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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 932)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	**158,380**	112,428
Gross profit	**97,743**	77,636
EBITDA *(Note 1)*	**(575)**	3,997
Loss for the period attributable to:		
Owners of the Company	**(15,431)**	(1,181)
Non-controlling interests	**(3,896)**	(1,491)
	(19,327)	(2,672)
		(Restated)
Loss per share attributable to owners of the Company for the period (expressed in HK cents per share) *(Note 2)*		
– Basic	**(0.73)**	(0.06)
– Diluted	**(0.73)**	(0.06)

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

Note 2: The weighted average number of ordinary shares for the purpose of calculating the loss per share for the six months ended 30 September 2017 have been adjusted for the effect of the Company's share subdivision which became effective on 5 December 2017.

The board of directors (the "**Board**") announces that the unaudited interim condensed consolidated results of Shunten International (Holdings) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 September 2018.

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

For the six months ended 30 September 2018

		For the six months ended 30 September	
		2018	2017
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
REVENUE	*4*	**158,380**	112,428
Cost of revenue		**(60,637)**	(34,792)
GROSS PROFIT		**97,743**	77,636
Other revenue and other net loss		**1,123**	(1)
Selling and distribution expenses		**(29,568)**	(21,422)
Administrative expenses		**(93,161)**	(60,583)
Equity-settled share-based payments		**(26,277)**	–
Share of profits of an associate		**2,223**	–
Fair value change of an investment property		**722**	–
Fair value change of contingent consideration payables		**(5,604)**	2,869
Fair value change of promissory notes payable		**4,460**	–
Fair value change of convertible bonds		**39,823**	–
LOSS FROM OPERATIONS		**(8,516)**	(1,501)
Finance costs	*5(c)*	**(8,853)**	(471)
LOSS BEFORE TAXATION	*5*	**(17,369)**	(1,972)
Taxation	*6*	**(1,958)**	(700)
LOSS FOR THE PERIOD		**(19,327)**	(2,672)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(382)**	382
Release of translation reserve upon deregistration of subsidiaries		**(151)**	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(19,860)**	(2,290)

	Note	For the six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(15,431)**	(1,181)
Non-controlling interests		**(3,896)**	(1,491)
		(19,327)	(2,672)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(15,764)**	(944)
Non-controlling interests		**(4,096)**	(1,346)
		(19,860)	(2,290)
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD (EXPRESSED IN HK CENTS PER SHARE)			
– Basic	*8(a)*	**(0.73)**	(0.06)
– Diluted	*8(b)*	**(0.73)**	(0.06)

Note: The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Note	**As at 30 September 2018** *HK$'000* **(unaudited)**	As at 31 March 2018 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**95,330**	121,672
Investment property		**8,100**	–
Intangible assets		**202,797**	206,166
Goodwill		**177,496**	177,496
Interests in an associate	*9*	**72,223**	–
Prepayments and deposits	*10*	**5,526**	2,932
		561,472	508,266
Current assets			
Inventories		**23,878**	22,091
Trade and other receivables	*10*	**70,540**	80,000
Cash and cash equivalents		**96,077**	158,913
Right of return assets		**207**	–
Tax recoverable		**152**	508
		190,854	261,512
Assets associated with disposal group classified as held for sale	*13*	**26,192**	–
		217,046	261,512
Current liabilities			
Trade and other payables	*11*	**107,097**	34,026
Bank borrowings		**26,576**	28,119
Contingent consideration payables		**57,404**	59,169
Promissory notes payable		**–**	1,491
Contract liabilities		**2,616**	–
Refund liabilities		**1,314**	–
Provisions		**–**	1,007
Tax payable		**2,470**	327
		197,477	124,139

	Note	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Non-current liabilities			
Contract liabilities		**5**	–
Other borrowings		**26,500**	5,500
Contingent consideration payables		**57,066**	118,350
Convertible bonds		**270,687**	310,510
Promissory notes payable		**18,513**	9,087
Amounts due to non-controlling interests		**1,223**	1,242
Deferred tax liabilities		**33,671**	34,215
		407,665	478,904
Net assets		**173,376**	166,735
EQUITY			
Equity attributable to owners of the Company			
Share capital		**5,308**	5,308
Reserves		**120,220**	109,483
		125,528	114,791
Non-controlling interests		**47,848**	51,944
TOTAL EQUITY		**173,376**	166,735

Note: The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for investment property, contingent consideration payables, promissory notes payable and convertible bonds, which are measured at fair value, as appropriate.

