



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

incorporated in the Cayman Islands with limited liability  
於開曼群島註冊成立之有限公司  
Stock Code 股份代號 : 932

## 2019/2020 Interim Report



N DIMENSION



御藥堂



CS-4



騰訊  
大粵網  
香港

GD.QQ.COM/HK

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# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF  
SHUNTEN INTERNATIONAL (HOLDINGS) LIMITED  
*(Incorporated in the Cayman Islands with limited liability)*



## INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 4 to 63 which comprise the interim condensed consolidated statement of financial position of Shunten International (Holdings) Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as of 30 September 2019 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to form a conclusion, based on our review, on these interim condensed consolidated financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of these interim condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the interim condensed financial information which indicates that the Group had net current liabilities of approximately HK\$146,508,000 as at 30 September 2019. This condition indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

**Elite Partners CPA Limited**  
*Certified Public Accountants*

**Yip Kai Yin**  
Practising Certificate Number: P05131

Hong Kong  
25 November 2019

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

For the six months ended 30 September 2019

|   | Note  | For the six months ended<br>30 September |                                 |
|---|-------|--|---------------------------------|
|   |       | 2019<br>HK\$'000<br>(unaudited)          | 2018<br>HK\$'000<br>(unaudited) |
| <b>REVENUE</b>  | 4     | <b>244,734</b>                           | 158,380                         |
| Cost of revenue   |       | (109,016)                                | (60,637)                        |
| <b>GROSS PROFIT</b>   |       | <b>135,718</b>                           | 97,743                          |
| Other revenue and other net loss  |       | 1,466                                    | 1,123                           |
| Selling and distribution expenses   |       | (32,435)                                 | (29,568)                        |
| Administrative expenses   |       | (108,305)                                | (93,161)                        |
| Equity-settled share-based payments   |       | (5,810)                                  | (26,277)                        |
| Share of profits of an associate  |       | 2,274                                    | 2,223                           |
| Fair value change of an investment property                                       | 10    | —  | 722                             |
| Fair value change of contingent consideration payables                            | 18    | 289                                      | (5,604)                         |
| Fair value change of promissory notes payable                                     | 20    | 721                                      | 4,460                           |
| Fair value change of convertible bonds  | 19(a) | (4,616)                                  | 39,823                          |
| <b>LOSS FROM OPERATIONS</b>   |       | <b>(10,698)</b>                          | (8,516)                         |
| Finance costs   | 5(c)  | (13,579)                                 | (8,853)                         |
| <b>LOSS BEFORE TAXATION</b>   | 5     | <b>(24,277)</b>                          | (17,369)                        |
| Taxation  | 6     | (1,922)                                  | (1,958)                         |
| <b>LOSS FOR THE PERIOD</b>  |       | <b>(26,199)</b>                          | (19,327)                        |
| <b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b>                                    |       |  |                                 |
| <b>Items that may be reclassified subsequently to profit or loss:</b>             |       |  |                                 |
| Exchange differences on translation of financial statements of foreign operations |       | (351)                                    | (382)                           |
| Release of translation reserve upon deregistration of subsidiaries                |       | —  | (151)                           |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>                                    |       | <b>(26,550)</b>                          | (19,860)                        |



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 September 2019

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

The notes on pages 10 to 63 form part of these interim condensed consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 7.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

|  | Note | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|--|------|--|--|
| <b>NON-CURRENT ASSETS</b>                    |      |  |  |
| Property, plant and equipment                | 9    | 88,831   | 91,764   |
| Investment property                          | 10   | 8,130  | 8,130  |
| Right-of-use assets                          | 11   | 8,835  | —  |
| Interests in an associate                    | 14   | 75,674   | 73,400   |
| Intangible assets                            | 12   | 209,179  | 211,702  |
| Goodwill                                     | 13   | 199,879  | 199,879  |
| Prepayments and deposits                     | 15   | 5,636  | 5,369  |
|  |      | <b>596,164</b>   | 590,244  |
| <b>CURRENT ASSETS</b>                        |      |  |  |
| Inventories                                  |      | 32,801   | 29,065   |
| Trade and other receivables                  | 15   | 123,094  | 107,519  |
| Cash and cash equivalents                    |      | 94,916   | 65,497   |
| Tax recoverable                              |      | 178  | 105  |
|  |      | <b>250,989</b>   | 202,186  |
| <b>CURRENT LIABILITIES</b>                   |      |  |  |
| Trade and other payables                     | 16   | 124,227  | 77,604   |
| Bank and other borrowings                    | 17   | 63,938   | 39,056   |
| Lease liabilities                            | 17   | 6,829  | —  |
| Contract liabilities                         |      | 6,194  | 1,675  |
| Convertible bonds                            | 19   | 177,358  | 262,001  |
| Contingent consideration payables            | 18   | —  | 37,878   |
| Promissory notes payable                     | 20   | 9,245  | 9,966  |
| Refund liabilities                           |      | 1,531  | 1,394  |
| Tax payable                                  |      | 8,175  | 6,058  |
|  |      | <b>397,497</b>   | 435,632  |
| <b>NET CURRENT LIABILITIES</b>               |      | <b>(146,508)</b>   | (233,446)  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |      | <b>449,656</b>   | 356,798  |



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2019

|   | Note | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|---|------|--|--|
| <b>NON-CURRENT LIABILITIES</b>                      |      |  |  |
| Contingent consideration payables                   | 18   | 51,916   | 47,692   |
| Promissory notes payable                            | 20   | 27,958   | 37,543   |
| Other borrowings                                    | 17   | 40,000   | 26,500   |
| Lease liabilities                                   | 17   | 2,082  | —  |
| Amounts due to non-controlling interests            |      | 1,227  | 1,227  |
| Deferred tax liabilities                            |      | 35,780   | 36,316   |
|   |      | <b>158,963</b>   | 149,278  |
| <b>NET ASSETS</b>                                   |      |  |  |
|   |      | <b>290,693</b>   | 207,520  |
| <b>EQUITY</b>                                       |      |  |  |
| <b>Equity attributable to owners of the Company</b> |      |  |  |
| Share capital                                       | 21   | 6,298  | 5,308  |
| Reserves  |      | 234,699  | 156,660  |
|   |      | <b>240,997</b>   | 161,968  |
| Non-controlling interests                           |      | 49,696   | 45,552   |
| <b>TOTAL EQUITY</b>                                 |      | <b>290,693</b>   | 207,520  |

The notes on pages 10 to 63 form part of these interim condensed consolidated financial statements.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

|  | Attributable to owners of the Company |                           |                            |                               |                                 |  |                                  |                                |                   |                                       |                          |
|--|---------------------------------------|---------------------------|----------------------------|-------------------------------|---------------------------------|--|----------------------------------|--------------------------------|-------------------|---------------------------------------|--------------------------|
|  | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Merger reserve<br>HK\$'000 | Statutory reserve<br>HK\$'000 | Translation reserve<br>HK\$'000 | Convertible bonds equity reserve<br>HK\$'000 | Share option reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total Equity<br>HK\$'000 |
| At 31 March 2019 (audited)   | 5,308                                 | 161,116                   | (10)                       | 462                           | (732)                           | 15,592                                       | 44,377                           | (64,145)                       | 161,968           | 45,552                                | 207,520                  |
| Impact on initial application of HKFRS 16  | —                                     | —                         | —                          | —                             | —                               | —  | —                                | (55)                           | (55)              | (10)                                  | (65)                     |
| <b>Adjusted balance at 1 April 2019</b>  | <b>5,308</b>                          | <b>161,116</b>            | <b>(10)</b>                | <b>462</b>                    | <b>(732)</b>                    | <b>15,592</b>                                | <b>44,377</b>                    | <b>(64,200)</b>                | <b>161,913</b>    | <b>45,542</b>                         | <b>207,455</b>           |
| <b>Changes in equity for the six months ended 30 September 2019:</b>                     |                                       |                           |                            |                               |                                 |  |                                  |                                |                   |                                       |                          |
| Loss for the period  | —                                     | —                         | —                          | —                             | —                               | —  | —                                | (30,534)                       | (30,534)          | 4,335                                 | (26,199)                 |
| Other comprehensive loss:  |                                       |                           |                            |                               |                                 |  |                                  |                                |                   |                                       |                          |
| Exchange differences on translation of financial statements of foreign operations        | —                                     | —                         | —                          | —                             | (170)                           | —  | —                                | —                              | (170)             | (181)                                 | (351)                    |
| Total comprehensive loss for the period  | —                                     | —                         | —                          | —                             | (170)                           | —  | —                                | (30,534)                       | (30,704)          | 4,154                                 | (26,550)                 |
| Equity-settled share-based payments  | —                                     | —                         | —                          | —                             | —                               | —  | 5,810                            | —                              | 5,810             | —                                     | 5,810                    |
| Share options lapsed   | —                                     | —                         | —                          | —                             | —                               | —  | (752)                            | 752                            | —                 | —                                     | —                        |
| Shares issued upon completion of placing (note 21(a))                                    | 58                                    | 9,942                     | —                          | —                             | —                               | —  | —                                | —                              | 10,000            | —                                     | 10,000                   |
| Shares issued upon exercise of share options under the share options scheme (note 21(b)) | 18                                    | 2,503                     | —                          | —                             | —                               | —  | (631)                            | —                              | 1,890             | —                                     | 1,890                    |
| Shares issued upon conversion of convertible bonds (note 21(c))                          | 914                                   | 106,766                   | —                          | —                             | —                               | (15,592)                                     | —                                | —                              | 92,088            | —                                     | 92,088                   |
| <b>At 30 September 2019 (unaudited)</b>  | <b>6,298</b>                          | <b>280,327</b>            | <b>(10)</b>                | <b>462</b>                    | <b>(902)</b>                    | <b>—</b>                                     | <b>48,804</b>                    | <b>(93,982)</b>                | <b>240,997</b>    | <b>49,696</b>                         | <b>290,693</b>           |
| At 31 March 2018 (audited)   | 5,308                                 | 161,116                   | (10)                       | 462                           | (272)                           | —  | 29,290                           | (81,103)                       | 114,791           | 51,944                                | 166,735                  |
| Impact on initial application of HKFRS 15  | —                                     | —                         | —                          | —                             | —                               | —  | —                                | 224                            | 224               | —                                     | 224                      |
| <b>Adjusted balance at 1 April 2018</b>  | <b>5,308</b>                          | <b>161,116</b>            | <b>(10)</b>                | <b>462</b>                    | <b>(272)</b>                    | <b>—</b>                                     | <b>29,290</b>                    | <b>(80,879)</b>                | <b>115,015</b>    | <b>51,944</b>                         | <b>166,959</b>           |
| <b>Changes in equity for the six months ended 30 September 2018:</b>                     |                                       |                           |                            |                               |                                 |  |                                  |                                |                   |                                       |                          |
| Loss for the period  | —                                     | —                         | —                          | —                             | —                               | —  | —                                | (15,431)                       | (15,431)          | (3,896)                               | (19,327)                 |
| Other comprehensive loss:  |                                       |                           |                            |                               |                                 |  |                                  |                                |                   |                                       |                          |
| Exchange differences on translation of financial statements of foreign operations        | —                                     | —                         | —                          | —                             | (182)                           | —  | —                                | —                              | (182)             | (200)                                 | (382)                    |
| Release of translation reserve upon deregistration of subsidiaries                       | —                                     | —                         | —                          | —                             | (151)                           | —  | —                                | —                              | (151)             | —                                     | (151)                    |
| Total comprehensive loss for the period  | —                                     | —                         | —                          | —                             | (333)                           | —  | —                                | (15,431)                       | (15,764)          | (4,096)                               | (19,860)                 |
| Equity-settled share-based payments  | —                                     | —                         | —                          | —                             | —                               | —  | 26,277                           | —                              | 26,277            | —                                     | 26,277                   |
| Share options lapsed   | —                                     | —                         | —                          | —                             | —                               | —  | (9,040)                          | 9,040                          | —                 | —                                     | —                        |
| <b>At 30 September 2018 (unaudited)</b>  | <b>5,308</b>                          | <b>161,116</b>            | <b>(10)</b>                | <b>462</b>                    | <b>(605)</b>                    | <b>—</b>                                     | <b>46,527</b>                    | <b>(87,270)</b>                | <b>125,528</b>    | <b>47,848</b>                         | <b>173,376</b>           |

