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易生活控股有限公司 Elife Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 223)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Elife Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2020 together with the comparative figures of the corresponding period for 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Turnover	4	128,648	41,874
Cost of sales		(125,671)	(41,265)
Gross profit		2,977	609
Other income	5	1,716	1,510
Other gains/(losses) – net	5	358	(55)
Selling expenses		(2,655)	(5,650)
Other operating expenses		(13,063)	(28,956)
Equity-settled share-based payment		(1,596)	–
Loss from operating activities	6	(12,263)	(32,542)
Finance costs	7	(66)	(434)
Loss before tax		(12,329)	(32,976)
Taxation	8	(126)	(4)

		Six months ended	
		30 September	
		2020	2019
<i>Notes</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss for the period		(12,455)	(32,980)
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss:</i>			
Charge in fair value of financial asset at fair value through other comprehensive income		(45)	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation foreign operations		2,753	(6,995)
Other comprehensive income/(loss) for the period		2,708	(6,995)
Total comprehensive loss for the period		(9,747)	(39,975)
Loss for the period attributable to:			
Owners of the Company		(10,235)	(23,027)
Non-controlling interests		(2,220)	(9,953)
		(12,455)	(32,980)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(7,146)	(30,274)
Non-controlling interests		(2,601)	(9,701)
		(9,747)	(39,975)
Loss per share			
– Basic	10	(0.3) cents	(0.8) cents
– Diluted	10	(0.3) cents	(0.8) cents

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		11,052	13,287
Right-of use assets		6,953	4,345
Financial asset at fair value through other comprehensive income		118	114
		<u>18,123</u>	<u>17,746</u>
Current assets			
Inventories		3,050	1,559
Trade receivables	11	21,204	14,855
Deposits, prepayments and other receivables	12	82,025	84,429
Cash and cash equivalents		13,251	16,201
		<u>119,530</u>	<u>117,044</u>
Total current assets			
		<u>119,530</u>	<u>117,044</u>
Less: Current liabilities			
Trade payables	13	6,679	1,050
Accrued liabilities and other payables	14	30,614	26,901
Contract liabilities		–	1,186
Lease liabilities	15	2,078	1,728
Amounts due to shareholders	16	17,521	31,960
Amounts due to non-controlling interests	17	5,243	9,045
		<u>62,135</u>	<u>71,870</u>
Total current liabilities			
		<u>62,135</u>	<u>71,870</u>
Net current assets			
		<u>57,395</u>	<u>45,174</u>
Total assets less current liabilities			
		<u>75,518</u>	<u>62,920</u>

		As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
	<i>Notes</i>		
Less: Non-current liabilities			
Lease liabilities	15	3,405	1,291
Amounts due to shareholders	16	13,995	—
Amounts due to non-controlling interests	17	4,635	—
		<u>22,035</u>	<u>1,291</u>
Net assets		<u>53,483</u>	<u>61,629</u>
Capital and reserves			
Share capital	18	59,319	59,319
Reserves		59,485	64,261
		<u>118,804</u>	<u>123,580</u>
Equity attributable to owners of the Company		118,804	123,580
Non-controlling interests		<u>(65,321)</u>	<u>(61,951)</u>
Total equity		<u>53,483</u>	<u>61,629</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. CORPORATE INFORMATION

Elife Holdings Limited is a limited liability company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 806, Level 8, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong.

The principal activities of the Company is investment holding. The principal activities of its subsidiaries include engaging in trading businesses across Asia as well as the provision of esmart digital services. It has also been expanding its businesses into the consumer products market conforming to the Group’s business principle of “making life easier and benefiting people’s livelihood” (易生活•惠民生).

This condensed consolidated interim financial statement has not been audited.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These condensed consolidated interim financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

These condensed consolidated interim financial statements should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 March 2020.

The accounting policies and method of computation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2020 except that the Group has adopted certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) as disclosed in Note 3 below.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 March 2020.

(i) Accounting policy became applicable in this interim period

The Group has applied the following accounting policies which became relevant to the Group in the interim period.

Government subsidies

Government subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the subsidies will be received.

Government subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the subsidies are intended to compensate.

Government subsidies related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

(ii) Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

The Group organised into three operating divisions: unconventional gas business, commodities trading business and esmart digital services. These divisions are the basis on which the Group reports its segment information.

The three operating and reportable segments under HKFRS 8 are as follows:

Unconventional gas business	Provision of services in connection with unconventional gas and import of technical equipment for the unconventional gas industry
Commodities trading business	Provision of agency services and commodities trading in the PRC, Hong Kong and overseas
Esmart digital services	Provision of esmart digital services in the PRC

Revenue represents the aggregate of the amounts received and receivable from third parties, income from commodities trading business and esmart digital services. Revenue recognised during the periods are as following:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Disaggregation of revenue from contracts with customers		
Recognised at a point in time		
Commodities sales	128,648	41,610
Service fee	—	264
Total revenue from contracts with customers	128,648	41,874

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the six months ended 30 September 2020 (Unaudited)

	Unconventional gas business HK\$'000	Commodities trading business HK\$'000	Esmart digital services HK\$'000	Consolidated HK\$'000
Turnover				
Turnover from external customers	<u>–</u>	<u>128,648</u>	<u>–</u>	<u>128,648</u>
Result				
Segment (loss)/profit	<u>(393)</u>	<u>496</u>	<u>(4,887)</u>	<u>(4,784)</u>
Unallocated other income				1,796
Unallocated corporate expenses				(7,679)
Equity-settled share-based payment				(1,596)
Finance costs				<u>(66)</u>
Loss before tax				(12,329)
Taxation				<u>(126)</u>
Loss for the period				<u><u>(12,455)</u></u>

For the six months ended 30 September 2019 (Unaudited)

	Unconventional gas business HK\$'000	Commodities trading business HK\$'000	Esmart digital services HK\$'000	Consolidated HK\$'000
Turnover				
Turnover from external customers	<u>–</u>	<u>41,602</u>	<u>272</u>	<u>41,874</u>
Result				
Segment loss	<u>(925)</u>	<u>(4,419)</u>	<u>(12,862)</u>	<u>(18,206)</u>
Unallocated other income				1,055
Unallocated corporate expenses				(15,391)
Finance costs				<u>(434)</u>
Loss before tax				(32,976)
Taxation				<u>(4)</u>
Loss for the period				<u><u>(32,980)</u></u>

Turnover reported above represents revenue generated from external customers. There were no inter-segment sales in the period (six months ended 30 September 2019: HK\$Nil).

Segment results represent the profit/(loss) generated from each segment without allocation of certain other income, equity-settled share-based payment, corporate expenses, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment measurement.