Disposal group held for sale is stated at the lower of carrying amount and fair value less costs to sell.

Except as described below and note 3, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018. Details of any changes in accounting policies are set out in note 3.

Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

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

This interim condensed consolidated financial statements contain selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2018. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

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

3. CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

– HKFRS 9, Financial Instruments
– HKFRS 15, Revenue from Contracts with Customers
– HK(IFRIC)-Int 22, Foreign Currency Transactions and Advance Consideration
– Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions
– Amendments to HKFRS 4, Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
– Amendments to HKAS 28, As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
– Amendments to HKAS 40, Transfers of Investment Property

Except as disclosed in note 3(b) and 3(c) below, none of these developments has 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 condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

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

	At 31 March 2018	Impact on initial application of HKFRS 15	At 1 April 2018
	HK$'000	*HK$'000*	*HK$'000*
		(Note 3(c))	
Right of return assets	–	224	224
Total current assets	261,512	224	261,736
Trade and other payables	34,026	(608)	33,418
Contract liabilities	–	608	608
Refund liabilities	–	1,007	1,007
Provisions	1,007	(1,007)	–
Total current liabilities	124,139	–	124,139
Net assets	166,735	224	166,959
Reserves	109,483	224	109,707
Total equity	166,735	224	166,959

(b) HKFRS 9, *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Except for trade and other receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's financial assets is as follows:

– Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

The assessment of the Group's business models was made as of the date of initial application, 1 April 2018, and applied to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The adoption of HKFRS 9 has had no significant impact on the Group's interim financial information on classification and measurement of its financial assets.

(ii) Impairment

HKFRS 9 requires an impairment on trade and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables with no significant financing component. The Group applied general approach and recorded twelve month expected losses on its remaining receivables and deposits other than those mentioned above. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

(c) HKFRS 15, ***Revenue from Contracts with Customers***

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption.

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

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

– *Sale of health and beauty supplements and products*

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

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

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

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

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

The Group recognised "right of return assets" and "refund liabilities" amounting to HK$207,000 and HK$1,314,000 respectively in the interim condensed consolidated statement of financial position as at 30 September 2018.

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

4. REVENUE

The Group's revenue represents the income from sales of health and beauty supplements and products, provision of online advertising agency business, online payment business, e-commerce promotion business and game distribution business, net of returns, discounts, value-added tax and other sales taxes for the six months ended 30 September 2018 and 2017.

Disaggregation of revenue

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

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15:		
Health and beauty supplements and products	**124,791**	109,169
Online advertising agency business	**4,554**	3,249
Online payment business	**5,817**	10
E-commerce promotion business	**3,304**	–
Game distribution business	**19,914**	–
	158,380	112,428
Disaggregated by geographical location of customers:		
Hong Kong (place of domicile)	**154,902**	112,216
The PRC	**1,403**	153
Singapore	**2,060**	–
Taiwan	**2**	59
Others	**13**	–
	158,380	112,428
Timing of revenue recognition:		
Point in time	**153,934**	109,179
Over time	**4,446**	3,249
	158,380	112,428

5. LOSS BEFORE TAXATION

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

		For the six months ended 30 September	
		2018	2017
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
(a)	**Staff costs:**		
	Salaries, allowances, and other benefits (including directors' emoluments)	**56,055**	33,711
	Contributions to defined contribution retirement plans	**1,923**	1,267
	Equity-settled share-based payments	**26,277**	–
		84,255	34,978
(b)	**Other items:**		
	Auditors' remuneration	**800**	975
	Cost of inventories	**51,224**	31,977
	Depreciation of property, plant and equipment	**4,572**	2,615
	Amortisation of intangible assets	**3,369**	2,883
	Exchange loss, net	**22**	139
	Operating lease charges: minimum lease payments	**4,597**	1,608
	Net loss on disposal of property, plant and equipment	**1,158**	115
	Research and development costs	**1,582**	1,446
	Rent for special designated counters	**23,085**	17,449
	Rentals receivable from an investment property less direct outgoings of HK$8,000 (2017: Nil)	**(72)**	–
(c)	**Finance costs:**		
	Interest on bank borrowings	**382**	328
	Interest on other borrowings	**297**	143
	Total interest expenses on financial liabilities not at fair value through profit or loss	**679**	471
	Interest on convertible bonds	**8,174**	–
		8,853	471

6. TAXATION

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current taxation		
Hong Kong Profits Tax	**2,213**	1,269
Underprovision/(overprovision) in respect of prior years		
PRC Enterprise Income Tax	**289**	(105)
Deferred tax		
Reversal of temporary differences	**(544)**	(464)
	1,958	700

The provision of Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2018 and 2017.