The notes on pages 10 to 63 form part of these interim condensed consolidated financial statements.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

|  | For the six months ended<br>30 September |                                 |
|--|--|---------------------------------|
|  | 2019<br>HK\$'000<br>(unaudited)          | 2018<br>HK\$'000<br>(unaudited) |
| <b>Operating activities</b>                                      |  |                                 |
| Cash generated from/(used in) operations                         | 159                                      | (11)                            |
| Hong Kong Profits Tax paid                                       | (414)                                    | (5)                             |
| Net cash used in operating activities                            | (255)                                    | (16)                            |
| <b>Investing activities</b>                                      |  |                                 |
| Purchase of property, plant and equipment                        | (1,675)                                  | (5,391)                         |
| Proceeds from sale of property, plant and equipment              | —  | 47                              |
| Direct costs attributable to the purchase of right-of-use assets | (8)                                      | —                               |
| Investment in an associate                                       | —  | (70,000)                        |
| Deposits received for potential disposal of a subsidiary         | —  | 2,000                           |
| Acquisition of subsidiaries, net of cash acquired                | —  | (7,465)                         |
| Bank interest received   | 5  | 7                               |
| Net cash used in investing activities                            | (1,678)                                  | (80,802)                        |
| <b>Financing activities</b>                                      |  |                                 |
| Repayment of bank borrowings                                     | (1,579)                                  | (1,543)                         |
| Proceeds from other borrowings                                   | 40,000                                   | 21,000                          |
| Repayment of promissory notes                                    | (10,000)                                 | —                               |
| Repayment of lease liabilities                                   | (3,542)                                  | —                               |
| Proceeds from shares issued under share options scheme           | 1,890                                    | —                               |
| Proceeds from placing of new ordinary shares                     | 10,000                                   | —                               |
| Interest paid  | (5,057)                                  | (995)                           |
| Net cash generated from financing activities                     | 31,712                                   | 18,462                          |
| Net increase/(decrease) in cash and cash equivalents             | 29,779                                   | (62,356)                        |
| Cash and cash equivalents at beginning of the period             | 65,458                                   | 158,913                         |
| Effect of foreign exchange rate changes                          | (321)                                    | (480)                           |
| Cash and cash equivalents at end of the period                   | 94,916                                   | 96,077                          |

The notes on pages 10 to 63 form part of these interim condensed consolidated financial statements.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 1. CORPORATE INFORMATION

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

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

## 2. BASIS OF PREPARATION

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

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for investment property, contingent consideration payables, promissory notes payable designated at fair value through profit or loss (“**FVTPL**”) and convertible bonds designated at FVTPL which are measured at fair value, as appropriate.

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 2. BASIS OF PREPARATION (CONTINUED)

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 2019. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

### Going concern basis

As at 30 September 2019, the Group had net current liabilities of approximately HK\$146,508,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

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

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 2. BASIS OF PREPARATION (CONTINUED)

### Going concern basis (Continued)

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

Taking into account of the measures above and the arrangements implemented to date, the directors of the Company are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from 30 September 2019. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these interim condensed consolidated financial statements on a going concern basis.

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

## 3. CHANGES IN ACCOUNTING POLICIES

### (a) New and amended standards adopted by the Group

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

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

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (b) HKFRS 16 “Leases” — Impact of adoption

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

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

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

|  | HK\$’000<br>(unaudited) |
|--|-------------------------|
| Operating lease commitments disclosed as at 31 March 2019<br>(note 25(b))  | 13,389                  |
| Weighted average incremental borrowing rate as at<br>1 April 2019  | 5.13%                   |
| Discounted operating lease commitments as at 1 April 2019  | 8,416                   |
| Less: Commitments relating to short-term leases and those<br>leases with a remaining lease term ending on or<br>before 31 March 2020 | (336)                   |
| <hr/> Lease liabilities as at 1 April 2019   | <hr/> 8,080             |
| Of which are:  |                         |
| Current lease liabilities  | 6,994                   |
| Non-current lease liabilities  | 1,086                   |
| <hr/>  | <hr/>                   |
|  | 8,080                   |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) HKFRS 16 “Leases” — Impact of adoption (Continued)

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

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

|                             | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>1 April<br>2019<br>HK\$'000<br>(unaudited) |
|-----------------------------|--|---|
| Land and building (note 11) | 8,835  | 8,015   |

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

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) HKFRS 16 “Leases” — Impact of adoption (Continued)

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

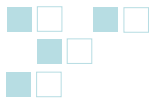
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the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

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

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

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





# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) HKFRS 16 “Leases” — Impact of adoption (Continued)

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) HKFRS 16 “Leases” — Impact of adoption (Continued)

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

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 4. REVENUE

The Group's revenue represents the income from sales of health and beauty supplements and products, provision of online advertising agency business, online payment business, e-commerce promotion business and game distribution business, net of returns, discounts, value-added tax and other sales taxes for the six months ended 30 September 2019 and 2018.

### Disaggregation of revenue

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

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 5. LOSS BEFORE TAXATION

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

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 6. TAXATION

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

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

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

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

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

## 7. DIVIDENDS

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 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<br>30 September |                     |
|--|--|---------------------|
|  | 2019<br>(unaudited)                      | 2018<br>(unaudited) |
| <b>Loss</b>  |  |                     |
| Loss for the period attributable to owners<br>of the Company for the purpose of basic<br>loss per share (HK\$'000) | <b>(30,534)</b>                          | (15,431)            |
| <b>Number of shares</b>  |  |                     |
| Weighted average number of ordinary shares<br>for the purpose of basic loss per share                              | <b>2,218,976,256</b>                     | 2,123,002,150       |

#### (b) Diluted loss per share

For the six months ended 30 September 2019, the diluted loss per share is the same as the basic loss per share because the effect of deemed issue of shares of certain outstanding share options of the Company would result in a decrease in loss per share.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

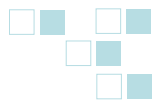
## 9. PROPERTY, PLANT AND EQUIPMENT

|  | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>30 September<br>2018<br>HK\$'000<br>(unaudited) |
|--|--|--|
| Carrying amount at the beginning of the period                                     | 91,764   | 121,672  |
| Additions during the period  | 1,675  | 5,391  |
| Additions through acquisition of a subsidiary during the period ( <i>note 24</i> ) | —  | 121  |
| Depreciation provided during the period  | (4,245)  | (4,572)  |
| Disposals during the period  | (333)  | (1,205)  |
| Reclassification as held for sale  | —  | (26,026)   |
| Exchange adjustments   | (30)   | (51)   |
| Carrying amount at the end of the period   | <b>88,831</b>  | 95,330   |

## 10. INVESTMENT PROPERTY

|  | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>30 September<br>2018<br>HK\$'000<br>(unaudited) |
|--|--|--|
| Carrying amount at the beginning of the period                                     | 8,130  | —  |
| Additions through acquisition of a subsidiary during the period ( <i>note 24</i> ) | —  | 7,378  |
| Fair value change  | —  | 722  |
| Carrying amount at the end of the period   | <b>8,130</b>   | 8,100  |

The valuation of investment property carried at fair value were revalued as at 30 September 2019 by an independent professionally qualified valuer engaged by the Group, who has among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the property being valued. The management of the Group has discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting date.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 10. INVESTMENT PROPERTY (CONTINUED)

The fair value measurement information for the investment property in accordance with HKFRS 13 is given below.

### Fair value hierarchy

|   | Fair value measurement as at 30 September 2019 categorised into                         |  |  |
|---|---|--|--|
|   | Quoted prices in active markets for identical assets Level 1<br>HK\$'000<br>(unaudited) | Significant other observable inputs Level 2<br>HK\$'000<br>(unaudited) | Significant unobservable inputs Level 3<br>HK\$'000<br>(unaudited) |
| <b>Recurring fair value measurements:</b> |   |  |  |
| Investment property                       |   |  |  |
| — shop premise located in Hong Kong       | —   | —  | 8,130  |

|   | Fair value measurement as at 31 March 2019 categorised into                           |  |  |
|---|---|--|--|
|   | Quoted prices in active markets for identical assets Level 1<br>HK\$'000<br>(audited) | Significant other observable inputs Level 2<br>HK\$'000<br>(audited) | Significant unobservable inputs Level 3<br>HK\$'000<br>(audited) |
| <b>Recurring fair value measurements:</b> |   |  |  |
| Investment property                       |   |  |  |
| — shop premise located in Hong Kong       | —   | —  | 8,130  |

During the six months ended 30 September 2019 and the year ended 31 March 2019, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 10. INVESTMENT PROPERTY (CONTINUED)

### Information about Level 3 fair value measurements

|                                     | Valuation technique and key inputs  | Significant unobservable inputs   | Relationship of unobservable inputs to fair value  |
|-------------------------------------|---|---|--|
| Investment property                 |   |   |  |
| — Shop premise located in Hong Kong | Direct comparison method assuming sale in its existing state and by making reference of similar nature properties as available in the relevant market.<br><br>The key input is:<br>Price per square foot. | Price per square foot, using market direct comparables and taking into account location and other individual factors such as time, frontage, building age, size, floor levels and layout, etc., which is ranging from HK\$106,000 to HK\$169,000 (as at 31 March 2019; HK\$111,000 to HK\$165,000). | A significant increase in the market transaction prices used would result in a significant increase in fair value, and vice versa. |

The movements during the six months ended 30 September 2019 and the year ended 31 March 2019 in the balance of these Level 3 fair value measurements are as follows:

|  | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|--|--|--|
| At the beginning of the period/year                        | 8,130  | —  |
| Additions through acquisition of a subsidiary<br>(note 24) | —  | 7,378  |
| Fair value change  | —  | 752  |
| At the end of the period/year                              | 8,130  | 8,130  |



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 11. RIGHT-OF-USE ASSETS

|  | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) |
|--|--|
| Carrying amount at the beginning of the period | —  |
| Adjustment on adoption of HKFRS 16 (note 3(b)) | 8,015  |
| Restated balance at 1 April 2019               | 8,015  |
| Additions during the period                    | 4,787  |
| Disposals during the period                    | (601)  |
| Depreciation provided during the period        | (3,256)  |
| Exchange adjustments                           | (110)  |
| Carrying amount at the end of the period       | 8,835  |

### 12. INTANGIBLE ASSETS

|  | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>30 September<br>2018<br>HK\$'000<br>(unaudited) |
|--|--|--|
| Carrying amount at the beginning of the period | 211,702  | 206,166  |
| Amortisation provided during the period        | (2,523)  | (3,369)  |
| Carrying amount at the end of the period       | 209,179  | 202,797  |

Intangible assets represent the licensing agreements, customer relationship, product development rights, brand name, sales distribution channel and a club membership.

### 13. GOODWILL

|  | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>30 September<br>2018<br>HK\$'000<br>(unaudited) |
|--|--|--|
| Carrying amount at the beginning and the end of the period | 199,879  | 177,496  |



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 14. INTERESTS IN AN ASSOCIATE

|  | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|--|--|--|
| Cost of investment in an associate, unlisted | 70,000   | 70,000   |
| Share of post-acquisition profits            | 5,674  | 3,400  |
|  | <b>75,674</b>  | 73,400   |

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. Leader Shine and its wholly-owned subsidiary incorporated in Hong Kong, Royal Kaiser International Limited, are principally engaged in the consignment sales of jewellery and precious metal ornaments. The transaction was completed on 23 May 2018.

According to the sale and purchase agreement dated 10 May 2018, 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 actual results of Leader Shine Group for the year ended 31 March 2019, the directors of the Company determined that the Profit Guarantee in respect of the year ended 31 March 2019 was HK\$Nil as the respective Profit Guarantee has already been met.