Segment assets and liabilities

	Unconventional gas business <i>HK\$'000</i>	Commodities trading business <i>HK\$'000</i>	Esmart digital services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
30 September 2020 (Unaudited)				
Segment assets	<u>5,207</u>	<u>88,963</u>	<u>14,266</u>	<u>108,436</u>
Segment liabilities	<u>539</u>	<u>16,214</u>	<u>9,775</u>	<u>26,528</u>
	Unconventional gas business <i>HK\$'000</i>	Commodities trading business <i>HK\$'000</i>	Esmart digital services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
31 March 2020 (Audited)				
Segment assets	<u>4,482</u>	<u>83,636</u>	<u>16,836</u>	<u>104,954</u>
Segment liabilities	<u>518</u>	<u>7,455</u>	<u>9,369</u>	<u>17,342</u>

Reconciliation of reportable segment assets and liabilities:

	30 September 2020 (Unaudited) <i>HK\$'000</i>	31 March 2020 (Audited) <i>HK\$'000</i>
Assets		
Total assets of reportable segments	108,436	104,954
Unallocated and other corporate assets:		
Property, plant and equipment	2,362	2,627
Right-of-use assets	2,973	310
Deposit, prepayments and other receivables	22,395	21,887
Cash and cash equivalents	<u>1,487</u>	<u>5,012</u>
Consolidated total assets	<u>137,653</u>	<u>134,790</u>
Liabilities		
Total liabilities of reportable segments	26,528	17,342
Unallocated and other corporate liabilities:		
Accrued liabilities and other payables	13,100	11,795
Lease liabilities	3,148	3,019
Amounts due to shareholders	31,516	31,960
Amounts due to non-controlling interests	<u>9,878</u>	<u>9,045</u>
Consolidated total liabilities	<u>84,170</u>	<u>73,161</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than unallocated corporate assets (mainly comprising certain property, plant and equipment, certain right-of-use assets, certain deposits, prepayments and other receivables and certain cash and cash equivalents); and
- all liabilities are allocated to reportable segments other than unallocated corporate liabilities (mainly comprising certain accrued liabilities and other payables, lease liabilities, amounts due to shareholders and amounts due to non-controlling interests).

Other segment information

For the six months ended 30 September 2020 (Unaudited)

	Unconventional gas HK\$'000	Commodities trading business HK\$'000	Esmart digital services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	1	361	1,746	265	2,373
Depreciation of right-of-use assets	–	558	66	486	1,110
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the six months ended 30 September 2019 (Unaudited)

	Unconventional gas HK\$'000	Commodities trading business HK\$'000	Esmart digital services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	536	638	1,930	267	3,371
Depreciation of right-of-use assets	–	915	136	448	1,499
Additions to non-current assets*	–	–	10	2	12
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Additions to non-current assets excluding goodwill, interests in associate and financial asset at fair value through other comprehensive income.

Geographical information

The Company is domiciled in Hong Kong. The Group's operations are mainly located in the PRC and Hong Kong. The following analysis of the Group's turnover by geographical area is disclosed for the periods ended 30 September 2020 and 2019.

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The PRC	122,019	4,000
Hong Kong	5,957	37,874
Overseas	672	—
	128,648	41,874

The following is an analysis of the carrying amount of non-current assets (excluding interests in associates and financial asset at fair value through other comprehensive income) analysed by the geographical area in which the assets are located:

	Carrying amount of	
	non-current assets	
	As at	As at
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
The PRC	3,045	5,236
Hong Kong	9,330	6,669
Overseas	5,630	5,727
	18,005	17,632

5. OTHER INCOME AND OTHER GAINS/(LOSSES) – NET

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Interest income on:		
Bank deposit	14	7
Other receivables	1,322	1,056
	<u>1,336</u>	<u>1,063</u>
Government grant (Note)	162	–
Sundry income	218	447
	<u>1,716</u>	<u>1,510</u>
Other gains/(losses) – net		
Net exchange loss	(43)	(55)
Loss on disposal of subsidiary	(1)	–
Loss on disposal of property, plant and equipment	(2)	–
Gain on waiver of rent	404	–
	<u>358</u>	<u>(55)</u>

Note: Amounts represented the government grants received in relation to the outbreak of novel coronavirus (“COVID-19”) pandemic.

6. LOSS FROM OPERATING ACTIVITIES

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The Group's loss from operating activities is arrived at after charging:		
Cost of inventory sold	125,671	41,265
Depreciation of property, plant and equipment	2,373	3,371
Depreciation of right-of-use-assets	1,110	1,499
Staff costs (including directors' remuneration)		
– wages and salaries	6,753	21,918
– equity-settled share-based payment	1,596	–
– retirement benefits scheme contributions	263	1,567
	<u>8,612</u>	<u>23,485</u>
Expenses relating to short-term lease	138	166

7. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on obligations under finance leases	–	60
Interests on lease liabilities	65	194
Interests on amounts due to shareholders	1	45
Interests on other borrowings	–	128
Interests on bank borrowings	–	7
	<u>66</u>	<u>434</u>

8. TAXATION

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax	–	4
– PRC Enterprises Income Tax	126	–
	<u>126</u>	<u>4</u>
Deferred tax	–	–
	<u>126</u>	<u>4</u>

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 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of corporation not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the periods ended 30 September 2020 and 2019.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the unaudited condensed consolidated financial statements.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

9. DIVIDENDS

The Board of the Company do not recommend a payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

The calculation of basic loss per share attributable to owners of the Company is based on following data:

	Six months ended 30 September 2020 (Unaudited)	2019 (Unaudited)
Loss for the period attributable to owners of the Company (<i>HK\$'000</i>)	(10,235)	(23,027)
Weighted average number of ordinary shares in issue (<i>'000</i>)	2,965,967	2,885,989
Basic and diluted loss per share (<i>HK cents per share</i>)	<u>(0.3)</u>	<u>(0.8)</u>

(b) Diluted

The basic and diluted loss per share are the same for the periods ended 30 September 2020 and 2019. The calculation of the diluted loss per share for both periods did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

11. TRADE RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables	24,108	17,759
Less: allowance for expected credit losses on trade receivables, net	<u>(2,904)</u>	<u>(2,904)</u>
	<u>21,204</u>	<u>14,855</u>

The following is an ageing analysis of trade receivables based on invoice date, at the end of reporting period.

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	8,391	1,572
31 to 60 days	–	–
61 to 90 days	672	–
91 to 180 days	–	7
Over 180 days	15,045	16,180
	<u>24,108</u>	<u>17,759</u>

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Deposits	1,348	1,181
Prepayments	29,616	25,271
Other receivables (<i>Note (i), (ii) & (iii)</i>)	134,435	141,351
	<u>165,399</u>	<u>167,803</u>
Less: allowance for expected credit losses on other receivables, net (<i>Note (iv)</i>)	<u>(83,374)</u>	<u>(83,374)</u>
	<u>82,025</u>	<u>84,429</u>

Notes:

As at 30 September 2020, included the other receivables are several significant items as follows:

(i) *Outstanding consideration for sale of minority interest in an associated company*

Pursuant to the sale and purchase agreement dated 2 June 2015 (as supplemented and amended by two supplemental agreements thereto dated 23 June 2017 and 28 November 2017) (the “Disposal Agreement”) between Elife Investment Holdings Limited (formerly known as Sino Rich Energy Holdings Limited) (a wholly-owned subsidiary of the Company) (“Elife Investment”) and Jetgo Group Limited (“Jetgo”), Elife Investment agreed to dispose of 10.5% of the issued share capital of an associated company to Jetgo at the consideration of HK\$150,000,000. The first and second instalments of the consideration of approximately HK\$75,304,000 were settled in accordance with the schedule.

In relation to the third instalment of the consideration of approximately HK\$74,696,000 due 31 December 2018, Jetgo settled HK\$200,000 in June 2018 and approximately HK\$74,496,000 has remained outstanding as at 30 September 2020 and the amount has remained outstanding as at 30 September 2019 (31 March 2020: approximately HK\$74,496,000).