No provision for PRC Enterprise Income Tax (the "**EIT**") has been made as the Group has no assessable profit under EIT for the six months ended 30 September 2018 and 2017.

No provision for profits tax in the Cayman Islands, the British Virgin Island ("**BVI**"), Malaysia, Macau and Taiwan have been made as the Group has no income or profit assessable for tax in these jurisdictions for the six months ended 30 September 2018 and 2017.

7. DIVIDENDS

The board of directors does not recommend any payment of interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

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

	For the six months ended 30 September	
	2018	2017 (Restated)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share *(HK$'000)*	**(15,431)**	(1,181)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share *(Note)*	**2,123,002,150**	2,114,400,000

Note:

For the six months ended 30 September 2017, the weighted average number of ordinary shares for the purpose of basic loss per share have been adjusted to reflect the share subdivision which became effective on 5 December 2017.

(b) Diluted loss per share

For the six months ended 30 September 2018, the calculation of diluted loss per share did not assume the conversion of the Company's outstanding convertible bonds and share options since their exercises would result in a decrease in loss per share.

For the six months ended 30 September 2017, diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary share outstanding.

9. INTERESTS IN AN ASSOCIATE

	As at 30 September 2018 *HK$'000* **(unaudited)**
Cost of investment in an associate, unlisted	**70,000**
Share of post-acquisition profits	**2,223**
	72,223

On 10 May 2018, Shunten Entertainment (Asia) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party vendor, pursuant to which the Group acquired 45% equity interest in Leader Shine International Limited ("**Leader Shine**"), a company incorporated in BVI with limited liability, at a cash consideration of HK$70,000,000. The transaction was completed on 23 May 2018.

According to the sale and purchase agreement, the vendor has provided a profit guarantee (the "**Profit Guarantee**") that the audited consolidated net profit before taxation of Leader Shine and its subsidiary (collectively referred to as the "**Leader Shine Group**") for each of the years ending 31 March 2019 and 31 March 2020 (each a "**Guaranteed Period**") shall not be less than HK$10,000,000 (each a "**Guaranteed Amount**").

If the audited consolidated net profit before taxation of Leader Shine Group of each Guaranteed Period is less than the amount of HK$10,000,000, the vendor is required to pay 45% of the shortfall between the relevant Guaranteed Amount and the actual audited consolidated net profit before taxation of Leader Shine Group of each of the Guaranteed Period to Shunten Entertainment (Asia) Limited.

Based on the projection of the financial performance performed by the management of Leader Shine, the directors of the Company assessed that the Profit Guarantee will be unlikely to be exercised and the fair value of the Profit Guarantee is considered to be insignificant.

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**40,575**	56,379
Less: Allowance for doubtful debts	**(162)**	(162)
	40,413	56,217
Other receivables	**3,019**	3,280
Financial assets measured at amortised cost	**43,432**	59,497
Prepayments	**9,812**	7,535
Utility, trade and other deposits	**22,822**	15,900
	32,634	23,435
	76,066	82,932

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Analysis of trade and other receivables:		
Non-current portion	**5,526**	2,932
Current portion	**70,540**	80,000
	76,066	82,932

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

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
0-30 days	**34,165**	38,957
31-60 days	**2,027**	11,648
61-90 days	**1,338**	4,261
91-180 days	**2,039**	1,351
181-365 days	**844**	–
	40,413	56,217

Trade receivables are normally due within 0-90 days from the date of billing. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted.