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 for the year ending 31 March 2020 will unlikely be exercised and the fair value of the respective Profit Guarantee is considered to be insignificant.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

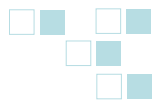
As of the end of the reporting period, the ageing analysis of trade receivables based on the date of revenue recognition and net of allowance for doubtful debts were as follows:

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

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

### 16. TRADE AND OTHER PAYABLES

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 16. TRADE AND OTHER PAYABLES (CONTINUED)

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

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

### 17. BANK AND OTHER BORROWINGS/LEASE LIABILITIES

|   | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|---|--|--|
| <b>Bank borrowings:</b>                 |  |  |
| Bank overdrafts                         | —  | 39   |
| Bank loans, secured ( <i>note (a)</i> ) | 37,438   | 39,017   |
|   | <b>37,438</b>  | 39,056   |
| <b>Other borrowings:</b>                |  |  |
| Unsecured notes ( <i>note (b)</i> )     | 66,500   | 26,500   |
|   | <b>66,500</b>  | 26,500   |
| <b>Total bank and other borrowings</b>  | <b>103,938</b>   | 65,556   |
| <b>Lease liabilities:</b>               |  |  |
| Non-current                             | 2,082  | —  |
| Current                                 | 6,829  | —  |
| <b>Total lease liabilities</b>          | <b>8,911</b>   | —  |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 17. BANK AND OTHER BORROWINGS/LEASE LIABILITIES (CONTINUED)

The bank borrowings and other borrowings are repayable as follows:

|   | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|---|--|--|
| <b>Bank borrowings:</b>                       |  |  |
| Within 1 year or on demand                    | 37,438   | 39,056   |
|   | <b>37,438</b>  | 39,056   |
| <b>Other borrowings:</b>                      |  |  |
| Within 1 year or on demand                    | 26,500   | —  |
| After 1 year but within 2 years               | 40,000   | 26,500   |
|   | <b>66,500</b>  | 26,500   |
| Total bank and other borrowings               | <b>103,938</b>   | 65,556   |
| Less: Amounts shown under current liabilities | <b>(63,938)</b>  | (39,056)   |
| Amounts shown under non-current liabilities   | <b>40,000</b>  | 26,500   |

Notes:

- (a) As at 30 September 2019, the bank borrowings of the Group are secured by the leasehold land and buildings with carrying amount of HK\$75,847,000 (as at 31 March 2019: HK\$77,247,000).
- (b) As at 30 September 2019 and 2018, the Company had the following outstanding unsecured notes:
  - (i) In August 2017, the Company issued unsecured notes of HK\$5,500,000. The unsecured notes carry coupon rate of 5% per annum, payable annually in arrears. The principal amount of the unsecured notes is repayable in August 2020.
  - (ii) In August 2018, the Company issued unsecured notes of HK\$11,000,000. The unsecured notes carry coupon rate of 10% per annum, payable annually in arrears. The principal amount of the unsecured notes is repayable in August 2020.
  - (iii) In September 2018, the Company issued unsecured notes of HK\$10,000,000. The unsecured notes carry coupon rate of 10% per annum, payable annually in arrears. The principal amount of the unsecured notes is repayable in September 2020.
  - (iv) In September 2019, the Company issued unsecured notes of HK\$40,000,000. The unsecured notes carry coupon rate of 14% per annum, payable annually in arrears. The principal amount of the unsecured notes is repayable in September 2021.

Subsequent to the end of the reporting period, the unsecured notes with principal amount of HK\$40,000,000 were early repaid by the Company.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 18. CONTINGENT CONSIDERATION PAYABLES

|   | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>30 September<br>2018<br>HK\$'000<br>(unaudited) |
|---|--|--|
| <b>At fair value:</b>                                   |  |  |
| At the beginning of the period                          | 85,570   | 177,519  |
| Transferred to promissory notes payable<br>(note 20(a)) | —  | (12,395)   |
| Transferred to other payables                           | (33,365)   | (56,258)   |
| Fair value change                                       | (289)  | 5,604  |
|   |  |  |
| At the end of the period                                | 51,916   | 114,470  |
| Less: Amounts shown under current liabilities           | —  | (57,404)   |
|   |  |  |
| Amounts shown under non-current liabilities             | 51,916   | 57,066   |

The contingent consideration payables of the Group mainly represented the contingent consideration arrangement arising from the acquisition of Empire Access Limited (“**Empire Access**”) to be settled in the form of promissory notes to be issued by the Company depending on the achievement of the target revenue and/or net profit of the subsidiaries of Empire Access, N Dimension Limited (“**N Dimension**”) and Hoi On Technology Limited (“**Hoi On**”) (collectively referred to as the “**ND Target Group**”), for each performance year from 22 September 2017 to 21 September 2021 as defined by the supplemental sale and purchase agreement dated 15 September 2017 in relation to the acquisition of Empire Access by the Company.

As at 30 September 2018, based on the auditor’s certificate issued in respect of the achievement of the First Target of the ND Target Group, the Third Instalment of the consideration for the acquisition of Empire Access as detailed in note (a) below was concluded to be approximately HK\$56,258,000 and the balance was transferred from “contingent consideration payables” to “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 approximately HK\$56,258,000 for the settlement of the consideration payable.





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 18. CONTINGENT CONSIDERATION PAYABLES (CONTINUED)

As at 30 September 2019, based on the auditor's certificate issued in respect of the achievement of the Second Target of the ND Target Group, the Fourth Instalment of the consideration for the acquisition of Empire Access as detailed in note (a) below was concluded to be approximately HK\$33,365,000 and the balance was transferred from "contingent consideration payables" to "other payables" in the interim condensed consolidated statement of financial position. On 4 October 2019, the Company issued promissory notes of total principal amount of approximately HK\$33,365,000 for the settlement of the consideration payable.

The formula in respect of the adjustments to the consideration arising from the acquisition of Empire Access are detailed in note (a) below.

Notes:

#### (a) Adjustments to the consideration arising from the acquisition of Empire Access

Pursuant to the supplemental sale and purchase agreement dated 15 September 2017 in relation to the acquisition of Empire Access, the consideration is stated as follows:

- (i) HK\$5,000,000 as refundable cash deposit ("**First Instalment**");
- (ii) HK\$55,000,000 cash consideration ("**Second Instalment**");
- (iii) a maximum of HK\$60,000,000 or such adjusted amount (the "**Third Instalment**") by the issue of the promissory notes provided that the revenue in the ND Target Group for the First Period is more than or equal to HK\$8,000,000 (the "**First Target**");
- (iv) a maximum of HK\$60,000,000 or such adjusted amount (the "**Fourth Instalment**") by the issue of the promissory notes provided that the revenue in ND Target Group for the Second Period is more than or equal to HK\$43,000,000 (the "**Second Target**"); and
- (v) a maximum of HK\$60,000,000 or such adjusted amount (the "**Fifth Instalment**") by the issue of the promissory notes provided that the net profit in ND Target Group for the Third Period is more than or equal to HK\$23,000,000 (the "**Third Target**").



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 18. CONTINGENT CONSIDERATION PAYABLES (CONTINUED)

Notes: (Continued)

### (a) Adjustments to the consideration arising from the acquisition of Empire Access (Continued)

The third instalment, fourth instalment and fifth instalment of the consideration to be settled in the form of promissory notes based on the performance of the ND Target Group are adjusted in the following manner:

#### A. Meeting the Targets for the First Three Periods

In the event that the revenue in the ND Target Group for the First Period is less than the First Target and the revenue in the ND Target Group for the Second Period is more than the Second Target:

$$\begin{aligned} \text{Third Instalment} &= \frac{\text{Revenue in ND Target Group for the First Period}}{\text{HK\$8,000,000}} \times \text{HK\$60,000,000} \\ \text{Fourth Instalment} &= \left( \frac{\text{HK\$43,000,000}}{\text{HK\$43,000,000}} \times \text{HK\$60,000,000} \right) + \left( \frac{\text{Revenue in the ND Target Group for the Second Period minus HK\$43,000,000}}{\text{HK\$8,000,000}} \times \text{HK\$60,000,000} \right) \end{aligned}$$

In the event that revenue in the ND Target Group for the First Period is more than the First Target and the revenue in the ND Target Group for the Second Period is less than the Second Target:

$$\begin{aligned} \text{Third Instalment} &= \frac{\text{HK\$8,000,000}}{\text{HK\$8,000,000}} \times \text{HK\$60,000,000} \\ \text{Fourth Instalment} &= \left( \frac{\text{Revenue in the ND Target Group for the Second Period}}{\text{HK\$43,000,000}} \times \text{HK\$60,000,000} \right) + \left( \frac{\text{Revenue in the ND Target Group for the First Period minus HK\$8,000,000}}{\text{HK\$43,000,000}} \times \text{HK\$60,000,000} \right) \end{aligned}$$



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 18. CONTINGENT CONSIDERATION PAYABLES (CONTINUED)

Notes: (Continued)

(a) **Adjustments to the consideration arising from the acquisition of Empire Access**  
(Continued)

A. **Meeting the Targets for the First Three Periods** (Continued)

In the event that the revenue in ND Target Group for the First Period is less than the First Target and the revenue in the ND Target Group for the Second Period is less than the Second Target:

$$\text{Third Instalment} = \frac{\text{Revenue in the ND Target Group for the First Period}}{\text{HK\$8,000,000}} \times \text{HK\$60,000,000}$$

$$\text{Fourth Instalment} = \frac{\text{Revenue in the ND Target Group for the Second Period}}{\text{HK\$43,000,000}} \times \text{HK\$60,000,000}$$

The aggregate sum of the Third Instalment and the Fourth Instalment shall be capped at HK\$120,000,000 in any event.

In the event that the net profit in the ND Target Group for the Third Period is less than HK\$23,000,000:

$$\text{Fifth Instalment} = \frac{\text{Net profit in the ND Target Group for the Third Period}}{\text{HK\$23,000,000}} \times \text{HK\$60,000,000}$$



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 18. CONTINGENT CONSIDERATION PAYABLES (CONTINUED)

Notes: (Continued)

(a) **Adjustments to the consideration arising from the acquisition of Empire Access**  
(Continued)

**B. Catching-up in the Fourth Period**

- (i) In the event that the sum of the revenue for the Third Period and the Fourth Period is more than HK\$231,000,000, the following portion of the Third Instalment and the Fourth Instalment which have been adjusted downward pursuant to point A above shall become payable in the following order:

- (aa) the following portion of the Fourth Instalment which has been adjusted downward pursuant to point A above shall become payable first:

$$\frac{\text{Revenue in ND Target Group for the Third and Fourth Period minus HK\$231,000,000}}{\text{HK\$43,000,000}} \times \text{HK\$60,000,000}$$

- (bb) if the sum of the revenue for the Third Period and the Fourth Period remains in excess of HK\$231,000,000 after allocating the surplus to meet the Second Target, the following portion of the Third Instalment which has been adjusted downward pursuant to point A above shall become payable:

$$\frac{\text{Revenue in the ND Target Group for the Third and Fourth Period minus HK\$231,000,000 minus HK\$43,000,000}}{\text{HK\$8,000,000}} \times \text{HK\$60,000,000}$$

- (ii) In the event that the net profit for the Fourth Period is more than HK\$49,000,000, the following portion of the Fifth Instalment which has been adjusted downward pursuant to the point A above shall become payable:

$$\frac{\text{Net profit in the ND Target Group for the Fourth Period minus HK\$49,000,000}}{\text{HK\$23,000,000}} \times \text{HK\$60,000,000}$$

The aggregate sum of the Third Instalment, the Fourth Instalment and the Fifth Instalment shall be capped at HK\$180,000,000 in any event.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 18. CONTINGENT CONSIDERATION PAYABLES (CONTINUED)

Notes: (Continued)

(a) **Adjustments to the consideration arising from the acquisition of Empire Access**  
(Continued)

*C. Early Achieving the Targets*

In the event that the ND Target Group can fulfil the revenue of HK\$51,000,000 and the net profit of HK\$23,000,000 in a financial year subsequent to the acquisition date and before the end of the Third Period, any amount of the Third Instalment, the Fourth Instalment and the Fifth Instalment which has been reduced by adjustment will become payable by the Company to the vendors in proportion to their shareholding in Empire Access.