(ii) *Performance deposit due from Zhongshang Huimin (Beijing) E-Commerce Co. Ltd. (“Huimin”)*

An interest-free and unsecured performance deposit of RMB50,000,000 (the “Performance Deposit”) was paid by Zhongnongxin Supply Chain Management Company Limited (“Zhongnongxin”) (an indirect whollyowned subsidiary of the Company) to Huimin pursuant to the supply agreement dated 8 March 2017 (the “Supply Agreement”) among Zhongnongxin, Huimin and Mr. Zhang Yichun (“Mr. Zhang”). Mr. Zhang, a former non-executive Director and a former vice-chairman of the Board, provided a personal guarantee to Zhongnongxin for the repayment of the Performance Deposit in full when due.

Pursuant to the Supply Agreement (as supplemented and amended by two supplemental agreements thereto on 11 September 2017 and 1 March 2018 respectively), the Performance Deposit shall become due on 16 September 2018. Huimin did not repay the Performance Deposit in full by the said due date. Since August 2018 (that is, one month before the due date), the Group has from time to time requested repayment of the Performance Deposit by Huimin by various means and in particular, (a) on 20 August 2018, the Group issued a letter to Huimin requesting for immediate repayment of the Performance Deposit; (b) on 22 August 2018 and 4 September 2018 respectively, the Group requested Huimin to repay the Performance Deposit in full before 16 September 2018 by email; (c) on 27 September 2018, the PRC legal counsel of the Company, issued a demand letter to Huimin and Mr. Zhang requesting Huimin for repayment of the Performance Deposit; (d) in early November 2018, the management of the Company attended physical meetings with representatives of Huimin to negotiate on, among other things, the means to settle the Performance Deposit, which is preliminarily proposed to be either by way of loan, equity pledge or equity transfer; (e) on 10 December 2018, Huimin provided a repayment schedule in respect of settlement of the Performance Deposit and approximately RMB2,000,000 had been received during the year ended 31 March 2019; (f) On 30 May 2019, a supplemental agreement was entered into among the parties and it was agreed that Huimin shall to repay the remaining balances of the

Performance Deposit on or before 16 December 2019; and (g) On 15 June 2020, a supplemental agreement was entered into among the parties and it was agreed that Huimin shall to repay the remaining balances of RMB27,700,000 of the Performance Deposit on or before 31 December 2020. The said supplemental agreement contains a clause that the Group shall have the right to demand repayment of the outstanding sum on or before the due date.

As at 30 September 2020, the Performance Deposit of approximately HK\$24,660,000 (equivalent to RMB21,700,000) (31 March 2020: approximately HK\$33,529,000 and equivalent to RMB30,700,000) included in other receivables. The Performance Deposit was partially repaid of approximately RMB1,500,000 after the period ended 30 September 2020.

(iii) *Loan to Graceful Ocean International Group Holding Limited (“Graceful Ocean”)*

On 11 September 2014, Sino Talent Holdings Limited (“Sino Talent”), a wholly-owned subsidiary of the Company, as lender, entered into a loan agreement (the “Loan Agreement”) with Graceful Ocean, as borrower and Mr. Ma Haike as first guarantor whereby Sino Talent agreed to advance to Graceful Ocean a term loan in the principal amount of HK\$18 million (the “Loan”) with interest accrued at the rate of 13% per annum. The parties entered into five supplemental agreements to the Loan Agreement between April 2015 and June 2018 to, among other things, postpone the maturity date of the Loan to 31 March 2019. On 24 June 2019, the parties and Mr. Gao Feng (“Mr. Gao”), an executive director and the vice-chairman of the Board, entered into the sixth supplemental agreement to the Loan Agreement with the interest rate of 10% per annum, to further postpone the maturity date of the Loan to 31 March 2020. Meanwhile, as an additional security of the repayment obligations of the borrower under the Loan Agreement (as supplemented by the six supplemental agreements), Mr. Gao, entered into a second guarantee contract (“Mr. Gao’s Second Guarantee”) with Sino Talent and Graceful Ocean whereby Mr. Gao agreed to act as the second guarantor and in the event and only when Mr. Ma failed to or refused to fulfill its guarantee obligations as the first guarantor, guarantee the due performance of Graceful Ocean in respect of its repayment obligations under the Loan Agreement (as supplemented by the six supplemental agreements). On 12 June 2020, the Seventh supplemental agreement entered into the parties to further postpone the maturity date of the Loan to 31 March 2021.

As at 30 September 2020, the total outstanding amount of the Loan and the interest accrued thereon was approximately HK\$26,327,000 (31 March 2020: approximately HK\$25,598,000) and included in other receivables.

(iv) In respect of the sales consideration in Note (i), on 28 November 2018, 2 January 2019 and 25 April 2019, the Group (either by itself or through its legal advisers) issued demand letters to Jetgo while the management of both parties continued to discuss the means to settle the outstanding amount. The Company sought legal advices from two separate Hong Kong law firms on the viability and pros and cons of taking legal action against Jetgo on its failure to make the repayment in accordance with the Disposal Agreement. The Company will further instruct professionals to assess the assets and financial conditions of the Vendor, its associated companies and the sole shareholder of the Vendor in Hong Kong and elsewhere and will then decide whether or not to take legal action against the Vendor or explore other options including but not limited to disposal of the outstanding amount.

Due to the expected possibility of repayment from Jetgo in short period of time is very low and assessed its expected credit losses (“ECL”) is very high by an independent firm of professional valuers, after thorough consideration, the Board decided to make an allowance for expected credit losses on the respective receivables, i.e. approximately HK\$74,496,000 for the year ended 31 March 2019.

Regarding the Performance deposits in Note (ii) and loan balance in Note (iii), the ECLs are relatively low as supported by the repayment schedules and the personal guarantees, the provision allowance for expected credit losses on other receivables are approximately HK\$688,000 and HK\$5,015,000 respectively as at 31 March 2020. Since Huimin continuously to repay the Performance deposit (Note (ii) above) and the loan to Graceful Ocean (Note (iii) above) has not yet been expired, the directors of the Company considered both ECLs are relatively low, there is no further provision of the impairment on the respective receivables was made during the six months period ended 30 September 2020.

13. TRADE PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	6,046	1,040
31 to 60 days	–	–
61 to 90 days	630	–
91 to 180 days	–	–
Over 180 days	3	10
	<u>6,679</u>	<u>1,050</u>

14. ACCRUED LIABILITIES AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Accrued liabilities	9,940	11,482
Deposits received in advance	4,256	49
Other payables	16,418	15,370
	<u>30,614</u>	<u>26,901</u>

15. LEASE LIABILITIES

The Group's lease liabilities arise from the leasing of office premises and motor vehicles with a fixed lease term from 3 to 5 years. The weight average incremental borrowing rates applied by the Group range from 1.85% to 12.9%.

The Group had lease liabilities repayable as follows:

	As at 30 September 2020 (Unaudited)	
	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>
Within 1 year	2,078	2,270
Over 1 year, less than 2 years	2,202	2,510
Over 2 years, less than 5 years	1,203	1,533
	5,483	6,313
Less: total future interest expenses		(830)
Present value of lease liabilities		5,483
Analysis for reporting purpose as:		
Current liabilities		2,078
Non-current liabilities		3,405
		5,483

As at 31 March 2020 (Audited)		
	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>
Within 1 year	1,728	1,815
Over 1 year, less than 2 years	1,027	1,059
Over 2 years, less than 5 years	<u>264</u>	<u>268</u>
	3,019	3,142
Less: total future interest expenses		<u>(123)</u>
Present value of lease liabilities		<u><u>3,019</u></u>
Analysis for reporting purpose as:		
Current liabilities		1,728
Non-current liabilities		<u>1,291</u>
		<u><u>3,019</u></u>

As at 30 September 2020, the Group's lease in respect of approximately HK\$3,476,000 (31 March 2020: approximately HK\$3,718,000) are secured by the lessor's title to the leased assets. The Group's lease liabilities are denominated in Hong Kong dollars and RMB, being the functional currency of the relevant group entity.

