acquisition was completed on 28 February 2018.

The non-controlling interests in IAHGames recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the fair value of net assets of IAHGames at that date.

12. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Giant Bloom Holdings Limited

On 7 September 2017, the Group entered into a sale and purchase agreement with an independent third party vendor to acquire 100% equity interest in Giant Bloom Holdings Limited, a company incorporated in Hong Kong, for a total cash consideration of HK$39,000,000. Giant Bloom Holdings Limited is principally engaged in property investment. The transaction was completed on 13 September 2017. This acquisition has been accounted for as an acquisition of assets through acquisition of a subsidiary.

	HK$'000
Total consideration:	
– Cash consideration paid	34,000
– Consideration payable	5,000
	39,000

Assets acquired at the date of acquisition are as follows:

	HK$'000
Leasehold land and buildings held for own use	39,000

(b) Acquisition of Super Value Sporting Goods Company Limited

On 7 September 2017, the Group entered into a sale and purchase agreement with three independent third party vendors to acquire 100% equity interest in Super Value Sporting Goods Company Limited, a company incorporated in Hong Kong, for a total cash consideration of HK$27,000,000. Super Value Sporting Goods Company Limited is principally engaged in property investment. The transaction was completed on 13 September 2017. This acquisition has been accounted for as an acquisition of assets through acquisition of a subsidiary.

	HK$'000
Total consideration:	
– Cash consideration paid	27,000

Assets acquired at the date of acquisition are as follows:

	HK$'000
Leasehold land and buildings held for own use	26,834
Deposits and prepayments	166
	27,000

13. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Grant of share options

On 20 April 2018 and 26 April 2018, the Company announced to grant 13,000,000 options and 37,000,000 options to certain eligible participants respectively. The share options granted subsequent to the reporting period will entitle the eligible participants to subscribe for up to a total of 50,000,000 new shares of HK$1.15 each in the share capital of the Company, representing approximately 2.36% of all the shares in issue of the Company as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in the formulating, marketing, sale and distribution of health and beauty supplements and products mainly in Hong Kong, the PRC and Taiwan. Due to dynamic and keen competitive business environment of the retail sector in Hong Kong over the last two years, in order to maintain sustainable development, the Group actively expanded the sales and marketing channels of products, which increase the market share and enlarge existing core business. For the purpose of continuous business development and strengthening our "Internet Plus" connectivity strategy, the Group innovatively promoted interaction among merchants, customers and consumers through proactive mergers and acquisitions, business consolidation and restructuring over the past year. In April 2017, the Group entered the Hong Kong and PRC online information and advertising business by participating the operation of gd.qq.com in Hong Kong through its subsidiary Tenfok Asia. Furthermore, the Group has commenced operation of its WeChat cross-border payment business through the acquisition of N Dimension Limited ("**N Dimension**") in September 2017. The Group believes that apart from the positive impact on the Company's future financial performance, the aforesaid new business will also bring new opportunities to the Group.

The Group recorded a revenue of approximately HK$264.5 million for the year ended 31 March 2018 (2017: HK$220.9 million), representing an increase of approximately HK$43.6 million or 19.7% over the corresponding period of last year. In addition to the core health and beauty supplements and products business with a turnover of HK$250.8 million, the Group has recorded a turnover of HK$13.7 million from the newly acquired online advertising agency, online payment businesses and other businesses during the year.

The gross profit margin of the Group for the year ended 31 March 2018 was approximately 68.5% (2017: 71.1%), representing a decrease of approximately 2.6% over the corresponding period of last year. If excluding the amount of HK$6.0 million in relation to the amortization of intangible assets arising from acquisition of online advertising agency business and e-commerce promotion business, the gross profit margin was maintained at the same level of approximately 70.8%.

Owing to the continuous business development, the Group has incurred a significant increase in one-off legal and professional fees mainly in relation to the newly acquired businesses during the year, which are still at running-in period and incurred temporary losses. Together with the net fair value loss and transaction costs on convertible bonds issued during the year, and the expenses of equity-settled share-based payment for share options granted during the year, the Group incurred a loss attributable to owners of the Company of approximately HK$139.2 million for the year ended 31 March 2018 as compared to the profit of HK$12.7 million of the same period in 2017.