*Where:*

“First Period” means the period from 22 September 2017 to 21 September 2018;

“Second Period” means the period from 22 September 2018 to 21 September 2019;

“Third Period” means the period from 22 September 2019 to 21 September 2020;

“Fourth Period” means the period from 22 September 2020 to 21 September 2021;

“Revenue” means the amount of revenue (as defined under and calculated in accordance with the relevant HKFRSs) generated by the ND Target Group for the relevant period; and

“Net Profit” means the amount of net profit (as defined under and calculated in accordance with the relevant HKFRSs) generated by the ND Target Group for the relevant period.

The fair value of contingent consideration payables as at 30 September 2019 and 31 March 2019 is based on the valuation performed by an independent professionally qualified valuer not connected with the Group. Details of fair value measurement are set out in note 22.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 19. CONVERTIBLE BONDS

|  | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|--|--|--|
| <b>Liability component</b>   |  |  |
| Convertible bonds issued on 12 October 2017 designated at FVTPL (note (a))         | 177,358  | 172,742  |
| Convertible bonds issued on 13 February 2019 measured at amortised cost (note (b)) | —  | 89,259   |
| <b>Total liability component of convertible bonds</b>                              | <b>177,358</b>   | 262,001  |
| <b>Equity component</b>  |  |  |
| Convertible bonds issued on 13 February 2019 (note (b))                            | —  | 15,592   |

Notes:

**(a) Convertible bonds issued on 12 October 2017 designated at FVTPL (“CB 2017”)**

On 12 October 2017, the Company issued 6% per annum unsecured convertible bonds with a principal amount of HK\$265,000,000 to six independent third parties which would mature on their second anniversary on 12 October 2019 following the issue of CB 2017. The bondholders have the right at any time during the conversion period to convert, the whole or any part of the outstanding principal amount of the CB 2017 into the ordinary shares of the Company at HK\$4.65 per conversion share (adjusted to HK\$1.1625 per conversion share due to share subdivision that took place at 5 December 2017) provided that, if the conversion price in force on the date falling on the first anniversary of the issue date of the CB 2017 is more than HK\$4.00 per conversion share (adjusted to HK\$1.00 per conversion share due to the abovementioned share subdivision), the conversion price of the CB 2017 shall be reset on that date so that it is equal to HK\$4.00 per conversion share (adjusted to HK\$1.00 per conversion share due to the abovementioned share subdivision). The conversion period commences from 45 days after the date of issue and ending on the maturity date. The CB 2017 bears interest from the date of issue at the rate of 6% per annum on the principal amount of the CB 2017 payable by the Company semi-annually in arrears on 12 April and 12 October in each year.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 19. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(a) **Convertible bonds issued on 12 October 2017 designated at FVTPL (“CB 2017”)** (Continued)

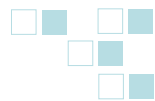
The Company may redeem all the outstanding CB 2017 at any time on and after the first anniversary of the issue date of the CB 2017 and prior to the maturity date, by the Company serving a 30 days’ prior written notice to the bondholders, provided that no such redemption may be made unless the closing price of a share of the Company for any 25 consecutive dealing days on which dealings in the shares of the Company on the Stock Exchange took place, the last day of such 25-dealing day period falling within five dealing days prior to the date upon which notice of such redemption is given, is at least 130% of the then conversion price. Upon such redemption, the Company shall pay the bondholders a lump sum equal to the aggregate outstanding principal amount of the CB 2017 to be redeemed plus an amount that would make up an aggregate return on the outstanding principal amount of the CB 2017 of 8.5% per annum (for the avoidance of doubt, the aggregate return shall take into account all interest accrued and paid on the CB 2017 and all cash flow received by the bondholders from the date of issue of the CB 2017 and up to and including the date of redemption, but excluding any default interest, other expenses and indemnified amounts received or receivable by the bondholders in respect of the CB 2017) together with payment of any accrued but unpaid interest, if any.

Also, the conversion price is subject to adjustments from time to time regarding certain events described in the instrument of the CB 2017 dated 12 October 2017 (the “Instrument”). The CB 2017 include a conversion option that will or may not be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s ordinary shares and accordingly the conversion option does not meet the definition of an equity instrument. Further, as described above, the CB 2017 include early redemption options exercisable by the Company or the bondholders.

With these embedded derivatives that are not considered closely related to the host debt component, the management of the Company decided to designate the CB 2017 as a whole as at financial liabilities as at fair value through profit or loss on initial recognition.

In subsequent periods, such CB 2017 are measured at fair value with changes in fair value being recognised in profit or loss.

Subsequent to the end of the reporting period and on 12 October 2019, CB 2017 became mature and hence the entire outstanding balance of CB 2017 was redeemed and cancelled in full upon maturity, in accordance with the terms and conditions of the CB 2017.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 19. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(a) **Convertible bonds issued on 12 October 2017 designated at FVTPL (“CB 2017”)** (Continued)

The movements of the CB 2017 during the six months ended 30 September 2019 and 2018 are set out below:

|  | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>30 September<br>2018<br>HK\$'000<br>(unaudited) |
|--|--|--|
| At the beginning of the period   | 172,742  | 310,510  |
| Fair value change recognised in profit or loss in respect of the CB 2017 outstanding as of the end of the period | 4,616  | (39,823)   |
| At the end of the period   | 177,358  | 270,687  |

The fair value of the CB 2017 as at 30 September 2019 and 31 March 2019 are determined by using Monte-Carlo simulation method based on the valuation undertaken by an independent professionally qualified valuer not connected to the Group. The inputs into the model as at 30 September 2019 and 31 March 2019 are as follows:

|   | As at<br>30 September<br>2019<br>(unaudited) | As at<br>31 March<br>2019<br>(audited) |
|---|--|--|
| Share price (HK\$)                                      | 0.50   | 0.49                                   |
| Conversion price for the first anniversary year (HK\$)  | 1.16   | 1.16                                   |
| Conversion price for the second anniversary year (HK\$) | 1.00   | 1.00                                   |
| Expected volatility (%)                                 | 60.00  | 61.00                                  |
| Remaining life (years)                                  | 0.03   | 0.53                                   |
| Risk-free rate (%)                                      | 0.91   | 1.41                                   |
| Discount rate (%)                                       | 14.00  | 12.50                                  |



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 19. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(a) **Convertible bonds issued on 12 October 2017 designated at FVTPL (“CB 2017”)** (Continued)

The fair values of the CB 2017 as at 30 September 2019 and 31 March 2019 are categorised as Level 3 under the fair value hierarchy set out in HKFRS 13 “Fair Value Measurement”. A narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs to the fair value measurement is set out below:

| Significant unobservable inputs | Relationship of unobservable inputs to fair value                                      | Sensitivity analysis  |
|---------------------------------|--|---|
| Discount rate (+/-1%)           | The higher the discount rate, the lower the fair value of the CB 2017, and vice versa. | If the discount rate increases by 1% (as at 31 March 2019: 1%), the fair value of the CB 2017 would decrease to HK\$177,307,000 (as at 31 March 2019: HK\$171,890,000). If the discount rate decreases by 1% (as at 31 March 2019: 1%), the fair value of the CB 2017 would increase to HK\$177,410,000 (as at 31 March 2019: HK\$173,495,000). |

(b) **Convertible bonds issued on 13 February 2019 containing liability and equity component (“CB 2019”)**

On 13 February 2019, the Company issued CB 2019 with an aggregate principal amount of HK\$106,000,000. CB 2019 bears interest from the date of issue at the rate of 5% per annum on the principal amount and payable by the Company semi-annually in arrears.

The major terms of CB 2019 are as follows:

- (i) The bondholders of CB 2019 have the right to convert all or any portion of CB 2019 into shares of the Company at the conversion price of HK\$0.29 (subject to anti-dilutive adjustments). The conversion rights can be exercised at any time on or after 90 days from 13 February 2019 up to on the second anniversary of the date of issue.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 19. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

(b) **Convertible bonds issued on 13 February 2019 containing liability and equity component (“CB 2019”)** (Continued)

The major terms of CB 2019 are as follows: (Continued)

- (ii) The bondholders of CB 2019 have the option to require the Company to redeem any part of the convertible bonds held by the bondholders in event of the occurrence of any events of default by the bondholders serving written notice to the Company, in which event the bonds so redeemed shall become due and repayable on the date falling 21 business days after the date of such notice. Upon such redemption, the Company shall pay the bondholder 115% of the outstanding principal amount together with any accrued by unpaid interest, if any (“**Holder’s Redemption Option**”).
- (iii) The Company may at any time purchase the convertible bonds on the open market or otherwise and at any price. All bonds so purchased shall be cancelled and may not be reissued or resold (“**Issuer’s Redemption Option**”).

The CB 2019 contain two components, the liability and equity components. The initial fair value of the two components was determined based on gross proceeds at issuance. The initial fair value less allocated transaction costs of the liability component was estimated to be HK\$87,592,000 as at 13 February 2019 (date of issue) using the Monte-Carlo simulation method, taking into account the terms and conditions of the CB 2019, based on the valuation undertaken by an independent professionally qualified valuer not connected with the Group. The fair value of the Issuer’s Redemption Option and the Holder’s Redemption Option on the date of initial recognition are considered insignificant based on the valuation results. In subsequent periods, the liability component is measured at amortised cost using effective interest method. The effective interest rate of the liability component of the CB 2019 is 15.89% per annum. The residual amount less allocated transaction costs representing the value of the equity component of HK\$15,592,000, was presented in equity under the heading “convertible bonds equity reserve”.

During the six months ended 30 September 2019, the bondholders fully converted the CB 2019 with aggregate principal amount of HK\$106,000,000 at a conversion price of HK\$0.29 per share into 365,517,237 ordinary shares of the Company. Details of which are disclosed in note 21(c) to these interim condensed consolidated financial statements.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 19. CONVERTIBLE BONDS (CONTINUED)

Notes: (Continued)

- (b) **Convertible bonds issued on 13 February 2019 containing liability and equity component (“CB 2019”)** (Continued)

The movement of liability component and equity component of CB 2019 for the six months ended 30 September 2019 and year ended 31 March 2019 is set out below:

|   | Liability Component<br>(At amortised cost) | Equity Component<br>(Residual Amount) |
|---|--|---------------------------------------|
| At 13 February 2019 (date of issue)         | 87,592                                     | 15,592                                |
| Interest accrued at effective interest rate | 1,667                                      | —                                     |
| At 31 March 2019 and 1 April 2019           | 89,259                                     | 15,592                                |
| Interest accrued at effective interest rate | 5,477                                      | —                                     |
| Interest paid                               | (2,648)                                    | —                                     |
| Conversion                                  | (92,088)                                   | (15,592)                              |
| At 30 September 2019                        | —  | —                                     |



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 20. PROMISSORY NOTES PAYABLE

|  | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|--|--|--|
| Promissory notes payable designated at FVTPL (note (a))        | 9,245  | 9,966  |
| Promissory notes payable measured at amortised cost (note (b)) | 27,958   | 37,543   |
| Balance at the end of the period/year                          | 37,203   | 47,509   |
| Less: Amounts shown under current liabilities                  | (9,245)  | (9,966)  |
| Amounts shown under non-current liabilities                    | 27,958   | 37,543   |

Notes:

(a) **Promissory notes payable designated at FVTPL**

|  | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>30 September<br>2018<br>HK\$'000<br>(unaudited) |
|--|--|--|
| <b>At fair value:</b>  |  |  |
| At the beginning of the period   | 9,966  | 10,578   |
| Fair value of initial principal amount of promissory notes on issue date (note 18) | —  | 12,395   |
| Fair value change  | (721)  | (4,460)  |
| At the end of the period   | 9,245  | 18,513   |

As at 30 September 2019 and 31 March 2019, the outstanding promissory notes issued by the Company for the settlement of the considerations arising from the acquisitions of subsidiaries in prior years are detailed as follows:

- (i) On 22 December 2017, the Company issued two promissory notes of total initial principal amount of HK\$4,800,000 (subject to downward adjustments in accordance with the conditions as stipulated in the sale and purchase agreement and supplemental agreements) in respect of the acquisition of Soul Marketing Group Limited (“**Soul Marketing**”). The promissory notes bear interest of 10% per annum and payable annually in arrears. The promissory notes with initial principal amount of HK\$2,400,000 and HK\$2,400,000 will mature on the first and second anniversary from the date of issue of the respective promissory note; and



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 20. PROMISSORY NOTES PAYABLE (CONTINUED)

Notes: (Continued)

(a) **Promissory notes payable designated at FVTPL (Continued)**

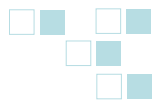
- (ii) On 28 February 2018, the Company issued a promissory note of initial principal amount of HK\$5,520,000 (subject to downward adjustments in accordance with the conditions as stipulated in the sale and purchase agreement and supplemental agreements) in respect of the acquisition of IAHGames Hong Kong Limited (“IAHGames”). The promissory note bears interest of 10% per annum and payable annually in arrears. The promissory note will mature on the second anniversary from the date of issue of the promissory note.