11. TRADE AND OTHER PAYABLES

	As at 30 September 2018 *HK$'000* (unaudited)	As at 31 March 2018 *HK$'000* (audited)
Trade payables	**8,249**	6,288
Salary and welfare payables	**8,644**	8,728
Accrued advertising expenses	**2,432**	3,922
Other payables and accruals	**21,656**	7,189
Consideration payable *(note)*	**56,258**	–
Deposits received for potential disposal of a subsidiary	**2,000**	–
Interest payable on other borrowings	**187**	165
Interest payable on convertible bonds	**7,671**	7,126
Receipt in advance	**–**	608
	107,097	34,026

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

	As at 30 September 2018 *HK$'000* (unaudited)	As at 31 March 2018 *HK$'000* (audited)
0-30 days	**4,550**	5,394
31-60 days	**728**	506
61-90 days	**312**	17
91-180 days	**2,293**	2
181-365 days	**–**	154
Over 365 days	**366**	215
	8,249	6,288

Note: As at 30 September 2018, based on the auditor's certificate issued in respect of the performance target of the third instalment of the consideration of the acquisition of Empire Access Limited acquired during the six months ended 30 September 2017, the consideration of the third instalment was concluded to be approximately HK$56,258,000 and the balance was transferred from "contingent consideration payables" to "trade and other payables" in the interim condensed consolidated statement of financial position. On 5 October 2018, the Company issued promissory notes of total principal amount of HK$56,258,000 for the settlement of the consideration payable.

12. SEGMENT REPORTING

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

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

— Online advertising agency business

— Online payment business

— E-commerce promotion business

— Game distribution business

During the six months ended 30 September 2018, in consideration of the expansion of e-commerce promotion business and game distribution business, which were classified as one reportable operating segment under "other businesses" during the year ended 31 March 2018, the CODM considered that it would be more appropriate to present the e-commerce promotion business and game distribution business separately as two reportable operating segments. Accordingly, the comparative figures of the segment assets and liabilities as at 31 March 2018 have been reclassified.

Segment revenue, results, assets and liabilities

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

Segment assets exclude investment property, interests in an associate, tax recoverable, unallocated intangible assets, unallocated cash and cash equivalents, other unallocated corporate assets and assets associated with disposal group classified as held for sale as these assets are managed on a group basis.

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

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

(i) Segment revenue and results

	For the six months ended 30 September 2018 (unaudited)						
	Development, manufacturing and sales of health and beauty supplements and products	Online advertising agency business	Online payment business	E-commerce promotion business	Game distribution business	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Revenue from external customers	124,791	4,554	5,817	3,304	19,914	–	158,380
Inter-segment revenue	–	–	–	–	–	–	–
	124,791	4,554	5,817	3,304	19,914	–	158,380
Segment results	13,386	(4,783)	(3,351)	(3,059)	(1,132)	–	1,061
Unallocated other revenue and other net loss							339
Share of profits of an associate							2,223
Fair value change of an investment property							722
Fair value change of contingent consideration payables							(5,604)
Fair value change of promissory notes payable							4,460
Fair value change of convertible bonds							39,823
Equity-settled share-based payments							(26,277)
Finance costs							(8,853)
Unallocated corporate expenses							(25,263)
Loss before taxation							(17,369)

	For the six months ended 30 September 2017 (unaudited)				
	Development, manufacturing and sales of health and beauty supplements and products	Online advertising agency business	Online payment business	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Revenue from external customers	109,169	3,249	10	–	112,428
Inter-segment revenue	–	600	–	(600)	–
	109,169	3,849	10	(600)	112,428
Segment results	12,696	(3,694)	(214)	–	8,788
Unallocated other revenue and other net loss					(1)
Fair value change of contingent consideration payable					2,869
Finance costs					(471)
Unallocated corporate expenses					(13,157)
Loss before taxation					(1,972)

(ii) Segment assets and liabilities

	As at 30 September 2018 (unaudited)					
	Development, manufacturing and sales of health and beauty supplements and products	**Online advertising agency business**	**Online payment business**	**E-commerce promotion business**	**Game distribution business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**92,502**	**63,605**	**296,830**	**13,981**	**39,454**	**506,372**
Segment liabilities	**15,171**	**6,733**	**32,632**	**1,770**	**4,369**	**60,675**

	As at 31 March 2018 (restated)					
	Development, manufacturing and sales of health and beauty supplements and products	Online advertising agency business	Online payment business	E-commerce promotion business	Game distribution business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	178,386	66,648	294,260	22,196	28,164	589,654
Segment liabilities	15,345	431	4,322	611	1,345	22,054

13. DISPOSAL GROUP HELD FOR SALE

On 25 July 2018, the Group entered into a provisional sale and purchase agreement with an independent third party whereby the Group agreed to dispose of its entire equity interest in Super Value Sporting Goods Limited ("**Super Value**") for a consideration of HK$31,000,000. Super Value is principally engaged in property investment. The transaction is not yet completed up to the date of this announcement and is expected to be completed during the second half of the year ending 31 March 2019. Accordingly, the assets and liabilities of Super Value as at 30 September 2018 were classified as a disposal group held for sale.