Health and Beauty Supplements and Products segment

Revenue of Health and Beauty Supplements and Products segment

As at 31 March 2018, the Group sold and distributed 33 (2017: 38) health supplements and 8 (2017: 9) beauty supplements and products under its proprietary brands; 53 (2017: 49) health supplements and 1 (2017: 6) beauty supplement and product under the distribution facilitator's private label brands; and 14 (2017: 20) health supplements under trading of goods.

The following table sets forth the breakdown of revenue by product categories for the two years ended 31 March 2018:

	For the year ended 31 March			
	2018		2017	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Categories				
Health supplements	**213,658**	**85.2%**	179,844	81.4%
Beauty supplements and products	**28,371**	**11.3%**	26,481	12.0%
Others	**8,768**	**3.5%**	14,528	6.6%
Total	**250,797**	**100.0%**	220,853	100.0%

The Health and Beauty Supplements and Products segment recorded a revenue of approximately HK$250.8 million for the year ended 31 March 2018 (2017: HK$220.9 million), representing an increase of approximately HK$29.9 million or 13.5% over the last year.

The overall increase in revenue was due to an increase in sales of health supplements, of which HK$17.3 million was resulted from the expansion of the product variety of private label health supplements, which was further promoted by the engagement of a brand ambassador in Hong Kong. Benefited from increased utilisation of digital marketing platform and building product popularity within the health supplement market, the revenue attributable to health supplements increased by approximately HK$33.9 million or 18.9% to HK$213.7 million (2017: HK$179.8 million).

For the year ended 31 March 2018, the Group's top 4 best-selling products were Royal Medic No.1 Chinese Cs-4, RM Broken Ganoderma Spore, Melty Enzyme and Health Proof Junior Milk CA+DHA PF, which in aggregate contributed to approximately HK$90.0 million or 34.0% of the Group's total revenue.

For the year ended 31 March 2017, the Group's top 4 best-selling products were Royal Medic No.1 Chinese Cs-4, RM Broken Ganoderma Spore, Melty Enzyme and Health Proof Junior Milk CA+DHA PF, which in aggregate contributed to approximately HK$78.6 million or 35.6% of the Group's total revenue.

Revenue by sales and distribution channels

The following table sets forth the breakdown of the Health and Beauty Supplements and Products segment's revenue by distribution channels for the two years ended 31 March 2018:

	For the year ended 31 March			
	2018		2017	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Shelves in the distribution facilitator's stores	**134,017**	**53.4%**	125,419	56.8%
SDCs located in the distribution facilitator's stores	**90,663**	**36.2%**	68,095	30.8%
Other distribution channels *(Note 1)*	**9,291**	**3.7%**	16,140	7.3%
Hong Kong Brands and Products Expo	**15,608**	**6.2%**	10,131	4.6%
Others *(Note 2)*	**1,218**	**0.5%**	1,068	0.5%
Total	**250,797**	**100.0%**	220,853	100.0%

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

Note 2: "Others" mainly represents service income.

As at 31 March 2018, the Group had 18 (2017: 17) Royal Medic SDCs and 30 (2017: 20) Health Proof SDCs in the distribution facilitator's stores in Hong Kong.

Revenue by geographical locations

Over 99.0% of the existing revenue for the two years ended 31 March 2018 was contributed by the Hong Kong market, with very limited contribution from both the PRC and Taiwan markets.

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

It is estimated that an one-off expense of approximately HK$1.3 million will be incurred as a result of the cessation of business in Taiwan and there will be no material adverse impact on the financial and operational position of the Group.