On 4 May 2018, the Company issued two promissory notes of total initial principal amount of HK\$11,760,000 (subject to downward adjustments in accordance with the conditions as stipulated in the sale and purchase agreement and supplemental agreements) in respect of the acquisition of IAHGames. The promissory notes bear interest of 10% per annum and payable annually in arrears. These two promissory notes will mature on 28 February 2020. The contingent consideration payables in respect of the acquisition of IAHGames at the fair value of HK\$12,395,000 was transferred to “promissory notes payable” following the issuance of promissory notes on the same day.

Pursuant to the supplemental sale and purchase agreement dated 25 January 2019, the maturity dates of the promissory note issued on 28 February 2018 with initial principal amount of HK\$5,520,000 and the portion of promissory note issued on 4 May 2018 with initial principal amount of HK\$6,000,000 was further amended as follows:

- (i) Portion of HK\$1,200,000 of promissory note issued on 4 May 2018 will mature on 25 January 2019 or the 5th banking day after the performance target is proved to be achieved, whichever is earlier;
- (ii) Portion of HK\$4,800,000 of promissory note issued on 4 May 2018 will mature on 30 April 2019 or the 5th banking day after the performance target is proved to be achieved, whichever is earlier; and
- (iii) Promissory note issued on 28 February 2018 with initial principal amount of HK\$5,520,000 will mature on 27 February 2020 or the 5th banking day after the performance target is proved to be achieved, whichever is earlier.

On 25 January 2019, the noteholder requested for early repayment of a promissory note issued on 4 May 2018 with initial principal amount of HK\$6,000,000 due to the early achievement of performance target. Based on the auditor’s certificate issued on 22 February 2019 in respect of the achievement of the performance targets stipulated in the sale and purchase agreement and supplemental agreements in respect of the acquisition of IAHGames, the performance target was concluded as achieved and the promissory notes with principal amount of HK\$6,000,000 was transferred from “promissory notes payable” to “trade and other payables” in the consolidated statement of financial position on the same day.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 20. PROMISSORY NOTES PAYABLE (CONTINUED)

Notes: (Continued)

**(a) Promissory notes payable designated at FVTPL (Continued)**

**(ii) (Continued)**

On 29 May 2019, the Company and the noteholder mutually agreed to waive the interest of 10% per annum for the all promissory notes issued in relation to the acquisition of IAHGames.

The fair values of promissory notes payable as at 30 September 2019 and 31 March 2019 are based on the valuations performed by an independent professionally qualified valuer not connected with the Group. Details of fair value measurement are set out in note 22.

**(b) Promissory notes payable measured at amortised cost**

On 5 October 2018, the Company issued promissory notes with an aggregate principal amount of HK\$56,258,000 for settlement of the Third Instalment of the consideration for the acquisition of Empire Access. The promissory notes are unsecured and denominated in HK\$. The promissory notes bear interest at fixed rate of 8% per annum and payable in 5 years from the date of issue. The Company may at its option early repay the promissory notes at 100% of its face value together with outstanding interest accrued on the principal amount of the promissory notes by giving the noteholders not less than three days' prior written notice.

On initial recognition, the fair value of the promissory notes is determined based on the present value of the contractual stream of future cash flows discounted at 7.89% per annum based on the valuation carried out by an independent professionally qualified valuer not connected with the Group.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 20. PROMISSORY NOTES PAYABLE (CONTINUED)

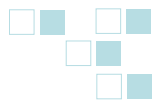
Notes: (Continued)

(b) **Promissory notes payable measured at amortised cost** (Continued)

The movements of the promissory notes for the six months ended 30 September 2019 are set out below:

|   | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) |
|---|--|
| At the beginning of the period              | 37,543   |
| Interest accrued at effective interest rate | 961  |
| Interest paid                               | (546)  |
| Repayment                                   | (10,000)   |
| At the end of the period                    | 27,958   |

During the six months ended 30 September 2019, the Company early repaid part of the promissory notes with principal amount of HK\$10,000,000. As at 30 September 2019 and 31 March 2019, the outstanding principal amount of the promissory notes measured at amortised cost was HK\$26,258,000 and HK\$36,258,000 respectively.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 21. SHARE CAPITAL

|  | As at 30 September 2019 (unaudited) |                  |                        | As at 30 September 2018 (unaudited) |                  |                        |
|--|-------------------------------------|------------------|------------------------|-------------------------------------|------------------|------------------------|
|  | Nominal value per share HK\$        | Number of shares | Share capital HK\$'000 | Nominal value per share HK\$        | Number of shares | Share capital HK\$'000 |
| <b>Authorised:</b>   |                                     |                  |                        |                                     |                  |                        |
| At the beginning and the end of the period   | 0.0025                              | 4,000,000,000    | 10,000                 | 0.0025                              | 4,000,000,000    | 10,000                 |
| <b>Issued and fully paid:</b>  |                                     |                  |                        |                                     |                  |                        |
| At the beginning of the period   | 0.0025                              | 2,123,002,150    | 5,308                  | 0.0025                              | 2,123,002,150    | 5,308                  |
| Shares issued upon completion of placing (note (a))                                    | 0.0025                              | 23,391,813       | 58                     | —                                   | —                | —                      |
| Shares issued upon exercise of share options under the share options scheme (note (b)) | 0.0025                              | 7,000,000        | 18                     | —                                   | —                | —                      |
| Shares issued upon conversion of convertible bonds (note (c))                          | 0.0025                              | 365,517,237      | 914                    | —                                   | —                | —                      |
| At the end of the period   | 0.0025                              | 2,518,911,200    | 6,298                  | 0.0025                              | 2,123,002,150    | 5,308                  |

Notes:

- (a) On 25 April 2019, the Company entered into a placing agreement (the “**Placing Agreement**”) with Kilmorey Securities Limited, the placing agent, to procure not less than six placeses who are independent third parties to the Group to subscribe up to 58,000,000 placing shares at the placing price of HK\$0.4275 per placing share (the “**Placing**”).

Pursuant to the Company’s announcement dated 20 May 2019, all conditions of the Placing Agreement fulfilled. The Placing was completed on 20 May 2019 and 23,391,813 placing shares were successfully placed by the placing agent to not less than six placeses at the placing price of HK\$0.4275 per placing share. The gross proceeds from the said placement amounted to approximately HK\$10,000,000 and the related directly attributable expenses were approximately HK\$220,000).

- (b) During the six months ended 30 September 2019, share options were exercised to subscribe for 7,000,000 ordinary shares of the Company at a consideration of HK\$1,890,000, of which HK\$18,000 was credited to share capital and the balance of HK\$1,872,000 was credited to the share premium account. HK\$631,000 has been transferred from the share option reserve to the share premium account.
- (c) During the six months ended 30 September 2019, the CB 2019 with aggregate principal amount of HK\$106,000,000 were converted into 365,517,237 ordinary shares at conversion price of HK\$0.29 per share, of which HK\$914,000 was credited to share capital and an aggregate amount of HK\$91,174,000, representing the difference between the carrying amount of the liability component of convertible bonds being converted on the date of conversion and the nominal value of the shares issued, was credited to the share premium account. HK\$15,592,000 has been transferred from the convertible bonds equity reserve to the share premium account.





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### (a) Financial assets and liabilities measured at fair value

##### (i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

##### *Valuation process*

The Group's finance department headed by the board of directors is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged third party qualified valuers to perform the valuation. The finance department works closely with independent professionally qualified valuers not connected to the Group to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports to the board of directors semi-annually to explain the cause of fluctuations in the fair value of the assets or liabilities.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial assets and liabilities measured at fair value (Continued)

#### (i) Fair value hierarchy (Continued)

|  | Fair value measurements as at 30 September 2019 categorised into |                         |                         | Fair value as at 30 September 2019 | Fair value measurements as at 31 March 2019 categorised into |                       |                       | Fair value as at 31 March 2019 |
|--|--|-------------------------|-------------------------|------------------------------------|--|-----------------------|-----------------------|--------------------------------|
|  | Level 1  | Level 2                 | Level 3                 |                                    | Level 1  | Level 2               | Level 3               |                                |
|  | HK\$'000<br>(unaudited)  | HK\$'000<br>(unaudited) | HK\$'000<br>(unaudited) | HK\$'000<br>(unaudited)            | HK\$'000<br>(audited)  | HK\$'000<br>(audited) | HK\$'000<br>(audited) | HK\$'000<br>(audited)          |
| <b>Recurring fair value measurements</b>       |  |                         |                         |                                    |  |                       |                       |                                |
| Financial liabilities:                         |  |                         |                         |                                    |  |                       |                       |                                |
| — Contingent consideration payables            | —  | —                       | 51,916                  | 51,916                             | —  | —                     | 85,570                | 85,570                         |
| — Promissory notes payable designated at FVTPL | —  | —                       | 9,245                   | 9,245                              | —  | —                     | 9,966                 | 9,966                          |
| — Convertible bonds designated at FVTPL        | —  | —                       | 177,358                 | 177,358                            | —  | —                     | 172,742               | 172,742                        |
|  | —  | —                       | 238,519                 | 238,519                            | —  | —                     | 268,278               | 268,278                        |

During the six months ended 30 September 2019 and the year ended 31 March 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial assets and liabilities measured at fair value (Continued)

#### (ii) Information about Level 3 fair value measurements

The valuation techniques and the quantitative information (except for the information of convertible bonds designated at FVTPL which are disclosed in note 19(a) to these interim condensed consolidated financial statements) about the significant unobservable inputs used in Level 3 fair value measurement at the end of the reporting period are as follows:

| Description   | Valuation techniques | Fair value as at 30 September 2019<br>HK\$'000 | Fair value as at 31 March 2019<br>HK\$'000 | Significant unobservable inputs | Relationship of unobservable inputs to fair value  |
|---|----------------------|--|--|---------------------------------|--|
| Contingent consideration payables arising from the acquisition of Empire Access | Income approach      | 51,916   | 85,570                                     | Discount rate                   | 6.3% (as at 31 March 2019: 6.7%)<br>As at 30 September 2019, it is estimated that a 5% increase or decrease in the discount rate used while holding all other variable constant would decrease or increase the carrying amount of contingent consideration payables by HK\$701,000 (as at 31 March 2019: HK\$1,174,000) and HK\$713,000 (as at 31 March 2019: HK\$1,195,000) respectively. |



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial assets and liabilities measured at fair value (Continued)

#### (ii) Information about Level 3 fair value measurements (Continued)

| Description   | Valuation techniques        | Fair value as at              | Fair value as at          | Significant unobservable input   | Relationship of unobservable inputs to fair value   |
|---|-----------------------------|-------------------------------|---------------------------|--|---|
|   |                             | 30 September 2019<br>HK\$'000 | 31 March 2019<br>HK\$'000 |  |   |
| Contingent consideration payables arising from the acquisition of Empire Access (continued) | Income approach (continued) | 51,916 (continued)            | 85,570 (continued)        | Revenue for the period from 22 September 2018 to 21 September 2019 ("Revenue for Second Period") | N/A (as at 31 March 2019: HK\$26,342,000)   |
|   |                             |                               |                           | Net profit for the period from 22 September 2019 to 21 September 2020 ("NP for Third Period")    | HK\$30,287,000 (as at 31 March 2019: HK\$20,863,000)  |
|   |                             |                               |                           |  | As at 30 September 2019, the Revenue for Second Period is determined by reference to auditor's certificate issued in respect of the achievement of Second Target of the ND Target Group as defined in note 18 to this interim condensed consolidated financial information. Since the Revenue for Second Period was audited and concluded, no sensitivity analysis for the six months ended 30 September 2019 was disclosed for the respective impact of changes. |
|   |                             |                               |                           |  | As at 30 September 2019, it is estimated that a 5% increase or decrease in NP for Third Period while holding all other variables constant would not have any impact on the fair value measurement of contingent consideration payables.   |
|   |                             |                               |                           |  | As at 31 March 2019, it is estimated that a 5% increase or decrease in Revenue for Second Period and NP for Third Period while holding all other variables constant would increase or decrease the carrying amount of contingent consideration payables by HK\$4,278,000.   |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