The major classes of assets of Super Value classified as held for sale as at 30 September 2018 were as follows:

	HK$'000
Assets	
Leasehold land and building held for own use	**26,026**
Deposits and prepayments	**166**
Assets associated with disposal group classified as held for sale	**26,192**
Net assets directly associated with the disposal group	**26,192**

14. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

The fair values of the assets and liabilities acquired through acquisition of subsidiaries during the six months ended 30 September 2018 and 2017 as at their respective dates of acquisition are set out below:

	For the six months ended 30 September			
	2018	2017		
	Able One Limited ("Able One")	Giant Bloom Holdings Limited ("**Giant Bloom**")	Super Value	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(Note (a))	*(Note (b))*	*(Note (c))*	
Non-current assets				
Investment property	**7,378**	–	–	–
Properties, plant and equipment	**121**	39,000	26,834	65,834
Current assets				
Deposits and prepayments	**6**	–	166	166
Cash and cash equivalents	**36**	–	–	–
Current liabilities				
Shareholder's loan	**(461)**	–	–	–
Deposits received	**(40)**	–	–	–
Bank overdrafts	**(1)**	–	–	–
Total identifiable net assets at fair value	**7,039**	39,000	27,000	66,000
Assignment of shareholder's loan to the Group	**461**	–	–	–
Total consideration	**7,500**	39,000	27,000	66,000
Consideration satisfied by:				
Cash consideration paid	**7,500**	34,000	27,000	61,000
Consideration payable	**–**	5,000	–	5,000
	7,500	39,000	27,000	66,000
Net cash outflow arising from the acquisitions:				
Cash consideration paid	**(7,500)**	(34,000)	(27,000)	(61,000)
Cash and cash equivalents acquired	**36**	–	–	–
Bank overdrafts	**(1)**	–	–	–
	(7,465)	(34,000)	(27,000)	(61,000)

Notes:

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

(b) On 7 September 2017, the Group entered into a sale and purchase agreement with an independent third party vendor to acquire the entire equity interest in Giant Bloom for a total cash consideration of HK$39,000,000. Giant Bloom 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.

(c) On 7 September 2017, the Group entered into a sale and purchase agreement with three independent third party vendors to acquire the entire equity interest in Super Value, for a total cash consideration of HK$27,000,000. Super Value 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Though the Group is still principally engaged in the formulating, marketing, sales and distribution of health and beauty supplements and products in Hong Kong and the PRC, other newly established businesses are starting to provide revenue to the Group. During the first half financial year of 2018, revenue from the core health and beauty supplements and products business segment contributed 78.8% whereas the portion from online advertising agency, online payment and game distribution businesses accounted for 19.1%. The results are in line with the Group's "Internet Plus" connectivity strategy launched last year and the results exhibit successful diversification of business based upon our solid growth core business. Among the new businesses of the Group through proactive merges and acquisitions, game distribution segment accounts for major part of the revenue whereas the online payment and online advertising segments are starting to pick up the business. Given the raising revenue base and internal synergy among different intragroup business entities, it is expected the performance of the newly acquired businesses will be improved in the near future. The management believes that the revenue portfolio will continue to diversify and bring in new opportunities in the second half of the financial year.

The Group recorded an unaudited revenue of approximately HK$158.4 million for the six months ended 30 September 2018 (2017: HK$112.4 million), representing an increase of approximately HK$46.0 million or 40.9% over the corresponding period of last year. In addition to the core health and beauty supplements and products business recorded a revenue of HK$124.8 million, the Group has recorded a revenue of HK$4.6 million from the online advertising agency, HK$5.8 million from the online payment business and HK$19.9 million from game distribution business during the period.

The gross profit margin of the Group for the six months ended 30 September 2018 was approximately 61.7% (2017: 69.1%), representing a decrease of approximately 7.4% over the corresponding period of last year. Such decrease was mainly due to the new business segments of the Group have lower gross profit margins as compared to health and beauty supplements and products segment.