Results of Health and Beauty Supplements and Products segment

The following table sets forth the breakdown of the Health and Beauty Supplements and Products segment's gross profit and gross profit margin by operating segments for the two years ended 31 March 2018:

	For the year ended 31 March			
	2018		2017	
	HK$'000	***%***	*HK$'000*	*%*
Health supplements				
Proprietary brands	**80,269**	**75.4%**	76,308	74.9%
Private label brands	**65,529**	**83.3%**	51,328	83.7%
Trading of goods	**11,679**	**40.9%**	7,428	44.6%
	157,477	**73.7%**	135,064	75.1%
Beauty supplements and products				
Proprietary brands	**17,533**	**61.9%**	18,425	70.2%
Private label brands	**26**	**74.3%**	106	48.4%
	17,559	**61.9%**	18,531	70.0%
Others	**740**	**8.4%**	3,526	24.3%
Total	**175,776**	**70.1%**	157,121	71.1%

Owing to the increase in the segment turnover, the gross profit of the Health and Beauty Supplements and Products segment for the year ended 31 March 2018 was approximately HK$175.8 million (2017: HK$157.1 million), representing an increase of approximately 11.9% over last year. The gross profit margin of the Health and Beauty Supplements and Products segment for the year ended 31 March 2018 was marginally decreased to approximately 70.1% (2017: 71.1%).

The segment's selling and distribution expenses increased by approximately HK$5.7 million or 13.0% to HK$49.6 million for the year ended 31 March 2018 (2017: HK$43.9 million). The selling and distribution expenses increased in line with the increase in segment turnover during the year. The said increase in expenses was also due to additional resources that has been employed by the Group to conduct digital marketing through bloggers and KOLs (key opinion leaders) in addition to the traditional marketing media, so as to boarden the customer base. The administrative expenses of this segment also increased primarily due to the inflated rental expenses of special designated counter and increase in headcounts. The segment's administrative expenses increased by approximately HK$12.9 million or 15.6% to HK$95.6 million for the year ended 31 March 2018 (2017: HK$82.7 million).

As a result, the segment profits decreased slightly by HK$0.1 million to approximately HK$30.5 million, representing a decrease of approximately 0.3% over last year (2017: HK$30.6 million).

Online Advertising Agency segment

The Group introduced a new operating segment of online advertising agency business following the successful completion of the acquisition of Star Root Limited on 13 April 2017. The management considers that such acquisition will enable the Group to partner with and access to online information platform in Hong Kong and the PRC, which expands the sales and advertising channels for the Group's products, provides an additional income and cash flow stream for the Group and further diversifies the Group's overall business.

During the period from 14 April 2017 to 31 March 2018, the online advertising agency business segment recorded a post-acquisition revenue and operating loss of approximately HK$9.4 million and HK$7.7 million (including the amortization of intangible asset of HK$5.8 million arising from acquisition) respectively.

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

We have strengthened our content curation capability and recommendation algorithm, leveraging on a team of experienced and trend-sensitive website editors, reporters and graphic designers. We have also successfully optimized the former hard-advertising content using soft articles that have better readability and sense of taste, thus to offer more personalized information flow services and to enhance user stickiness. As a result, our readership in terms of monthly reading volume increased significantly from 1.0 million views to 2.2 million views.

Regarding to expanding online advertising revenue, we used data analysis to further strengthen our ability to target customers through our advertising platform, thus enabling our advertisers to achieve greater investment return and better advertising effectiveness. Catering to the needs of advertisers, we launched special offers through the Hong Kong Station of gd.qq.com community and invited Mainland readers to participate in large events held by Hong Kong companies, similar events will be held more frequently in order to attract customers. In addition, addressing the market demand of Hong Kong customers for frequently visiting the Facebook platform, we converted article text from simplified Chinese to traditional Chinese so as to localize content and to increase the number of views and customer base.

Online Payment Business segment

During the year ended 31 March 2018, the Group introduced a new operating segment of online payment business following the successful completion of the acquisition of Empire Access Limited ("**Empire Access**") on 21 September 2017. The management considers that such acquisition introduced the Group into the mobile payment industry which will provide an additional income and cash flows stream to the Group and further diversify the Group's overall business.