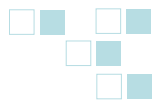
For the six months ended 30 September 2019

## 22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial assets and liabilities measured at fair value (Continued)

#### (ii) Information about Level 3 fair value measurements (Continued)

| Description   | Valuation techniques | Fair value as at 30 September 2019 | Fair value as at 31 March 2019 | Significant unobservable input  | Inputs   | Relationship of unobservable inputs to fair value   |
|---|----------------------|------------------------------------|--------------------------------|---|--|---|
|   |                      | HKS'000                            | HKS'000                        |   |  |   |
| Promissory notes payable arising from the acquisition of Soul Marketing | Income approach      | 1,490                              | 1,673                          | Discount rate   | 7.7% (as at 31 March 2019; 7.7%)                                   | As at 30 September 2019 and 31 March 2019, no sensitivity analysis is disclosed as the impact is not significant to the Group's profit or loss. |
|   |                      |                                    |                                | Profit after tax for the period from 23 December 2017 to 22 December 2019   | Loss of HK\$2,792,000 (as at 31 March 2019; loss of HK\$2,735,000) |   |
|   |                      |                                    |                                | Additional e-payment locations from 17 November 2017 to 22 December 2019  | 3,738 locations (as at 31 March 2019; 3,732 locations)             |   |
| Promissory notes payable arising from the acquisition of IAHGames       | Income approach      | 7,755                              | 8,293                          | Discount rate   | 7.7% (as at 31 March 2019; 6.7%)                                   | As at 30 September 2019 and 31 March 2019, no sensitivity analysis is disclosed as the impact is not significant to the Group's profit or loss. |
|   |                      |                                    |                                | Revenue for the period from 1 January 2018 to 31 December 2019  | HK\$150,404,000 (as at 31 March 2019; HK\$154,229,000)             |   |
|   |                      |                                    |                                | Gross profit for the period from 1 January 2018 to 31 December 2019   | HK\$8,893,000 (as at 31 March 2019; HK\$10,195,000)                |   |
|   |                      |                                    |                                | Earnings before interest, taxes, depreciation and amortisation for the period from 1 January 2018 to 31 December 2019 | HK\$3,851,000 (as at 31 March 2019; HK\$5,229,000)                 |   |



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) **Financial assets and liabilities measured at fair value** (Continued)

(ii) **Information about Level 3 fair value measurements** (Continued)

The movements during the six months ended 30 September 2019 and 2018 in the balance of these Level 3 fair value measurements are as follows:

**For the six months ended 30 September 2019**

|   | Contingent consideration payables<br>HK\$'000<br>(unaudited) | Promissory notes payable designated at FVTPL<br>HK\$'000<br>(unaudited) | Convertible bonds designated at FVTPL<br>HK\$'000<br>(unaudited) | Total<br>HK\$'000<br>(unaudited) |
|---|--|---|--|----------------------------------|
| At 1 April 2019   | 85,570   | 9,966   | 172,742  | 268,278                          |
| Transferred to other payables   | (33,365)   | —   | —  | (33,365)                         |
| Net fair value changes included in profit or loss   | (289)  | (721)   | 4,616  | 3,606                            |
| At 30 September 2019  | 51,916   | 9,245   | 177,358  | 238,519                          |
| Net fair value changes included in the profit or loss for liabilities held at the end of the reporting period | (289)  | (721)   | 4,616  | 3,606                            |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial assets and liabilities measured at fair value (Continued)

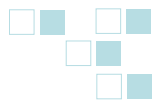
#### (ii) Information about Level 3 fair value measurements (Continued)

For the six months ended 30 September 2018

|   | Contingent<br>consideration<br>payables<br>HK\$'000<br>(unaudited) | Promissory<br>notes payable<br>designated at<br>FVTPL<br>HK\$'000<br>(unaudited) | Convertible<br>bonds<br>designated at<br>FVTPL<br>HK\$'000<br>(unaudited) | Total<br>HK\$'000<br>(unaudited) |
|---|--|--|---|----------------------------------|
| At 1 April 2018   | 177,519  | 10,578   | 310,510   | 498,607                          |
| Fair value of initial principal amount<br>of promissory notes on issue date   | —  | 12,395   | —   | 12,395                           |
| Transferred to promissory notes<br>payable  | (12,395)   | —  | —   | (12,395)                         |
| Transferred to consideration payable  | (56,258)   | —  | —   | (56,258)                         |
| Net fair value changes included in<br>profit or loss  | 5,604  | (4,460)  | (39,823)  | (38,679)                         |
| At 30 September 2018  | 114,470  | 18,513   | 270,687   | 403,670                          |
| Net fair value changes included in the<br>profit or loss for liabilities held at<br>the end of the reporting period | 5,604  | (4,460)  | (39,823)  | (38,679)                         |

### (b) Financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2019 and 31 March 2019.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 23. 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, being the Group's chief operating decision maker ("CODM") for the purposes of resources allocation and performance assessment, the Group has presented the following reportable segments.

- Development, manufacturing and sales of health and beauty supplements and products
- Online advertising agency business
- Online payment business
- E-commerce promotion business
- Game distribution business

### **Segment revenue, results, assets and liabilities**

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

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

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 23. SEGMENT REPORTING (CONTINUED)

### Segment revenue, results, assets and liabilities (Continued)

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

#### (i) Segment revenue and results

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 23. SEGMENT REPORTING (CONTINUED)

### Segment revenue, results, assets and liabilities (Continued)

(i) *Segment revenue and results (Continued)*

|  | For the six months ended 30 September 2018 (unaudited)   |   |   |   |  |                         | Total<br>HK\$'000 |
|--|--|---|---|---|--|-------------------------|-------------------|
|  | Development,<br>manufacturing<br>and sales of<br>health and<br>beauty<br>supplements<br>and products<br>HK\$'000 | Online<br>advertising<br>agency<br>business<br>HK\$'000 | Online<br>payment<br>business<br>HK\$'000 | E-commerce<br>promotion<br>business<br>HK\$'000 | Game<br>distribution<br>business<br>HK\$'000 | Elimination<br>HK\$'000 |                   |
| <b>Segment revenue:</b>                                |  |   |   |   |  |                         |                   |
| 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           |
| <b>Segment results</b>                                 | 13,386   | (4,783)   | (3,251)                                   | (3,059)   | (1,132)                                      | —                       | 1,061             |
| Unallocated other revenue and other net loss           |  |   |   |   |  |                         | 339               |
| Share of profits of an associate                       |  |   |   |   |  |                         | 2,223             |
| Fair value change of an investment property            |  |   |   |   |  |                         | 722               |
| Fair value change of contingent consideration payables |  |   |   |   |  |                         | (5,604)           |
| Fair value change of promissory notes payable          |  |   |   |   |  |                         | 4,460             |
| Fair value change of convertible bonds                 |  |   |   |   |  |                         | 39,823            |
| Equity-settled share-based payments                    |  |   |   |   |  |                         | (26,277)          |
| Unallocated finance costs                              |  |   |   |   |  |                         | (8,853)           |
| Unallocated corporate expenses                         |  |   |   |   |  |                         | (25,263)          |
| Loss before taxation                                   |  |   |   |   |  |                         | (17,369)          |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 23. SEGMENT REPORTING (CONTINUED)

Segment revenue, results, assets and liabilities (Continued)

(ii) Segment assets and liabilities

|                     | As at 30 September 2019 (unaudited)  |  |                                     |   |  |                   |
|---------------------|--|--|-------------------------------------|---|--|-------------------|
|                     | Development, manufacturing and sales of health and beauty supplements and products<br>HK\$'000 | Online advertising agency business<br>HK\$'000 | Online payment business<br>HK\$'000 | E-commerce promotion business<br>HK\$'000 | Game distribution business<br>HK\$'000 | Total<br>HK\$'000 |
| Segment assets      | 166,243  | 60,295   | 305,048                             | 15,478                                    | 83,291                                 | 630,355           |
| Segment liabilities | 21,183   | 6,424  | 4,773                               | 2,444                                     | 44,438                                 | 79,262            |

|                     | As at 31 March 2019 (audited)  |  |                                     |   |  |                   |
|---------------------|--|--|-------------------------------------|---|--|-------------------|
|                     | Development, manufacturing and sales of health and beauty supplements and products<br>HK\$'000 | Online advertising agency business<br>HK\$'000 | Online payment business<br>HK\$'000 | E-commerce promotion business<br>HK\$'000 | Game distribution business<br>HK\$'000 | Total<br>HK\$'000 |
| Segment assets      | 160,287  | 60,557   | 297,683                             | 14,116                                    | 43,327                                 | 575,970           |
| Segment liabilities | 24,177   | 1,063  | 3,257                               | 1,223                                     | 8,366                                  | 38,086            |



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 24. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

The fair values of the assets and liabilities acquired through acquisition of a subsidiary during the six months ended 30 September 2018 as at the date of acquisition are set out below:

For the six months ended 30 September 2018

|   | Able One Limited<br>("Able One")<br>HK\$'000<br>(unaudited) |
|---|---|
| <b>Non-current assets</b>                             |   |
| Investment property (note 10)                         | 7,378   |
| Property, plant and equipment (note 9)                | 121   |
| <b>Current assets</b>                                 |   |
| Deposits and prepayments                              | 6   |
| Cash and cash equivalents                             | 36  |
| <b>Current liabilities</b>                            |   |
| Shareholder's loan                                    | (461)   |
| Deposits received                                     | (40)  |
| Bank overdrafts                                       | (1)   |
| <b>Total identifiable net assets at fair value</b>    | <b>7,039</b>  |
| Assignment of shareholder's loan to the Group         | 461   |
| <b>Total consideration</b>                            | <b>7,500</b>  |
| <b>Consideration satisfied by:</b>                    |   |
| Cash consideration paid                               | 7,500   |
| <b>Net cash outflow arising from the acquisition:</b> |   |
| Cash consideration paid                               | (7,500)   |
| Cash and cash equivalents acquired                    | 36  |
| Bank overdrafts                                       | (1)   |
|   | <b>(7,465)</b>  |



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 24. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY (CONTINUED)

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.

### 25. COMMITMENTS

#### (a) Capital commitments

At the end of the reporting period, the Group had capital commitments contracted but not provided for in the financial statements as follows:

|                                 | As at<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|---------------------------------|--|--|
| Contracted for                  |  |  |
| — Property, plant and equipment | 168  | 188  |



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

### 25. COMMITMENTS (CONTINUED)

#### (b) Operating lease commitments

##### *As lessee*

As at 31 March 2019, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

|                                 | As at<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|---------------------------------|--|
| Within 1 year                   | 8,546  |
| After 1 year but within 5 years | 4,843  |
|                                 | <hr/>  |
|                                 | 13,389   |

The Group is the lessee in respect of a number of warehouses, office premises and carparks held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 3(b)). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the interim condensed consolidated statement of financial position in accordance with the policies set out in note 3(b).