The Group recorded a loss attributable to owners of the Company of approximately HK$15.4 million for the six months ended 30 September 2018 as compared to HK$1.2 million of the same period in 2017, the significant increase in the loss was primarily due to (i) the newly established non-core businesses incurred operating losses; (ii) the increase of finance costs attributable to convertible bonds and other borrowings; and (iii) the expenses of the recognition of equity-settled share-based payments for share options. Such losses are partially offset by the fair value gain of convertible bonds recorded for the six months ended 30 September 2018.

Health and Beauty Supplements and Products segment

Revenue of Health and Beauty Supplements and Products segment

During the first half of the financial year, Hong Kong retail sales experienced a double digit growth. Coupled with utilizing more digital marketing platform and rising market penetration strategy, this segment recorded an aggregate segment revenue of approximately HK$124.8 million for the six months ended 30 September 2018 (2017: HK$109.2 million), representing an increase of approximately HK$15.6 million or 14.3% over the corresponding period of last year.

Revenue attributable to proprietary brands maintained at a moderate increase of 3.4% to approximately HK$61.6 million for the six months ended 30 September 2018 (2017: HK$59.6 million). Of which the revenue attributable to the health supplements decreased by approximately HK$7.6 million or 18.6% to HK$33.2 million (2017: HK$40.8 million), mainly due to change in promotion schedules of a key product, while the revenue attributable to beauty supplements and products increased by approximately HK$9.6 million or 51.1% to HK$28.4 million (2017: HK$18.8 million), for the six months ended 30 September 2018.

Revenue attributable to private label brands increased by approximately HK$20.1 million or 58.8% to HK$54.3 million for the six months ended 30 September 2018 (2017: HK$34.2 million). The surge in revenue attributable to private label brands was primarily due to the expansion of the products range and engagement of KOLs (key opinion leaders) as well as rising number of "Health Proof" brand special designated counters to promote the private brand health supplements.

Revenue attributable to the trading of health supplements amounted to approximately HK$8.3 million for the six months ended 30 September 2018 (2017: HK$13.1 million) due to change in product strategy to maintain higher margin of private label and proprietary brands.

Results of Health and Beauty Supplements and Products segment

Owing to the increase in the segment turnover, the gross profits for the six months ended 30 September 2018 was also experienced growth to HK$95.3 million (2017: HK$77.2 million). The gross margin ratio was increased from approximately 70.7% in the same period of last year to this period of 76.4% because of the change in sales composition.

The segment's selling and distribution expenses was also increased in line with increase in segment turnover for the six months ended 30 September 2018. It was mainly due to additional resources 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 broaden the customer base.

The administrative expenses of this segment also increased as well primarily due to the increase in special designated counter rental expense.

As a result, the segment profits increased by HK$0.7 million to approximately HK$13.4 million (2017: HK$12.7 million), representing an increase of approximately 5.5% over the corresponding period of last year.

Online Advertising Agency segment

Revenue of Online Advertising Agency segment

During the first half of the financial year, the online advertising agency business segment recorded revenue of approximately HK$4.6 million for the six months ended 30 September 2018 (for the period from 14 April 2017 to 30 September 2017: HK$3.2 million).

Hong Kong Station of gd.qq.com mainly comprises 6 business modules, i.e. entertainment, property and finance, sports, tourism, pets and education in 2017. Since the launch, the Hong Kong Station of gd.qq.com has been rapidly expanded from 6 business modules in 2017 to 10 business modules in 2018. Currently, each business modules has 2 to 4 sub modules, resulting in total of 32 business modules which matches last year's business development target. Broadening user facets and rising user volume contributed to increase in advertising revenue. Market information from our PRC partner show that our page view exponentially rise from around 1 million per month in first half of 2017 to around 3 million per day in first half of 2018 financial year.

Results of Online Advertising Agency segment

The Hong Kong Station of gd.qq.com is currently one of the preferred China-Hong Kong cross-border online advertising media broadcast platform in the Greater Bay Area. The Hong Kong Station of gd.qq.com targets to realize real time content broadcast in the region subjected to partner's channel and internal control. Therefore, cost of staffs inevitably expanded in order to enhance content compliance and government clearance in the Greater Bay Area to consolidate our niche to Hong Kong clientele. As a result, the segment recorded operating loss of approximately HK$4.8 million (loss for the period from 14 April 2017 to 30 September 2017: HK$3.7 million).