16. AMOUNTS DUE TO SHAREHOLDERS

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Current liabilities		
Amount due to Gao Feng ("Mr. Gao")		
– interest-bearing (<i>Note (i)</i>)	–	212
– interest-free (<i>Note (ii) & (iii)</i>)	15,249	27,044
Amount due to Zhang Xiaobin ("Mr. Zhang") (<i>Note (iii)</i>)	2,272	4,479
Amount due to Chiu Sui Keung ("Mr. Chiu") (<i>Note (iii)</i>)	–	225
	<u>17,521</u>	<u>31,960</u>
Non-current liabilities		
Amount due to Mr. Gao (<i>Note (iv)</i>)	11,475	–
Amount due to Mr. Zhang (<i>Note (iv)</i>)	2,295	–
Amount due to Mr. Chiu (<i>Note (iv)</i>)	225	–
	<u>13,995</u>	<u>–</u>
	<u>31,516</u>	<u>31,960</u>

Notes:

- (i) On 4 February 2019, the Company signed a shareholder's loan facility agreement of HK\$5,000,000 with Mr. Gao, a Director, is unsecured, bearing interest at a prime rate plus 1% (i.e. 6.125%) per annum and due on 3 February 2020. The shareholder's loan was fully repaid during the six months period ended 30 September 2020.
- (ii) The amounts of approximately HK\$15,000,000 was part of the proceeds of share subscription from Mr. Gao which will be completed within one year.
- (iii) The amounts due to shareholders under current liabilities are non-trade in nature, unsecured, interest-free and repayable on demand.
- (iv) The amounts due to shareholders under non-current liabilities are non-trade in nature, unsecured, interest-free and repayable with fixed term of two years.

17. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests under current liabilities are non-trade in nature, unsecured, interest-free and repayable within one year (31 March 2020: repayable within one year).

The amount due to non-controlling interests under non-current liabilities are non-trade nature, unsecured, interest-free and repayable with fixed term of two years (31 March 2020: Nil).

18. SHARE CAPITAL

	As at 30 September 2020 (Unaudited)		As at 31 March 2020 (Audited)	
	Number of shares '000	Amounts HK\$'000	Number of shares '000	Amounts HK\$'000
Authorised:				
Ordinary shares of HK\$0.02 each (Note (i))	<u>15,000,000</u>	<u>300,000</u>	<u>15,000,000</u>	<u>300,000</u>
Issued and fully paid:				
At beginning of the period/year	2,965,967	59,319	2,787,767	55,755
Subscription of shares (Note (ii))	–	–	53,191	1,064
Issuance of shares for loan capitalisation (Note (iii))	<u>–</u>	<u>–</u>	<u>125,009</u>	<u>2,500</u>
At end of the period/year	<u>2,965,967</u>	<u>59,319</u>	<u>2,965,967</u>	<u>59,319</u>

Notes:

- (i) On 14 November 2018, the Company proposed to implement the share consolidation on the basis that every two then issued and unissued shares to be consolidated into one consolidated share. In addition, the board lot size of 2,000 then issued shares was proposed to be changed to 20,000 consolidated shares. The par value was to be changed from HK\$0.01 per each to HK\$0.02 per share. The share consolidation was approved at the extraordinary general meeting on 7 January 2019.
- (ii) During the year ended 31 March 2020, the Company was successfully subscribed 53,191,000 Shares at HK\$0.02 each on 16 January 2020 at a subscription price of HK\$0.188 per share for a total consideration, before expenses of approximately HK\$10,000,000. The proceeds were used for the Group's daily operations and the funding for developing the daily consumer goods trading business of the Group.
- (iii) On 8 March 2019, Huimin International (HK) Limited ("Huimin Int'l"), a wholly-owned subsidiary of the Company, and Mr. Wang Haoyu ("Mr. Wang") entered into a loan agreement whereby Mr. Wang provided Huimin Int'l with a loan in the principal amount of RMB20,000,000. The loan bears interest at a rate of 8% per annum and would be due on the 60 days from the drawdown date of the loan. On 26 April 2019, the Company, Huimin Int'l and Mr. Wang entered into the loan capitalisation agreement ("Loan Capitalisation Agreement") pursuant to which Mr. Wang conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 125,008,842 loan capitalisation shares, at the loan capitalisation subscription price of HK\$0.188 each. The subscription amount payable by Mr. Wang under the Loan Capitalisation Agreement was satisfied by capitalizing the outstanding principal amount of the loan and the interest accrued. The Loan Capitalisation took place on 10 May 2019.

19. SHARE-BASED PAYMENTS

Share Options Scheme

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and/or rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include any directors and employees of the Company, including all executive directors of the Company and its subsidiaries. The Scheme became effective on 8 October 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. On 17 August 2017, the Company passed an ordinary resolution by the shareholders at the annual general meeting to amend certain provisions of the share option scheme.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share option in excess of this limit is subject to shareholders’ approval in a general meeting.

The share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their subsidiaries, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted would be determined by the directors.

The exercise price of the share options would be determined by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company’s shares on the date of the offer of the share options, which must be a business day; and (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer, provided that the subscription price shall not be lower than the nominal value of the shares.

The fair value of share options granted to any directors, employees and other parties is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meeting.

Movement in share options during the period ended 30 September 2020 are as follows:

Category of Participants	Date of grant (Note (b))	Exercisable period (Note (a))	Exercisable price per share HK\$	Adjusted exercisable price per share after share consolidation HK\$	Outstanding at 1 April 2020	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2020
Directors									
Mr. Zhang Xiaobin	16 December 2016	Period 3	0.285	0.57	22,500,000	–	–	–	22,500,000
	21 January 2020	Period 5	0.11	N/A	3,625,000	7,250,000	–	–	10,875,000
					<u>26,125,000</u>	<u>7,250,000</u>	<u>–</u>	<u>–</u>	<u>33,375,000</u>
Mr. Gao Feng	22 September 2015	Period 1	0.17	0.34	8,000,000	–	–	(8,000,000)	–
	16 December 2016	Period 3	0.285	0.57	22,500,000	–	–	–	22,500,000
	21 January 2020	Period 5	0.11	N/A	3,625,000	7,250,000	–	–	10,875,000
					<u>34,125,000</u>	<u>7,250,000</u>	<u>–</u>	<u>(8,000,000)</u>	<u>33,375,000</u>
Mr. Chiu Sui Keung	22 September 2015	Period 1	0.17	0.34	8,000,000	–	–	(8,000,000)	–
	16 December 2016	Period 3	0.285	0.57	22,500,000	–	–	–	22,500,000
	21 January 2020	Period 5	0.11	N/A	3,625,000	7,250,000	–	–	10,875,000
					<u>34,125,000</u>	<u>7,250,000</u>	<u>–</u>	<u>(8,000,000)</u>	<u>33,375,000</u>
Mr. Sun Qiang	27 June 2017	Period 4	0.21	0.42	24,460,000	–	–	–	24,460,000
	21 January 2020	Period 5	0.11	N/A	362,500	725,000	–	–	1,087,500
					<u>24,822,500</u>	<u>725,000</u>	<u>–</u>	<u>–</u>	<u>25,547,500</u>
Mr. Zhang Yichun (Resigned on 29 February 2020)	20 October 2016	Period 2	0.3	0.6	15,000,000	–	–	(15,000,000)	–
	16 December 2016	Period 3	0.285	0.57	7,500,000	–	–	(7,500,000)	–
					<u>22,500,000</u>	<u>–</u>	<u>–</u>	<u>(22,500,000)</u>	<u>–</u>
Mr. Cheng Wing Keung, Raymond	16 December 2016	Period 3	0.285	0.57	1,000,000	–	–	–	1,000,000
	21 January 2020	Period 5	0.11	N/A	362,500	725,000	–	–	1,087,500
					<u>1,362,500</u>	<u>725,000</u>	<u>–</u>	<u>–</u>	<u>2,087,500</u>