N Dimension, a subsidiary of Empire Access, is one of the authorised WeChat payment service providers in Hong Kong. It provides peripheral software and hardware solutions support, as well as identifies and approaches potential merchants in Hong Kong for adopting the WeChat Pay cross-border electronic fund transfer system, which ultimated facilitate the PRC customers to settle purchase payments with merchants via WeChat Pay in Hong Kong.

During the period from 22 September 2017 to 31 March 2018, the online payment business segment recorded a post-acquisition revenue and operating loss of approximately HK$1.8 million and HK$3.9 million respectively. Our revenue in March 2018 recorded an increase of over 5.5 times as compared with that in October 2017, reflecting the huge market potential.

Online payment service serves as an important platform for our Internet e-commerce business. We strengthened our dominance in the field of mobile payment (in terms of the number of active accounts) and further enhanced our penetration in commercial transactions. The total number of merchants we engaged has a desirable growth from 782 at the time of acquisition to currently 2,686. We deepened the relationship with major channel partners and empowered an increasing number of small merchants with technologies to improve their operational efficiency.

Others

Acquisition of E-commerce Promotion Business

The Group completed the acquisition of Soul Marketing Group Limited ("**Soul Marketing**") in December 2017. With an aim to connect our integrated e-commerce and strategies, Soul Marketing is committed to establish itself as an e-commerce promotion supplier covering the PRC, Hong Kong, Taiwan and Southeast Asia. Inspired by its original concepts, it successfully provided customers with cross-country advertising platforms and helped them to integrate product resources of all information flows, thus reducing their costs of promotion and sales through one-stop online retail solutions.

Acquisition of Game Distribution Platform

The Group completed the acquisition of IAHGames Hong Kong Limited ("**IAHGames**") in February 2018. IAHGames is a publisher and distributor of video games and offers video game developers a single point of access to bring video games from around the world to gamers in Greater China and Southeast Asia. IAHGames has been in the business of distribution of online and console games for around 10 years and has successfully operated famous video game and is going to set up online game distribution platform.

Equity-settled share-based payments

During the year ended 31 March 2018, the Group recognised a total expense of HK$29.3 million (2017: Nil) in relation to the share options granted by the Company.

Loss for the year

As a result of the foregoing factors, the Group's loss amounted to approximately HK$144.7 million for the year ended 31 March 2018 (2017: profit of HK$11.8 million). The Group's loss attributable to the owners of the Company amounted to approximately HK$139.2 million for the year ended 31 March 2018 (2017: profit of HK$12.7 million).

Disclaimer

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

FINANCIAL POSITION AND LIQUIDITY

As at 31 March 2018, cash and bank balances of the Group amounted to approximately HK$158.9 million (2017: HK$110.2 million) and the current ratio (current assets divided by current liabilities) of the Group was 2.1 times as at 31 March 2018 (2017: 4.1 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 207.1% as at 31 March 2018 (2017: 14.9%). The increase in gearing ratio was primarily due to the convertible bonds issued in October 2017. In view of the Group's current level of cash and bank balances, funds generated internally from operations and the unutilised banking facilities available, the Board is confident that the Group will have sufficient resources to meet its financial needs for its operations. As at 31 March 2018, the Group had unutilised general banking facilities of approximately HK$6.2 million (2017: HK$5.9 million). On 12 October 2017, the Group completed the placing of the convertible bonds in the aggregate principal amount of HK$265.0 million. The net proceeds from the placing of the convertible bonds are approximately HK$250.0 million and intended to be applied in any potential acquisition by the Company relating to (i) its principal business or (ii) any 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 and (iii) for general working capital of the Company.

CAPITAL MANAGEMENT

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

EMPLOYEE INFORMATION

As at 31 March 2018, the Group had 260 employees (2017: 169). For the year ended 31 March 2018, staff costs including directors' remuneration was approximately HK$116.4 million (2017: HK$61.2 million).

REMUNERATION POLICY

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

OUTLOOK

Health and Beauty Supplements and Products segment

Hong Kong Market

In order to recruit new generation customers and to increase market share in today's digital world, the Group will continue to allocate more resources from the traditional marketing platform to digital marketing. In addition, more online live events that can attract interactive communications will also be engaged to advertise and promote our products.