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

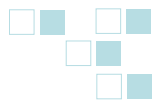
### 26. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in the interim condensed consolidated financial statements, the Group had the following material transactions with its related parties during the six months ended 30 September 2019 and 2018:

#### Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and senior management are as follows:

|                                     | For the six months ended<br>30 September |                                 |
|-------------------------------------|--|---------------------------------|
|                                     | 2019<br>HK\$'000<br>(unaudited)          | 2018<br>HK\$'000<br>(unaudited) |
| Short-term employee benefits        | 18,471                                   | 12,696                          |
| Post-employment benefits            | 88                                       | 105                             |
| Equity-settled share-based payments | 2,323                                    | 17,901                          |
|                                     | <b>20,882</b>                            | 30,702                          |



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2019

## 27. EVENTS AFTER THE REPORTING PERIOD

### (a) Issuance of convertible bonds

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

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

### (b) Proposed disposal of subsidiaries

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

## 28. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.





## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in formulating, marketing, sales and distribution of health and beauty supplements and products in Hong Kong and the PRC, provision of online advertising agency business, online payment business, e-commerce promotion business and game distribution business. During the six months ended 30 September 2019 (“**Reporting Period**”), we had been facing a very challenging year in Hong Kong which had been affected by the weaker performance of global economy and social unrest in Hong Kong since June 2019. Market sentiment in local market has also been suppressed by the local political and economic atmosphere. Owing to good revenue diversification strategy, the Group recorded an unaudited revenue of approximately HK\$244.7 million for the Reporting Period (2018: HK\$158.4 million), representing an increase of approximately HK\$86.3 million or 54.5% over the corresponding period of last year. In addition to the core health and beauty supplements and products business recording a revenue of approximately HK\$146.6 million, the Group had recorded a revenue of approximately HK\$8.3 million from the online advertising agency business and a revenue of approximately HK\$18.8 million from the online payment business and approximately HK\$67.4 million from game distribution business during the Reporting Period. The results exhibit the Group’s effort to diversify our revenue stream and balance our operating profit portfolio which have been materialised after the acquisition of Star Root Limited in April 2017. During the Reporting Period, the core health and beauty supplements and products business segment contributed approximately 59.9% (2018: 78.8%) to the Group’s revenue whereas the online advertising agency, online payment, e-commerce promotion and game distribution segments accounted for approximately 40.1% (2018: 21.2%) of the Group’s revenue.

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS AND FINANCIAL REVIEW (CONTINUED)

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

#### Health and beauty supplements and products segment

##### *Revenue of health and beauty supplements and products segment*

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS AND FINANCIAL REVIEW (CONTINUED)

#### Health and beauty supplements and products segment (Continued)

##### *Revenue of health and beauty supplements and products segment (Continued)*

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

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

##### *Results of health and beauty supplements and products segment*

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

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS AND FINANCIAL REVIEW (CONTINUED)

#### Online advertising agency segment

##### *Revenue of online advertising agency segment*

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

Since the acquisition of Star Root Limited in April 2017, its subsidiary Tenfok Asia Limited (“**Tenfok Asia**”) has become the cross-border online advertising arm of the Group and it has been the only Hong Kong and overseas content partner of gd.qq.com under the name of Hong Kong Station of gd.qq.com. gd.qq.com has been the joint venture project between Tencent Group and Nanfang Daily Media Group (南方報業傳媒集團), the largest media company in the Greater Bay Area since 2011.

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

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

##### *Results of online advertising agency segment*

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS AND FINANCIAL REVIEW (CONTINUED)

#### Online payment segment

##### *Revenue of online payment segment*

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

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

##### *Results of online payment segment*

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

#### Game distribution segment

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS AND FINANCIAL REVIEW (CONTINUED)

#### **Game distribution segment** (Continued)

##### *Revenue of game distribution segment*

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

During the Reporting Period, the revenue of this segment has continued to improve by leveraging the establishment of direct reseller relationship with major game storage card providers to increase the margin. By virtue of the direct relationships with game distributors or studios, IAHGames has also taken up marketing execution appointed by the distributor or publisher which results in the increase in revenue from marketing consulting experienced strong growth.

##### *Results of game distribution segment*

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



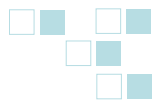
## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### INTANGIBLE ASSETS AND GOODWILL

As at 30 September 2019, the intangible assets and goodwill of the Group amounted to approximately HK\$209.2 million (as at 31 March 2019: HK\$211.7 million) and approximately HK\$199.9 million (as at 31 March 2019: 199.9 million) respectively. Intangible assets include but not limited to licensing agreements with both definite and indefinite useful lives, brand name and customer relationship. Goodwill has arisen upon the Group's acquisition. Please refer to notes 12 and 13 to the unaudited consolidated financial statements in this interim report respectively.

### FINANCIAL POSITION AND LIQUIDITY

As at 30 September 2019, cash and bank balances of the Group amounted to approximately HK\$94.9 million (as at 31 March 2019: HK\$65.5 million). The current ratio (current asset divided by current liabilities) of the Group was approximately 0.6 times as at 30 September 2019 (as at 31 March 2019: 0.5 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 110.0% as at 30 September 2019 (as at 31 March 2019: approximately 158.4%). On 20 May 2019, the Company completed placing and raised approximately HK\$10.0 million (before expenses). Please refer to the announcements dated 25 April 2019, 20 May 2019 and note 21(a) to the unaudited consolidated financial statements in this interim report for details. The Group is exposed to foreign currency risk primarily through purchases that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily United States dollars and Renminbi. In order to manage and minimise the foreign currency risk, the management will continue to manage and monitor such currency exposure to ensure that appropriate measures are implemented in a timely and effective manner.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL POSITION AND LIQUIDITY (CONTINUED)

#### Convertible Bonds

On 12 October 2017, the Group completed the issue of convertible bonds in the aggregate principal amount of HK\$265.0 million (the “**2017 Convertible Bonds**”). The net proceeds from the placing of the 2017 Convertible Bonds of approximately HK\$250.0 million have been fully utilised by the Group as the general working capital of the Company and in acquisition by the Company relating to (i) its principal business; and (ii) online or e-commerce technology business including but not limited to the acquisition under the acquisition agreement dated 30 June 2017 in relation to the WeChat cross-border payment business. On 13 February 2019, the Group completed the placing of convertible bonds in the aggregate principal amount of HK\$106.0 million (the “**February 2019 Convertible Bonds**”). HK\$90.0 million out of the net proceeds of approximately HK\$103.2 million from the issue of the February 2019 Convertible Bonds had been fully utilised in the purchase of the same principal amount of the 2017 Convertible Bonds and approximately HK\$13.2 million was used as the Company’s general working capital. Meanwhile, the purchase of the 2017 Convertible Bonds was completed on 21 February 2019 and the 2017 Convertible Bonds in the aggregate principal amount of HK\$90.0 million were cancelled in accordance with the terms and conditions thereof and the outstanding principal amount of the 2017 Convertible Bonds has been reduced from HK\$255.0 million to HK\$165.0 million. On 11 October 2019, the Company redeemed the 2017 Convertible Bonds and paid the outstanding interest accrued as a full and final settlement of 2017 Convertible Bonds. Please refer to the announcements dated 22 January 2019, 13 February 2019 and 22 February 2019 and note 19 to the unaudited consolidated financial statements in this interim report for details relating to the February 2019 Convertible Bonds.

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





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL POSITION AND LIQUIDITY (CONTINUED)

#### Convertible Bonds (Continued)

On 4 October 2019, the Group completed the issue of convertible bonds in the aggregate principal amount of HK\$180.0 million (the “**October 2019 Convertible Bonds**”). The net proceeds from the placing of the October 2019 Convertible Bonds (the “**Placing**”) amounted to approximately HK\$178.1 million. The intended use of the net proceeds of the Placing are as follows: (i) approximately 50.0% of the net proceeds in the amount of HK\$89.1 million be used to redeem the outstanding principal amount of the 2017 Convertible Bonds, interest and other amounts accrued thereunder of approximately HK\$178.22 million; (ii) approximately 40.0% of the net proceeds in the amount of HK\$71.2 million be used to enhance and further develop the formulating, marketing, sale and distribution of health and beauty supplements and products in Hong Kong and the PRC; and (iii) approximately 10.0% of the net proceeds in the amount of HK\$17.8 million be used to replenish the Group’s general working capital. Up to the date of this interim report, a total of HK\$106.9 million have been utilised on redeeming the outstanding principal amount of 2017 Convertible Bonds and the Group’s general working capital. Please refer to the announcements of the Company dated 16 September 2019, 17 September 2019 and 4 October 2019 and note 27(a) to the unaudited consolidated financial statements in this interim report for details relating to the October 2019 Convertible Bonds.

### CAPITAL MANAGEMENT

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

### EMPLOYEE INFORMATION

As at 30 September 2019, the Group had 309 employees (as at 31 March 2019: 309). For the Reporting Period, staff costs including the directors’ of the Company (the “**Director(s)**”) emoluments were approximately HK\$77.0 million (2018: HK\$84.3 million) (including the equity-settled share-based payments of HK\$5.8 million (2018: HK\$26.3 million) during the period).



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### MATERIAL ACQUISITIONS OR DISPOSALS

There were no material acquisitions or disposals of subsidiaries, associated companies and joint ventures during the period of review. However, subsequent to the end of the Reporting Period, the Group entered into a sale and purchase agreement on 19 November 2019 for disposal of its 70% shareholding in N Dimension Limited, details of which are set out in note 27(b) to the unaudited consolidated financial statements in this interim report.

### CHARGES ON ASSETS

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

### CAPITAL COMMITMENT

Save as disclosed on note 25(a) to the unaudited consolidated financial statements in this interim report, the Group did not have significant capital commitment as at 30 September 2019.

### INTERIM DIVIDEND

The board of Directors (the “**Board**”) did not recommend any payment of an interim dividend for the Reporting Period (2018: Nil).

### OUTLOOK

#### Health and beauty supplements and products segment

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### OUTLOOK (CONTINUED)

#### **Collaboration with universities**

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

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

#### **Online advertising agency business segment**

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### OUTLOOK (CONTINUED)

#### Online payment business segment

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

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

#### Game distribution segment

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

Game distribution platforms (including online and offline) shall continue to grow as the Company has built up strong pipelines for upcoming game titles: Pokemon, Overwatch and Darksiders Genesis. Given the company targets to distribute around 100 games, of which 4 to 5 new games (mostly Double A or Triple A Class in the market with strong revenue track record) per year on the pipeline, it is expected that a stable income improvement can be achieved in the coming two years. For the online e-commerce business, it is foreseen that the sales of game card business shall continue to expand due to the established relationship with local Chinese merchants and the wider variety of products such as gaming consoles and E-sports peripherals are forecasted to be one of the major growths in the gaming market. The marketing consultancy sector shall see steady growth due to the increase in the number of game releases, the increase in marketing events and activities driven from E-sports. The management is confident that this business segment will continue to thrive in the second half of financial year ending 31 March 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### EVENTS AFTER REPORTING PERIOD

Save for the events set out in note 27 to the unaudited consolidated financial statements in this interim report, there is no significant event occurring after Reporting Period.

### PRINCIPAL RISKS AND UNCERTAINTIES

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

#### **Regulatory risks**

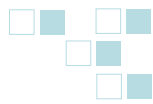
The health supplement industry in Hong Kong generally believes that changes in regulatory policies and laws in respect of the monitoring and control of food and health supplement products which include Chinese medicinal ingredients may be proposed and implemented by the authorities concerned in the coming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

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

#### **Prolonged economic downturn**

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

#### **Failure to introduce successful new products**

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

#### **Macro-economic condition, PRC tourist spending and payment habits**

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

#### **Competition**

At present, there are various WeChat Pay service providers and agents operating in Hong Kong. Since the number of available merchant shops in Hong Kong is constantly high, there is intense competition among these service providers and agents. Should these service providers and agents actively engage in price competition, the Group may be forced to follow the trend which will essentially affect the Group's business, operating results and financial conditions.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

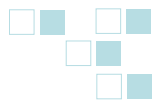
### PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

#### **Operational risk**

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

#### **Industry and technological changes**

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



## OTHER INFORMATION

### DISCLOSURE OF INTEREST

#### Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company

As at 30 September 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and/or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

#### Long positions in the shares of the Company

| Names of Director            | Number of shares   |                     | Number of underlying shares held under equity derivatives <sup>1</sup> | Total      | Approximate percentage of interest in the Company's issued share capital* |
|------------------------------|--------------------|---------------------|--|------------|---|
|                              | Personal interests | Corporate interests |  |            |   |
| Mr. Lee Chi Hang, Sidney     | 3,000,000          | —                   | 15,000,000   | 18,000,000 | 0.71%   |
| Mr. Wang Xihua               | —                  | —                   | 12,000,000   | 12,000,000 | 0.48%   |
| Mr. Lai Wei Lam, William     | —                  | —                   | 12,000,000   | 12,000,000 | 0.48%   |
| Ms. Szeto Wai Ling, Virginia | —                  | —                   | 2,500,000  | 2,500,000  | 0.10%   |
| Mr. Leung Winson Kwan Yau    | —                  | —                   | 2,500,000  | 2,500,000  | 0.10%   |
| Mr. Tam Kin Yip              | —                  | —                   | 2,500,000  | 2,500,000  | 0.10%   |
| Mr. Leung Man Loon           | —                  | —                   | 2,500,000  | 2,500,000  | 0.10%   |

Note:

- This represents interests in share options held by the relevant Directors as a beneficial owner to subscribe for the relevant underlying shares granted by the Company under the share option scheme, details of which are set out into the section under "SHARE OPTIONS" below in this report.