Category of Participants	Date of grant (Note (b))	Exercisable period (Note (a))	Adjusted exercisable price per share		Outstanding at 1 April 2020	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2020
			Exercisable price per share HK\$	after share consolidation HK\$					
Mr. Lam Williamson	16 December 2016	Period 3	0.285	0.57	1,000,000	–	–	–	1,000,000
	21 January 2020	Period 5	0.11	N/A	362,500	725,000	–	–	1,087,500
					<u>1,362,500</u>	<u>725,000</u>	<u>–</u>	<u>–</u>	<u>2,087,500</u>
Mr. Wong Hoi Kuen	16 December 2016	Period 3	0.285	0.57	1,000,000	–	–	–	1,000,000
	21 January 2020	Period 5	0.11	N/A	362,500	725,000	–	–	1,087,500
					<u>1,362,500</u>	<u>725,000</u>	<u>–</u>	<u>–</u>	<u>2,087,500</u>
Dr. Lam Lee G.	20 October 2016	Period 2	0.3	0.6	1,181,000	–	–	–	1,181,000
	16 December 2016	Period 3	0.285	0.570	1,000,000	–	–	–	1,000,000
	21 January 2020	Period 5	0.11	N/A	362,500	725,000	–	–	1,087,500
					<u>2,543,500</u>	<u>725,000</u>	<u>–</u>	<u>–</u>	<u>3,268,500</u>
				Sub-total	<u>148,328,500</u>	<u>25,375,000</u>	<u>–</u>	<u>(38,500,000)</u>	<u>135,203,500</u>
Employees of the Group									
In aggregate	22 September 2015	Period 1	0.17	0.34	25,500,000	–	–	(25,500,000)	–
	20 October 2016	Period 2	0.3	0.6	9,500,000	–	–	–	9,500,000
	16 December 2016	Period 3	0.285	0.570	14,516,000	–	–	–	14,516,000
	21 January 2020	Period 5	0.11	N/A	10,125,000	20,250,000	–	–	30,375,000
				Sub-total	<u>59,641,000</u>	<u>20,250,000</u>	<u>–</u>	<u>(25,500,000)</u>	<u>54,391,000</u>
Others									
In aggregate	16 December 2016	Period 3	0.285	0.57	22,500,000	–	–	–	22,500,000
	27 June 2017	Period 4	0.21	0.42	24,460,000	–	–	(24,460,000)	–
	21 January 2020	Period 5	0.11	N/A	6,737,500	13,475,000	–	–	20,212,500
				Sub-total	<u>53,697,500</u>	<u>13,475,000</u>	<u>–</u>	<u>(24,460,000)</u>	<u>42,712,500</u>
				Total	<u>261,667,000</u>	<u>59,100,000</u>	<u>–</u>	<u>(88,460,000)</u>	<u>232,307,000</u>
Weighted average exercise price (in HK\$) (Note (c))					<u>0.432</u>	<u>0.11</u>	<u>–</u>	<u>0.4257</u>	<u>0.38</u>

Movement in share options during the period ended 30 September 2019 are as follows:

Category of Participants	Date of grant (Note (b))	Exercisable period (Note (a))	Adjusted exercisable price per share after share consolidation HK\$	Number of share options		Outstanding at 30 September 2019
				Outstanding at 1 April 2019	Lapsed during the period	
Directors						
Mr. Zhang Xiaobin	16 December 2016	Period 4	0.57	<u>22,500,000</u>	<u>–</u>	<u>22,500,000</u>
Mr. Gao Feng	22 September 2015	Period 2	0.34	8,000,000	–	8,000,000
	16 December 2016	Period 4	0.57	<u>22,500,000</u>	<u>–</u>	<u>22,500,000</u>
				<u>30,500,000</u>	<u>–</u>	<u>30,500,000</u>
Mr. Chiu Sui Keung	22 September 2015	Period 2	0.34	8,000,000	–	8,000,000
	16 December 2016	Period 4	0.57	<u>22,500,000</u>	<u>–</u>	<u>22,500,000</u>
				<u>30,500,000</u>	<u>–</u>	<u>30,500,000</u>
Mr. Sun Qiang	27 June 2017	Period 5	0.42	<u>24,460,000</u>	<u>–</u>	<u>24,460,000</u>
Mr. Zhang Yichun	20 October 2016	Period 3	0.6	15,000,000	–	15,000,000
	16 December 2016	Period 4	0.57	<u>7,500,000</u>	<u>–</u>	<u>7,500,000</u>
				<u>22,500,000</u>	<u>–</u>	<u>22,500,000</u>
Ms. Xu Ying	16 December 2016	Period 4	0.57	<u>22,500,000</u>	<u>–</u>	<u>22,500,000</u>
Mr. Cheng Wing Keung, Raymond	16 December 2016	Period 4	0.57	<u>1,000,000</u>	<u>–</u>	<u>1,000,000</u>
Mr. Lam Williamson	16 December 2016	Period 4	0.57	<u>1,000,000</u>	<u>–</u>	<u>1,000,000</u>
Mr. Wong Hoi Kuen	16 December 2016	Period 4	0.57	<u>1,000,000</u>	<u>–</u>	<u>1,000,000</u>

Category of Participants	Date of grant (Note (b))	Exercisable period (Note (a))	Adjusted exercisable price per share after share consolidation HK\$	Number of share options		
				Outstanding at 1 April 2019	Lapsed during the period	Outstanding at 30 September 2019
Dr. Lam Lee G.	20 October 2016	Period 3	0.6	1,181,000	–	1,181,000
	16 December 2016	Period 4	0.57	1,000,000	–	1,000,000
				<u>2,181,000</u>	<u>–</u>	<u>2,181,000</u>
			Sub-total	<u>158,141,000</u>	<u>–</u>	<u>158,141,000</u>
Employees of the Group In aggregate	22 September 2015	Period 2	0.34	25,500,000	–	25,500,000
	20 October 2016	Period 3	0.6	19,500,000	–	19,500,000
	16 December 2016	Period 4	0.57	14,516,000	–	14,516,000
			Sub-total	<u>59,516,000</u>	<u>–</u>	<u>59,516,000</u>
Others In aggregate	22 September 2015	Period 2	0.34	18,800,000	–	18,800,000
	20 October 2016	Period 3	0.60	12,500,000	–	12,500,000
	27 June 2017	Period 5	0.42	24,460,000	–	24,460,000
			Sub-total	<u>55,760,000</u>	<u>–</u>	<u>55,760,000</u>
			Total	<u>273,417,000</u>	<u>–</u>	<u>273,417,000</u>
Weighted average exercise price (in HK\$) (Note (c))				<u>0.4977</u>	<u>–</u>	<u>0.4977</u>