The quality management accreditation for the existing food factory such as ISO22000 and HACCP has been obtained in March 2018. Nevertheless, completion date of the Chinese medicine factory is delayed to the end of 2018, since the Group would like to achieve a higher standard in product quality for its customers, but not just upgrading the factory to full production.

Non-Hong Kong markets

It has been over a year since the introduction of a strategic partner to develop the PRC market. Though effort has been made, the performance is still not satisfactory and the Group is rethinking the next step for the development in this market. For the Southeast Asia regions, various applications in registration and licensing are still in progress.

Collaboration with CUCAMed Company Limited

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

Online Business segments

An era of internet and mobile commerce has come for the global economy, in order to grasp the opportunities in this market, the Group has always been in earnest pursuit of various business opportunities for developing and diversifying our business. Looking ahead to 2018, the Group will continue to strengthen the operation of gd.qq.com in Hong Kong Station, WeChat cross-border payment business in Hong Kong, the e-commerce promotion platform run by Soul Marketing and the IAHGames of the games distribution platform (online and offline), and will increase our market penetration and revenue.

Online Advertising Agency segment

At its initial period, Hong Kong Station of gd.qq.com mainly comprises six business modules, i.e. entertainment, property and finance, sports, tourism, pets and education. Since the launch, the Hong Kong Station has been rapidly expanded to 10 business modules, with the addition of health, fashion, infant care and E-sports. The Group will continue to invest resources to enrich the website content, and aim to expand the website into 30 business modules, thus to broaden user facets and increase user volume, which ultimately increase revenue from advertising.

The Hong Kong Station of gd.qq.com launched a series of activities to encourage merchants conducting media-rich interaction with the help of entertainment tools, and to attract catering industry customers to place advertisement through award credibility such as the Hong Kong Food Awards. In addition, we also introduced WeChat payment service to our customers, and opened an official account which is linked to advertising packages of Hong Kong Station of gd.qq.com in an effort to expand advertiser base and revenue streams. Moreover, Hong Kong Station of gd.qq.com organized sales activities in Hong Kong and Mainland China for its customers in retail and real estate markets, helping them leverage upon celebrity effect in promotion.

The Group expects that the monthly view rates of Hong Kong Station of gd.qq.com will continue to increase, which will help to attract more advertising clients outside Hong Kong and explore the market in the Southeast Asia, thereby further boosting the increase of our advertising revenues.

Online Payment Business segment

As announced by the Company on 21 September 2017, the Group has completed the acquisition of 70% interest in N Dimension which is principally engaged in the WeChat cross-border payment business in Hong Kong. In view of rapid growth of mobile commerce, the rising popularity of mobile payment among the PRC population, the stable number of PRC tourists visiting Hong Kong and the stable amount of their consumption expenditure, the Group believes that there will be potential growth in WeChat cross-border payment service. Subsequent to the completion of the acquisition, the Group endeavors to continue growing this new business by way of expanding its sales efforts, forming collaboration with other market players or further acquisition(s) of suitable target company(ies) that complement the Group's direction of development.

The Group is confident of the business prospect of WeChat cross-border payment business in Hong Kong. The Group will continue to explore a more profound cooperation with Tencent in the future, such as participating in WeChat cross-border payment business in Southeast Asia, WeChat Pay's "Hong Kong Wallet", and the like. Capitalising on the brand awareness, we will be able to enhance our competitiveness.

We focused on optimisation of "Integrated Payment Solution Package" products, a product that can manage different payment channels for merchants. It provides various value-added services which can assist merchants' smart bill acquiring hardware, store management software, financial services, supply chain and other value-added services. It can also help to extend business model, increase revenue, expand the Southeast Asia market and grow the vertical value-added business model.

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

Others

For Soul Marketing of e-commerce promotion platform and IAHGames of the game distribution platform (including online and offline), we will implement our smart retail solutions to promote cross-selling of offline retailers through our technical services. We will continue to improve the life quality of consumers through our innovative products and services, seize opportunities and develop ourselves into a healthy and growing Internet Plus ecosystem.