\* The percentage has been adjusted, if any, based on the total number of shares of the Company in issue as at 30 September 2019 (i.e. 2,518,911,200 shares).





## OTHER INFORMATION (CONTINUED)

### DISCLOSURE OF INTEREST (CONTINUED)

#### **Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company (Continued)**

Save as disclosed above, as at 30 September 2019, none of the Directors or the chief executive of the Company or their associates had registered any interest or short positions in any shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

As at 30 September 2019, the number of outstanding share option granted by the Company under the share option scheme adopted on 24 September 2013 (“**Share Option Scheme**”) for the Directors to subscribe the shares of the Company, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out the sections head “SHARE OPTION” in this interim report.

Save as disclosed above, at no time during the period of six months ended 30 September 2019, the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party to any arrangement to enable the Directors, their respective spouses and children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



## OTHER INFORMATION (CONTINUED)

### DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES (CONTINUED)

#### Substantial Shareholder's Interests in the Company

As at 30 September 2019, according to the register of interests kept by the Company under section 336 of the SFO, the interest of the persons, other than the Directors or the chief executive of the Company, in the shares and/or underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company were as follows:

#### Long positions in shares of the Company

| Names of shareholder                          | Capacity                           | Nature of interest | Number of ordinary shares |             | Approximate percentage of interest in the Company's issued share capital* |
|---|------------------------------------|--------------------|---------------------------|-------------|---|
|   |                                    |                    |                           | Total       |   |
| Chan Yan Tak <sup>1</sup><br>("Mr. Chan")     | Interest of controlled corporation | Ordinary shares    | 733,568,000               | 733,568,000 | 29.12   |
| Able Island <sup>1</sup>                      | Beneficial owner                   | Ordinary shares    | 723,242,000               | 723,242,000 | 28.71   |
| Leung Lisa <sup>2</sup>                       | Interest of controlled corporation | Ordinary shares    | 205,821,793               | 205,821,793 | 8.17  |
| Prosper Rich Investments Limited <sup>2</sup> | Beneficial owner                   | Ordinary shares    | 205,821,793               | 205,821,793 | 8.17  |
| UBS Group AG <sup>2</sup>                     | Security interest                  | Ordinary shares    | 133,408,000               |             |   |
|   | Interest of controlled corporation | Ordinary shares    | 4,000                     | 133,412,000 | 5.30  |
| Bai Yu <sup>2</sup>                           | Beneficial owner                   | Ordinary shares    | 122,172,413               | 122,172,413 | 4.85  |



## OTHER INFORMATION (CONTINUED)

### DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES (CONTINUED)

#### Long positions in shares of the Company (Continued)

Notes:

1. The entire issued share capital of Able Island is beneficially and wholly owned by Mr. Chan.
2. Information was obtained from the website of the Stock Exchange (<http://www.hkexnews.hk/di/di.htm>).
- \* The percentage has been adjusted, if any, based on the total number of shares of the Company in issue as at 30 September 2019 (i.e. 2,518,911,200 shares).

Save as disclosed above, as at 30 September 2019, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



## OTHER INFORMATION (CONTINUED)

### SHARE OPTION

Pursuant to a written resolution of the Company passed on 24 September 2013, the Company has conditionally adopted a share option scheme, which has been taken effect on 11 October 2013 (the “Share Option Scheme”). The Company refreshed the scheme mandate limit of the Share Option Scheme at the annual general meeting of the Company held on 19 August 2019.

As at 30 September 2019 and up to the date of this interim report, a total of 230,500,000 and 168,100,000 share options were outstanding respectively, under the Share Option Scheme. Movement of the share options during the six months ended 30 September 2019 are listed below in accordance with Rule 17.07 of the Listing Rules:

| Categories                   | Date of grant | During the period        |             |        |                               | Notes |
|------------------------------|---------------|--------------------------|-------------|--------|-------------------------------|-------|
|                              |               | As at<br>1 April<br>2019 | Exercised   | Lapsed | As at<br>30 September<br>2019 |       |
| <b>Directors</b>             |               |                          |             |        |                               |       |
| Mr. Lee Chi Hang, Sidney     | 30-Oct-2017   | 6,000,000                | —           | —      | 6,000,000                     | 1     |
|                              | 03-Dec-2018   | 11,000,000               | (2,000,000) | —      | 9,000,000                     | 5     |
|                              |               | 17,000,000               |             |        | 15,000,000                    |       |
| Mr. Wang Xihua               | 30-Oct-2017   | 4,000,000                | —           | —      | 4,000,000                     | 1     |
|                              | 03-Dec-2018   | 8,000,000                | —           | —      | 8,000,000                     | 5     |
|                              |               | 12,000,000               |             |        | 12,000,000                    |       |
| Mr. Lai Wei Lam, William     | 30-Oct-2017   | 4,000,000                | —           | —      | 4,000,000                     | 1     |
|                              | 03-Dec-2018   | 8,000,000                | —           | —      | 8,000,000                     | 5     |
|                              |               | 12,000,000               |             |        | 12,000,000                    |       |
| Ms. Szeto Wai Ling, Virginia | 30-Oct-2017   | 2,000,000                | —           | —      | 2,000,000                     | 1     |
|                              | 03-Dec-2018   | 500,000                  | —           | —      | 500,000                       | 5     |
|                              |               | 2,500,000                |             |        | 2,500,000                     |       |

## OTHER INFORMATION (CONTINUED)

### SHARE OPTION (CONTINUED)

| Categories                          | Date of grant | During the period        |                    |                    | As at<br>30 September<br>2019 | Notes |
|-------------------------------------|---------------|--------------------------|--------------------|--------------------|-------------------------------|-------|
|                                     |               | As at<br>1 April<br>2019 | Exercised          | Lapsed             |                               |       |
| Mr. Leung Winson Kwan Yau           | 30-Oct-2017   | 2,000,000                | —                  | —                  | 2,000,000                     | 1     |
|                                     | 03-Dec-2018   | 500,000                  | —                  | —                  | 500,000                       | 5     |
|                                     |               | 2,500,000                |                    |                    | 2,500,000                     |       |
| Mr. Tam Kin Yip                     | 30-Oct-2017   | 2,000,000                | —                  | —                  | 2,000,000                     | 1     |
|                                     | 03-Dec-2018   | 500,000                  | —                  | —                  | 500,000                       | 5     |
|                                     |               | 2,500,000                |                    |                    | 2,500,000                     |       |
| Mr. Leung Man Loon                  | 30-Oct-2017   | 2,000,000                | —                  | —                  | 2,000,000                     | 1     |
|                                     | 03-Dec-2018   | 500,000                  | —                  | —                  | 500,000                       | 5     |
|                                     |               | 2,500,000                |                    |                    | 2,500,000                     |       |
| Sub-Total                           |               | 51,000,000               | (2,000,000)        | —                  | 49,000,000                    |       |
| Employees<br>(continuous contracts) | 30-Oct-2017   | 40,400,000               | —                  | —                  | 40,400,000                    | 1     |
|                                     | 14-Feb-2018   | 2,100,000                | —                  | (1,000,000)        | 1,100,000                     | 2     |
|                                     | 20-Apr-2018   | 5,000,000                | —                  | (1,000,000)        | 4,000,000                     | 3     |
|                                     | 26-Apr-2018   | 12,000,000               | —                  | —                  | 12,000,000                    | 4     |
|                                     | 03-Dec-2018   | 134,000,000              | (5,000,000)        | (5,000,000)        | 124,000,000                   | 5     |
| Sub-Total                           |               | 193,500,000              | (5,000,000)        | (7,000,000)        | 181,500,000                   |       |
| <b>Total</b>                        |               | <b>244,500,000</b>       | <b>(7,000,000)</b> | <b>(7,000,000)</b> | <b>230,500,000</b>            |       |



## OTHER INFORMATION (CONTINUED)

### SHARE OPTION (CONTINUED)

Notes:

1. The validity period is from 30 October 2017 to 29 October 2019 (both days inclusive). All of the share options will be vested on 30 October 2018. The exercise price of the share options and the closing price of the shares of the Company immediately before the date on which these share options were granted was HK\$6.80 (before adjustment of share subdivision). The exercise price per share has been adjusted to HK\$1.70 as well as the number of shares options on 5 December 2017 with the effect of share subdivision, details of which may refer to the announcement of the Company on 4 December 2017. Up to the date of this interim report, all the share option granted on 30 October 2017 had been lapsed.
2. The validity period is from 14 February 2018 to 13 February 2020 (both days inclusive). All of the share options will be vested on 14 February 2019. The exercise price of the share options and the closing price of the shares of the Company immediately before the date on which these share options were granted was HK\$1.16 and HK\$1.12 respectively.
3. The validity period is from 20 April 2018 to 19 April 2020 (both days inclusive). All of the share options will be vested on 20 April 2019. The exercise price of the share options and the closing price of the shares of the Company immediately before the date on which these shares options were granted was HK\$1.15 and HK\$1.15 respectively.
4. The validity period is from 26 April 2018 to 25 April 2023 (both days inclusive). All of the share options were immediately vested. The exercise price of the share options and the closing price of the shares of the Company immediately before the date on which these share options were granted was HK\$1.15 and HK\$1.12 respectively.
5. The validity period is from 3 December 2018 to 2 December 2020 (both days inclusive), in which 81,500,000 share options and 81,500,000 share options will be vested on 3 June 2019 and 3 December 2019 respectively. The exercise price of the share options and the closing price of the shares of the Company immediately before the date on which these share options were granted was HK\$0.27 and HK\$0.265 respectively.



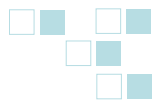
## OTHER INFORMATION (CONTINUED)

### PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

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

### CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to the Company's growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. The Company has adopted the code provisions set out in the Corporate Governance Code (amended from time to time, the "Code") contained in the Appendix 14 of the Listing Rules on the Stock Exchange. Throughout the period of six months ended 30 September 2019, 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. The duties of the chairman of the Board and the chief executive officer of the Company have been temporarily undertaken by Mr. Wang Xihua, an executive Director, since the date of the resignation of former chairman of the Company, Mr. Chan Yan Tak, on 1 April 2019. The Company is in the course of identifying a suitable candidate with appropriate experience to fill the vacancy left by Mr. Chan and the Company will make announcement thereon in due course in accordance with the Listing Rules.



## OTHER INFORMATION (CONTINUED)

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 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 2019, and there is no event of non-compliance. Senior managers, other nominated managers and staff who, because of their offices in the Group, are likely to be in possession of inside information of the Company, have been requested to comply with the provisions of the Model Code under the Appendix 10 to the Listing Rules.

### CHANGES IN THE INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors since the date of Company's 2018/2019 annual report were as follows:

Mr. WANG Xihua, being an executive Director, has resigned as the managing director of SRG Capital Limited which is a subsidiary of Elife Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 223), with effect from 5 July 2019.

Mr. LEUNG Man Loon, being an independence non-executive Director, has been employed as business strategy manager by Bank of China (Hong Kong) Limited since July 2019.

### 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 Reporting Period (the "**2019/2020 Interim Results**") in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The 2019/2020 Interim Results has also been reviewed by the Audit Committee.





## OTHER INFORMATION (CONTINUED)

### APPROVAL OF INTERIM REPORT

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

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