Online Payment segment

Revenue of Online Payment segment

During the first half of the financial year, the online payment business segment recorded revenue of approximately HK$5.8 million for the six months ended 30 September 2018 (for the period from 22 September 2017 to 30 September 2017: HK$0.01 million). The total number of merchants has grown from 2,686 as disclosed in our annual report 2017/2018 to currently 3,926; representing an increase of approximately 46.2%.

At the same time, the payment amount on e-payment processed through our system experienced high growth. By October 2017 (the first month after acquisition) the single month payment process amount recorded HK$8.0 million. The single month figures rise to HK$64.1 million by March 2018. In July 2018, the payment process amount breakthrough HK$100 million for the first time to reach HK$109.6 million in a single month. In September 2018, the last month of this interim period, the payment process amount arrived HK$126.9 million. Given the widened sales channels and maturing market acceptance in both merchant and end user sides in Hong Kong, the growth engine of business is leading towards a more prosperous direction.

Results of Online Payment segment

The operating loss is attributable to the capital expenditure investing in building the WeChat Eco-system in order to enhance business expansion. On top of the WeChat Eco-system, capital expenditure are also invested in optimization of “Integrated Payment Solution Package” in the first half of the financial year. Currently, the Group has equipped with a new solution to multiple payment methods (include WeChat, Alipay and UnionPay) in one single POS. The proprietary technical knowhow empowers our capacity to offer smart bill acquiring hardware, store management software, financial services, supply chain and other value-added services.

As a result, the segment recorded operating loss of approximately HK$3.4 million the six months ended 30 September 2018 (loss for the period from 22 September 2017 to 30 September 2017: HK$0.2 million).

Game Distribution segment

The Group completed the acquisition of IAHGames Hong Kong Limited ("**IAHGames**") in February 2018. IAHGames currently distributes over 10 games in Asia (excluding China). Major games titles under our distribution list includes Destiny 2, God of Wars, Overcooked 2, Crash Bandicoot, Monster Hunter World, Tennis World Tour and Call of Duty. During the first half of the financial year, the revenue attributable to game distribution business approximately HK$19.9 million with segment losses of approximately HK$1.1 million. This segment contributes the fastest growing part in the Group's consolidated revenue. It is expected the contribution will continue in the second half of 2018 financial year.

FINANCIAL POSITION AND LIQUIDITY

As at 30 September 2018, cash and bank balances of the Group amounted to approximately HK$96.1 million (As at 31 March 2018: HK$158.9 million). The current ratio (current asset divided by current liabilities) of the Group was approximately 1.1 times as at 30 September 2018 (As at 31 March 2018: 2.1 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 187.4% as at 30 September 2018 (As at 31 March 2018: approximately 207.1%). 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 businesses 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. In view of the Group's current level of cash and bank balances, funds generated internally from our operations and the unutilized banking facilities available, the Board is confident that the Group will have sufficient resources to meet its financial needs for its operations. The Group is exposed to foreign currency risk primarily through purchases that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily United States dollars and Renminbi. In order to manage and minimize the foreign currency risk, the management will continue to manage and monitor such currency exposure to ensure appropriate measures are implemented in a timely and effective manner.

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 30 September 2018, the Group had 265 employees (As at 31 March 2018: 260). For the six months ended 30 September 2018, staff costs including directors' emoluments was approximately HK$84.3 million (including the equity-settled share-based payments of HK$26.3 million during the period) (six months ended 30 September 2017: HK$35.0 million).

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in notes 9 and 14 to this announcement, there was no other material acquisition and disposal of subsidiaries, associated companies and joint ventures during the period of review.

CHARGES ON ASSETS

As at 30 September 2018, the Group had secured bank loans of approximately HK$26.6 million (As at 31 March 2018: HK$28.1 million). The banking facilities are secured by the Group's leasehold land and buildings, having carrying amount of approximately HK$41.1 million as at 30 September 2018 (As at 31 March 2018: HK$41.8 million).

CAPITAL COMMITMENT

As at 30 September 2018, the Group did not have significant capital commitment.

INTERIM DIVIDEND

The Board does not recommend any payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

OUTLOOK

Health and Beauty Supplements and Products segment

The Group's proactive measures to recruit new generation customers and increase the market share in today's digital world shows promising results after the Group put more resources on digital marketing. More combination of online live programs and offline events mix during the first half financial year exhibits raising customer royalty and product awareness of both the Group's existing and new product portfolio.