With the increasing popularity and penetration of smartphones and computer games, IAHGames will distribute 45 new games through agents, including famous games, and will continue to sell the existing licensed games in 2018. Through distributing more popular mainstream games, increasing to distribute innovative new games and establishing online selling platform, we will expand the sales channels, increase the market share in game distribution platform and build ourselves as the first choice among all game distribution agents in Hong Kong market.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in notes 11 and 12 to this announcement, there was no other material acquisition and disposal of subsidiaries, associated companies and joint ventures during the year ended 31 March 2018.

FOREIGN EXCHANGE EXPOSURE

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

CHARGES ON ASSETS

As at 31 March 2018, the Group had secured bank loans of approximately HK$28.1 million (2017: HK$30.6 million). The banking facilities are secured by the Group's leasehold land and buildings, having carrying amount of approximately HK$41.8 million as at 31 March 2018 (2017: HK$43.2 million).

BUSINESS OBJECTIVES AND USE OF PROCEEDS

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as stated in the placing prospectus of the Company dated 30 September 2013 (the "**Prospectus**") with the Group's actual business progress for the period from 1 April 2015 onwards is set out as below:

Business objectives for the period from 1 April 2015 onwards as stated in the Prospectus	**Actual business progress up to 31 March 2018**
Expansion of distribution network	
Set up about 2-11 new SDCs	The Group continues to identify suitable stores of the distribution facilitator to set up SDCs, 2 Royal Medic SDCs and 11 Health Proof SDCs were set up during the year ended 31 March 2018. The Group had 48 SDCs including 18 Royal Medic SDCs and 30 Health Proof SDCs as at 31 March 2018.
Employ more promoters	The Group continues to employ promoters and employed 96 promoters as at 31 March 2018 (As at 31 March 2017: 93).
Collaboration with CUCAMed to develop products	
Launch more new health supplements under the brand of "LEGEND"	No new product under "LEGEND" brand was launched during the year.
Engaging brand ambassadors to promote the products	During the year, no brand ambassador was engaged to promote the products under "LEGEND" brand.

Business objectives for the period from 1 April 2015 onwards as stated in the Prospectus (continued)	**Actual business progress up to 31 March 2018**
Strengthen the Group's branding and marketing strategies through various media and channels	The Group continues to promote its products launched under "LEGEND" through various media and channels, such as digital and printed media in Hong Kong. The laboratory collaborated with CUCAMed in Hong Kong to research and develop new Chinese medicines and health products has commenced operation in September 2017.
Expanding overseas markets	
Engaging brand ambassadors in Taiwan	After the expiry of the contract of a brand ambassador in Taiwan, the Group began to promote the Group's products in Taiwan using the same brand ambassadors as used in Hong Kong.
Recruiting more promoters and strengthen the Group's branding and marketing strategies through various media and channels in Taiwan	The Group has contracted a non-exclusive distributor with extensive network in drug chain stores in Taiwan and simultaneously started its e-commerce sales network in April 2017. However, the performance was not satisfactory and still sustained losses. The Group decided to close down the operation in Taiwan during the year.
Continue to explore the opportunities in other overseas markets	For the Southeast Asia regions, various applications in registration and licensing are still in progress.

The planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions and development made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from 1 April 2017 to 31 March 2018, the net proceeds from issuance of new shares of the Company by way of placing had been applied as follows:

	Planned use of proceeds				Actual use of proceeds		
	As stated in the Prospectus Total	Change in use of proceeds during the year ended 31 March 2017	Change in use of proceeds during the year ended 31 March 2018	Use of proceeds after change	11 October 2013 to 31 March 2017	1 April 2017 to 31 March 2018	Total amount utilized up to 31 March 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Expansion of distribution network	5,950	–	–	5,950	5,225	725	5,950
Collaboration with CUCAMed to develop products	47,600	(25,000)	(13,285)	9,315	8,370	945	9,315
Expanding overseas markets	41,650	(25,000)	(13,196)	3,454	2,773	681	3,454
Enhancing the Group's marketing and promotion activities in Hong Kong	13,090	–	–	13,090	13,090	–	13,090
Acquisition of Star Root Limited	–	50,000	–	50,000	5,000	45,000	50,000
Acquisition of Giant Bloom Holdings Limited	–	–	26,481	26,481	–	26,481	26,481
General working capital	10,710	–	–	10,710	10,710	–	10,710
	119,000	–	–	119,000	45,168	73,832	119,000