Notes:

- (a) Period 1 22 September 2015 to 21 September 2020
- Period 2 20 October 2016 to 19 October 2021
- Period 3 16 December 2016 to 15 December 2021
- Period 4 27 June 2017 to 26 June 2022
- Period 5 21 January 2020 to 20 January 2025
- (b) The vesting date of the share options for Period 1 to 4 is the date of grant. The vesting dates of the share options for Period 5 are as follows:
- (1) 12.5% of the Share Options shall be vested on 31 March 2020 and exercisable from 31 March 2020 to 20 January 2025, both dates inclusive;
- (2) 12.5% of the Share Options shall be vested on 30 June 2020 and exercisable from 30 June 2020 to 20 January 2025, both dates inclusive;
- (3) 12.5% of the Share Options shall be vested on 30 September 2020 and exercisable from 30 September 2020 to 20 January 2025, both dates inclusive;
- (4) 12.5% of the Share Options shall be vested on 31 December 2020 and exercisable from 31 December 2020 to 20 January 2025, both dates inclusive;
- (5) 12.5% of the Share Options shall be vested on 31 March 2021 and exercisable from 31 March 2021 to 20 January 2025, both dates inclusive;
- (6) 12.5% of the Share Options shall be vested on 30 June 2021 and exercisable from 30 June 2021 to 20 January 2025, both dates inclusive;
- (7) 12.5% of the Share Options shall be vested on 30 September 2021 and exercisable from 30 September 2021 to 20 January 2025, both dates inclusive; and
- (8) 12.5% of the Share Options shall be vested on 31 December 2021 and exercisable from 31 December 2021 to 20 January 2025, both dates inclusive.
- (c) The exercise prices of the outstanding share options as at 30 September 2020 range from HK\$0.11 to HK\$0.6 (30 September 2019: range from HK\$0.34 to HK\$0.6) per share and their weighted average remaining contractual life as at 30 September 2020 is 2.44 years (six months ended 30 September 2019: 2.01 years).

On 25 September 2020, the Shareholders under the Annual General Meeting approved and refreshed the Share Option Scheme Limit which will allow the Company to grant share options entitling holders thereof to subscribe for up to 296,596,803 Shares.

During the periods ended 30 September 2020, 59,100,000 share options were granted to directors, employees and other parties while 88,460,000 share options lapsed (six months ended 30 September 2019: Nil and Nil).

Share Award Scheme

The Board has approved the adoption of a share award scheme (the “Old Share Award Scheme”) on 11 February 2011, pursuant to which existing shares will be purchased by the Bank of East Asia (Trustees) Limited (“Trustee”) from the market at the cost of the Company and be held in trust. On 9 March 2011, the Board approved and transferred HK\$5,000,000 to the Trustee. On 18 December 2019, the Company transferred shares from the shares under the share award scheme from BEA Trustee to Xin Yongan International Securities Company Limited (the “Trustee”). As at 30 September 2020, 5,050,000 shares were purchased and held by the Trustee, representing approximately 0.17% (31 March 2020: approximately 0.17%) of the issued share capital of the Company. No awarded share was granted to any persons since the commencement of the Old Share Award Scheme.

On 27 June 2017 (the “Adoption Date”), the Board resolved to terminate the Old Share Award Scheme with immediate effect. Such termination shall not affect the share awarded by the Board under the Old Share Award Scheme. On the same day, the Board has conditionally resolved to adopt the new share award scheme (the “New Share Award Scheme”).

The purposes and objectives of the New Share Award Scheme are to recognise the contributions by certain employees and persons to the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the Board in accordance with the scheme rules, the New Share Award Scheme shall be valid and effective for 10 years from the Adoption Date.

The Board may select any individual or corporate entity being a director (including executive and non-executive director), employee, officer, agent, advisor, consultant or business partner of the Company or any of its subsidiaries and other persons who/which in the opinion of the Board has contributed or will contribute to the growth and development of the Group (the “Eligible Participant”) for participation in the New Share Award Scheme and determine the number of the awarded shares to be awarded to the selected participants (the “Selected Participants”).

The Board shall offer the awarded shares (“Awarded Shares”) to the Selected Participant(s) by any of the following ways as the Board deems fit:

- (a) subject to (i) the passing of an ordinary resolution by the Shareholders in general meeting approving the Scheme Mandate and the transactions contemplated thereunder; and (ii) the Listing Committee granting approval of the listing of, and permission to deal in, any new shares as Awarded Shares, pay such sum to the Trustee for the purpose of subscribing for the new Shares to be allotted and issued to the Trustee for the benefit of the Selected Participant(s) or allot and issue the new Shares as Awarded Shares to the Selected Participant(s) directly; and/or
- (b) pay the reference amount to the Trustee (or as it shall direct) and direct the Trustee to purchase old Awarded Shares. The Board is entitled to impose any conditions as it deems appropriate with respect to the entitlement of the Selected Participant to the Awarded Shares.

Pursuant to the scheme rules, the total number of Shares, whether they are new shares or old shares purchased on-market by the Trustee, underlying all grants made pursuant to the New Share Award Scheme shall not exceed 10% of the total number of issued shares as at the Adoption Date. Such scheme limit may however be refreshed from time to time subject to the certain conditions set out in the New Share Award Scheme. The Company shall not make any further grant of Awarded Share(s) which would result in the total number of the Awarded Shares together with the shares which may be allotted and issued upon exercise of all outstanding share options granted but yet to be exercised under the other share option or award scheme(s) of the Company representing an aggregate over thirty per cent (30%) of the Share in issue as at the date of such grant.

Unless otherwise approved by the shareholders and subject to the adjustment in the event of consolidation or subdivision of shares, the maximum number of Shares which may be awarded to a Selected Participant under the New Share Award Scheme in any 12-month period shall not exceed 1 per cent (1%) of the issued share capital of the Company as at the Adoption Date or the date of refreshment of the scheme limit (as the case may be), excluding all the shares awarded under the New Share Awarded Scheme up to the Adoption Date or the latest date of refreshment.

Any Awarded Shares and the related income thereof held by the Trustee and which are referable to a Selected Participant shall vest in that Selected Participant in accordance with the timetable and conditions as imposed by the Board at its absolute discretion, provided that the Selected Participant remains at all times after the approved by the Board and on the relevant vesting date an Eligible Participant of the Group.

If the Board selects a director as the Selected Participant, the grant of the Awarded Shares to the director may constitute a connected transaction of the Company. However, since the grant of awarded shares to director forms part of the remuneration of the relevant director under his/her service contract, such grant of awarded shares is exempted from all the reporting, announcement and independent Shareholder's approval requirement under Rule 14A.31(6) of the Listing Rules.

For the Awarded Shares to the Selected Participants who are connected persons (excluding directors), the Company will comply with the relevant provisions of the Listing Rules in relation to the reporting, announcement and independent shareholders' approval requirements. However, any grant to any director or senior management of the Company must first be approved by the Remuneration Committee.

The New Share Award Scheme shall terminate on the earlier of (i) the date falling on the 10th anniversary date of the Adoption Date and (ii) such date of early termination as determined by the Board provided that such termination shall not materially and adversely affect any subsisting rights of any Selected Participant thereunder.

The Share Award Scheme Mandate Limit of 296,596,803 shares has been refreshed and approved by shareholders under the Annual General Meeting on 25 September 2020.