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

Online Advertising Agency Business segment

Given the growing business and advertising client base, the Hong Kong Station of gd.qq.com began to empower our local Hong Kong strategic alliance network. It is earmarked by announcing cross border and cross media platform with Metro Daily (one of the top free newspaper in Hong Kong with claimed daily circulation over 250,000 in Hong Kong) and DianPing.com (the largest PRC Food & Beverage and entertainment information sharing platform). Such move allows our client advertisement to be published simultaneously across multiple media platforms such as Hong Kong newspaper, online web portal and China mobile App.

Hong Kong Station of gd.qq.com also starts to launch series of activities from Food & Beverage Brands Awards. Through collaboration with key industrial associations and organizations, we can smoothly extend our business clientele and consequently raise our revenue. Backed up by our partner gd.qq.com which own 24 million page view per day, the management is positive about the business future.

Online Payment Business segment

The operating loss recorded in the first half of the financial year is within our expectation. Given the progressive growth momentum since our acquisition is on the uptrend, the management will continue to sustain the rising path. Since major third party payment methods are gaining rising popularity, we believe achieving critical mass and consequently targeting the breakeven point is in near future.

The one-off capital expenditure investing on WeChat Eco-system and "Integrated Payment Solution Package" during the first half of the financial year mentioned before is diminishing in the second half. Consequently, the operating loss will substantially be reduced. More importantly, the capital expenditure has nurtured solid results, for example, we have developed and launched an extended online payment services with one of the leading medical and pharmaceutical product group in Hong Kong. The management is optimistic on the prospect of the online payment business segment.

Game Distribution Business segment

For game distribution platform (including online and offline), with the increasing popularity and penetration of smartphones and computer games, IAHGames has already distributed 10 new games including the recently released Call of Duty: Black Ops 4. The new games have improved both the revenue and profit substantially from October onwards. Given the company targets to distribute around 4 to 5 new games (mostly Double A or Triple A Class in the market with strong revenue track record) per year on the pipeline, it is expected a stable income improvement can be achieved in the coming 2 years. Taking into account of games distribution contract under the Group normally cover 3 years of distribution period, it is foreseeable that the income flow is very stable and secure. The management is confident on the business in the coming second half of the 2018 financial year.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Regulatory risks

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

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

Prolonged economic downturn

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

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

Failure to introduce successful new products

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

Macro-economic condition, PRC tourist spending and payment habits

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

Competition

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

Operational risk

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

Industry and technological changes

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

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period of six months ended 30 September 2018 (Period of six months ended 30 September 2017: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to the Company's growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. The Company has adopted the code provisions set out in the Corporate Governance Code (amended from time to time, the "**Code**") contained in the Appendix 14 of the Listing Rules on the Stock Exchange. Throughout the period of six months ended 30 September 2018, the Company has fully complied with the Code contained in Appendix 14 of the Listing Rules except the deviation from the 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 currently the chairman of the Board and the chief executive officer of the Company. Mr. Chan has been responsible for the overall management and strategic development of the Group since 2005. His expert knowledge in the areas of development and retail marketing of health and beauty supplement products has assisted the Group to grow substantially over the past ten years. The Board therefore considers that it is beneficial to and in the interest of the Group for Mr. Chan to continue with his roles as the chairman of the Board and chief executive officer of the Company.

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

The Company has adopted the Model Code (amended from time to time) as set out in Appendix 10 of 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 of the Company has confirmed that they fully complied the required standards set out in the Model Code under the Listing Rules throughout the period of six months ended 30 September 2018, and there is no event of non-compliance. Senior managers, other nominated managers and staffs who, because of their offices in the Group, are likely to be in possession of inside information of the Company, have been requested to comply with the provisions of the Model Code under the Appendix 10 to the Listing Rules.

AUDIT COMMITTEE

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

At the request of the Audit Committee, the Company's auditor, Elite Partners CPA Limited, had carried out a review of the unaudited interim financial information of the Group for the six months period ended 30 September 2018 (the "**2018/2019 Interim Results**") in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. 2018/2019 Interim Results has also been reviewed by the Audit Committee.

APPROVAL OF INTERIM REPORT

The interim report and the unaudited interim condensed consolidated results of the Group for the six months ended 30 September 2018 were approved and authorised for issue by the Board on 28 November 2018.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 28 November 2018

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