CHANGE IN USE OF PROCEEDS AND USE OF PROCEEDS

References are made to the announcements of the Company dated 9 January 2017 and 18 April 2017. As at 31 March 2018, the Company utilised HK$45.0 million out of the unutilised proceeds concerning product development and expansion of overseas market as part of the consideration for the acquisition of 100% equity interest of Star Root Limited.

References are made to the announcements of the Company dated 31 August 2017, 7 September 2017, 11 September 2017 and 13 September 2017. As at 31 March 2018, the Company utilised HK$26.5 million out of the unutilised proceeds concerning product development and expansion of overseas market as part of the consideration for the acquisition of 100% equity interest of Giant Bloom Holdings Limited.

Convertible Bonds

On 12 October 2017, the Group completed the placing of the convertible bonds in the aggregate principal amount of HK$265.0 million. The net proceeds from the placing of the convertible bonds are approximately HK$250.0 million and intended to be applied in any potential acquisitions by the Company relating to (i) its principal business or (ii) any 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 and (iii) for general working capital of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Regulatory risks

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

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

Prolonged economic downturn

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

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

Failure to introduce successful new products

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

Macro-economic condition, PRC tourist spending and payment habits

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

Competition

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

Operational risk

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

Industry and technological changes

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2018 (2017: Nil).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 4 September 2018 to Friday, 7 September 2018 (both dates inclusive), for the purpose of determining the eligibility shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Friday, 7 September 2018 (the "**2018 AGM**") and during which no transfer of shares of the Company will be effected. In order to qualify for attendance of the 2018 AGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 3 September 2018.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to the Company's growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. Throughout the year ended 31 March 2018, the Group has complied with the code provisions as set out in the Corporate Governance Code (amended from time to time, the "**Code**") contained in Appendix 14 to the Listing Rules except for the deviation from the Code provision A.2.1 under the Appendix 14 to the Listing Rules.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Yan Tak is the chairman of the Board and the chief executive officer of the Company. Mr. Chan Yan Tak has been responsible for the overall management and strategic development of the Group since 2005. His expert knowledge in the areas of development and retail marketing of health and beauty supplements and products has assisted the Group to grow substantially during the over past ten years. The Board therefore agreed that it is beneficial to and in the interest of the Group for Mr. Chan Yan Tak to continue with his roles as the chairman of the Board and chief executive officer of the Company.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in the Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions in the securities of the Company. Upon the Company's specific enquiry, each Director has confirmed that he or she has fully complied with the Model Code throughout the year ended 31 March 2018, and there is no event of non-compliance.

COMPETING INTEREST

For the year ended 31 March 2018, the Directors were not aware of any business or interest of the Directors, the controlling shareholders and their respective close associates that competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the consolidated financial results of the Group for the year ended 31 March 2018.

PUBLICATION OF THE ANNUAL RESULT ANNOUNCEMENT AND ANNUAL REPORT

This result announcement is published on the website of the Company at *www.shunten.com.hk* and the website of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The 2017/2018 annual report and the notice of 2018 AGM will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

SCOPE OF WORK OF MESSRS. ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Elite Partners CPA Limited ("**Elite Partners**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Elite Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Elite Partners on this preliminary announcement.

By order of the Board
Shunten International (Holdings) Limited
CHAN Yan Tak
Chairman

Hong Kong, 27 June 2018

As at the date of this announcement, the executive Directors are Mr. CHAN Yan Tak, Mr. LEE Chi Hang, Sidney, Mr. WANG Xihua, Mr. LAI Wei Lam, William and Mr. LIAO Zhe; 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.