During the period ended 30 September 2020, no awarded share was granted to any eligible directors, employees or other parties (six months ended 30 September 2019: Nil).

There was no purchase of shares by the Trustee under the New Share Award Scheme during the period ended 30 September 2020 (six months ended 30 September 2019: Nil).

20. CAPITAL COMMITMENTS

As at 30 September 2020, the Group had the following capital commitments:

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Authorised and contracted for capital contributions payable to subsidiaries	<u>270,568</u>	<u>259,476</u>

21. RELATED PARTY TRANSACTIONS

In additions to the transactions and balances disclosed elsewhere in condensed consolidated financial statements, during the six months period ended 30 September 2020 and 2019, the Group had the following material related party transactions:

	Six months ended 30 September 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Yangzhou Yiyuantang Commodity Co., Ltd		
Procurement cleaning and sanitizing products (<i>Note (i)</i>)	6,402	—
Graceful Ocean International Group Holding Limited		
Personal guarantee provided by Mr. Gao Feng for a loan	<u>26,327</u>	<u>24,542</u>

The above related parties were company controlled by substantial shareholder during the reporting period. The transactions were conducted on terms and conditions mutually agreed between the relevant parties.

Note:

- (i) These related party transactions also constitute non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in trading businesses across Asia as well as the provision of esmart digital services. It has also been expanding its business into the consumer products market conforming to the Group's business principle of "making life easier and benefiting people's livelihood" (易生活，惠民生).

The Group has been managing the following businesses:

COMMODITIES TRADING BUSINESS

During the period from 1 April 2020 to 30 September 2020 (the "**Period**"), the Group continues to focus on sourcing of domestic quality products as well as metals commodities for sales to retail channels or lower-tier agents in the PRC. To rapidly expand the customer base and trading volume as well as to broaden different types of categories products, the Group continues to adopt the low margin strategy which attracts more sales channels for cooperation. The profit margin for trading business had improved due to an increase in a variety of products and new customers during the Period.

DAILY CLEANING AND SANITIZING PRODUCTS BUSINESS

On 31 July 2020, the Company and Mr. Zhu Qian ("**Mr. Zhu**") entered into a cooperation agreement to establish a joint venture group which is principally engaged in the sale of daily cleaning chemicals and sanitizing products in the PRC and overseas.

The joint venture group was set up in August 2020 in which the Company holds 26.01% effective interest indirectly. The Company controls the joint venture group and thus its financial results would be consolidated into the condensed consolidated financial statements of the Company. For the period ended 30 September 2020, the joint venture group recorded unaudited turnover of approximately HK\$8,946,000 and achieved net profit after tax of approximately HK\$2,361,000.

LICENSED BRANDS WATCHES BUSINESS

On 29 June 2020, the Company entered into a cooperation agreement with Mr. Chen Yulung and Mr. Chan Tim Hung to establish a joint venture group which is principally engaged in the sale of mechanical and quartz watches under licensed brands in the PRC and Taiwan, such as ROYALELASTICS, ARSA and JOE-JOE. The joint venture group will set up its own sales channel through direct export sales, self-operate e-commerce APP, live video streaming channel and third-party e-commerce APP such as Taobao or Tmall.

The joint venture group was set up in July 2020 and the Company holds 26.01% effective interest indirectly. The Company controls the joint venture group and thus its financial results would be consolidated into the financial statements of the Company. The joint venture group commenced its operation in the middle of July 2020 and recorded the unaudited turnover of approximately HK\$672,000 for the period ended 30 September 2020.

ESMART DIGITAL SERVICES

Esmart Group leverages on the intelligentisation of retail information as its core technology and relies on the combined application of internet, cloud computing, artificial intelligence and big data to create a brand-new platform that is closely integrated with traditional industries. With digital marketing solution as service objective and retailers as the service object, the Group provides an integrated software and hardware store management system and an information marketing solution, and is an advanced online-to-offline smart retail service provider.

BUSINESS PROSPECTS AND FUTURE DEVELOPMENTS

Since March 2020, the gradual improvement of the COVID-19 pandemic situation in China with the economic activities have returned to normal slowly. The China's economy has recovered gradually since the beginning of the second quarter of the year.

Due to the uncertainly of the Sino-US trade dispute and the outbreak of the COVID-19 pandemic, the Company had taken various cost control measures to retain more cash for the Group's business development at the beginning of this year which had saved approximately HK\$17 million of operating costs in this Period. In the meantime, the Company has taken this opportunity to increase the trading activities of commodities in the PRC and set up two joint venture companies for the trading of cleaning and sanitizing products and licensed brands watches in the PRC and overseas. The demand for cleaning and sanitizing products will be continued in future and the Company will capture the opportunity of the pandemic to expand the business in cleaning and sanitizing products which is inline with Group's business principle of "making life easier and benefiting people's livelihood" (易生活, 惠民生). The Company anticipated the business in cleaning and sanitizing products will improve the results of the Company in future.

The management expects 2021 will be a challenging year. The Company will continue to monitor the further development of COVID-19 and take this opportunity to develop the business in cleaning and sanitizing products. The Company will continue to explore new opportunities of business development in relation to the daily necessities.

RESULTS ANALYSIS

REVENUE

For the period ended 30 September 2020, the Group recorded turnover of approximately HK\$128,648,000 (six months ended 30 September 2019: approximately HK\$41,874,000), representing an increase of 207.2%. The revenue was generated from the commodities trading segments. The increase in revenue during the Period was primarily because (i) increase in the sales volume of metals trading; (ii) the Group has been proactively increasing its trading activities of commodities in the PRC by setting up two joint venture companies for trading of cleaning and sanitizing products and licensed bands watches in the PRC and overseas. The revenue daily cleaning and sanitizing products and licensed bands watches contributed approximately HK\$8,946,000 and approximately HK\$672,000 respectively for the Period (six months ended 30 September 2019: HK\$Nil and HK\$Nil); (iii) the gross profit margin of the daily cleaning and sanitizing products were relatively high, especially under the COVID-19 due to the higher demand; and (iv) the Group increased its variety of products and customers.

More details of the Group's performance by business segments are set out in Note 4.

COST OF SALES

For the period ended 30 September 2020, the cost of sales of the Group amounted to approximately HK\$125,671,000 (six months ended 30 September 2019: approximately HK\$41,265,000), representing an increase of approximately 204.6% which is also in line with the fluctuation of the turnover.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit for the period ended 30 September 2020 was approximately HK\$2,977,000 (six months ended 30 September 2019: approximately HK\$609,000), representing an increase of approximately four times. For the six months ended 30 September 2020, the gross profit margin was approximately 2.3% (six months ended 30 September 2019: approximately 0.8%) in commodities trading business. The increase of gross profit margin in commodities trading business was due to the Group's new business segment in trading products such as daily cleaning and sanitizing products and licensed brands watches.

SELLING EXPENSES

During the period ended 30 September 2020, the Group recorded selling expenses of approximately HK\$2,655,000 (six months ended 30 September 2019: approximately HK\$5,650,000). The decrease was mainly due to the scaling down of the esmart digital services segment in light of strong competition in the PRC. The Group also implemented cost control policy to lower the operating costs and streamline the workforce by cutting down the number of staff in the sales department. Thus, the selling expenses dropped accordingly in the current period.

OTHER OPERATING EXPENSES

Other operating expenses incurred by the Group for the period ended 30 September 2020 was approximately HK\$13,063,000 (six months ended 30 September 2019: approximately HK\$28,956,000), representing a decrease of approximately 54.9%, and approximately 10.2% (six months ended 30 September 2019: approximately 69.1%) of the Period's total revenue. The decrease was mainly due to (i) the cost savings policy implemented by the Group under the COVID-19 outbreak, especially staff costs, legal and professional fees and other office expenses; and (ii) significant reduction of staff costs by approximately HK\$15 million as a result of streamlining the sales department by decreasing the number of sales staffs and the voluntary reduction of salary by the directors by 50%.

FINANCE COSTS

The finance costs incurred by the Group for the period ended 30 September 2020 were approximately HK\$66,000 (six months ended 30 September 2019: approximately HK\$434,000), representing approximately 0.1% of the Group's revenue in the Period. The decrease was mainly due to the full repayment of the shareholder's loan, other borrowings and bank borrowings and hence lower interests expenses were incurred for the Period.

LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the period ended 30 September 2020, the Group recorded a loss attributable to shareholders of approximately HK\$10,235,000 (six months ended 30 September 2019: approximately HK\$23,027,000), representing a decrease of 55.6%. Basic loss per share was approximately HK\$0.3 cents (six months ended 30 September 2019: approximately HK\$0.8 cents) for the period ended 30 September 2020. The decrease was primarily attributable to the reduction of loss for the Period.

INTERIM DIVIDEND

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

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

For the period ended 30 September 2020, the Group had net cash outflow from operating activities of approximately HK\$5,194,000 (six months ended 30 September 2019: approximately HK\$8,370,000), net cash inflow from investing activities of approximately HK\$19,000 (six months ended 30 September 2019: net cash outflow from investing activities was approximately HK\$12,000) and net cash outflow from financing activities of approximately HK\$307,000 (six months ended 30 September 2019: approximately HK\$2,093,000). As at 30 September 2020, the Group had available cash and cash balances amounting approximately HK\$13,251,000 (31 March 2020: approximately HK\$16,201,000).

As at 30 September 2020, surplus on shareholders' funds of the Group aggregately amounted to approximately HK\$53,483,000 (31 March 2020: approximately HK\$61,629,000). Net current assets of the Group amounted to approximately HK\$57,395,000 (31 March 2020: approximately HK\$45,174,000). The Group's total current assets and current liabilities were approximately HK\$119,530,000 (31 March 2020: approximately HK\$117,044,000) and HK\$62,135,000 (31 March 2019: approximately HK\$71,870,000) respectively, while the current ratio was approximately 1.9 times (31 March 2020: approximately 1.6 times). The Group's assets-liabilities ratio (total liabilities to total assets) was approximately 0.6 times (31 March 2020: approximately 0.5 times).

As at 30 September 2020, the Group's gearing ratio (total debts to total equity) was approximately 87.7% (31 March 2020: approximately 71.4%).

CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

During the period ended 30 September 2020, the capital expenditures mainly for additions in property, plant and equipment amounted to approximately HK\$Nil (six months ended 30 September 2019: approximately HK\$12,000). These capital expenditures were funded by internal cash flow from operating activities.

As at 30 September 2020, the Group had capital commitment of approximately HK\$270,568,000 (31 March 2020: approximately HK\$259,476,000) in respect of the authorised and contracted for capital contributions payable to subsidiaries.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's sales and purchase are mainly transacted in Hong Kong dollar, United States dollar and Renminbi and the books are recorded in Hong Kong dollar. Therefore, it may be exposed to foreign exchange risk. However in view of the stable currency policies adopted by the PRC government, the Directors consider that the foreign exchange risk is insignificant.

The Group currently has no foreign exchange rate hedging policy in respect of commercial transactions denominated in foreign currencies. However, the Directors monitor exchange rate exposure regularly and will consider hedging significant exchange rate exposure as and when necessary.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group had a total of 43 employees (30 September 2019: 67) in Hong Kong, the PRC and the United States. All employees are remunerated according to their performance, experience and the prevailing industry practices. The Group also participates in retirement benefit schemes for its staff in Hong Kong and the PRC.

The existing share option scheme of the Company was adopted on 8 October 2010 and amended on 17 August 2017, with options to be granted to any directors, employees and other parties at the discretion of the Board. During the period ended 30 September 2020, 59,100,000 share options were granted to directors, employees and other parties while 88,460,000 share options lapsed. As at 30 September 2020, 232,307,000 share options remained outstanding.

The Group also adopted a share award scheme on 27 June 2017. During the period ended 30 September 2020, no awarded shares were granted to eligible directors, employees or other parties.

CONTINUING CONNECTED TRANSACTIONS

On 9 November 2020, Smart Challenger Global Limited (“**Smart Challenger**”), an indirect non wholly-owned subsidiary of the Company, entered into the Procurement Framework Agreement with Yangzhou Yiyuantang Commodity Co., Ltd (“**Yangzhou Yuanda**”), pursuant to which Smart Challenger agreed that Smart Challenger or its subsidiaries will procure and Yangzhou Yuanda agreed to supply the cleaning and sanitizing products for a term of two years and four months from 1 September 2020 to 31 December 2022 (both days inclusive) (the “**Procurement Period**”). Mr. Zhu controls more than 30% of the voting power in general meetings of Yangzhou Yuanda. Mr. Zhu is also a substantial shareholder of Century Smart Group Limited (“**Century Smart**”) and Smart Challenger, and is, therefore, a connected person of the Company. The transactions contemplated under the Procurement Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Pursuant to the Procurement Framework Agreement, Yangzhou Yuanda agreed to supply the cleaning and sanitizing products to Smart Challenger and its subsidiaries for a term of the Procurement Period. The selling prices of the cleaning and sanitizing products are determined principally by arm’s length commercial negotiation.

The Annual Caps for the Procurement Framework Agreement for the period between 1 September 2020 and 31 December 2020, the year ending 31 December 2021 and the year ending 31 December 2022 are RMB20,000,000, RMB57,000,000 and RMB60,000,000 respectively.

For details, please refer to the announcement of the Company dated 9 November 2020.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition and disposal for the six months ended 30 September 2020.

MATERIAL RELATED PARTY TRANSACTION

The Group did not have any material related party transaction for the six months ended 30 September 2020.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment for the six months ended 30 September 2020.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this announcement, the Group did not have any events occurred subsequent to the end of the reporting period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company or any of its subsidiaries had not purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2020.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, chaired by Mr. Lam Williamson and the other two members of the Committee are Mr. Cheng Wing Keung, Raymond and Mr. Wong Hoi Kuen. The Audit Committee has reviewed and discussed with the Company's management the interim results of the Group for the six months ended 30 September 2020.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's results announcement for the six months ended 30 September 2020 containing all information required by Appendix 16 to the Listing Rules is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company's appointed website at <http://www.capitalfp.com.hk/eng/index.jsp?co=223>. The interim report of the Company for the six months ended 30 September 2020 will be despatched to the shareholders and published on the above websites in due course.

By Order of the Board
Elife Holdings Limited
Zhang Xiaobin
Chairman

Hong Kong, 25 November 2020

As at the date of this announcement, the executive Directors are Ms. Zhang Xiaobin, Mr. Gao Feng, Mr. Chiu Sui Keung and Mr. Sun Qiang, and the independent non-executive Directors are Mr. Lam Williamson, Mr. Cheng Wing Keung Raymond, Mr. Wong Hoi Kuen and Dr. Lam Lee G..