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## **Shunten International (Holdings) Limited**

**順騰國際(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 932)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited and restated)
Continuing operations:		
Revenue	<b>117,484</b>	150,612
Gross profit	<b>84,853</b>	112,905
Loss for the period attributable to owners of the Company	<b>(67,183)</b>	(30,534)
Loss per share (expressed in HK cents per share)		
From continuing and discontinued operations		
Basic	<b>2.62</b>	1.38
Diluted	<b>2.62</b>	1.38
From continuing operations		
Basic	<b>2.58</b>	1.89
Diluted	<b>2.58</b>	1.89

The board (the “**Board**”) of directors (the “**Directors**”) of Shunten International (Holdings) Limited (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”) announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2020 (the “**Reporting Period**”) are as follows:

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

*For the six months ended 30 September 2020*

	Notes	For the six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited and restated)
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	3	<b>117,484</b>	150,612
Cost of revenue		<u>(32,631)</u>	<u>(37,707)</u>
<b>GROSS PROFIT</b>		<b>84,853</b>	112,905
Other income, gains or losses		<b>12,551</b>	1,303
Selling and distribution expenses		<b>(21,871)</b>	(32,435)
Administrative expenses		<b>(67,143)</b>	(102,324)
Equity-settled share-based payments		—	(5,810)
Share of (loss)/profit of an associate		<b>(11,689)</b>	2,274
Impairment loss on interests in an associate		<b>(35,594)</b>	—
Impairment loss on goodwill		<b>(10,222)</b>	—
Fair value change of an investment property		<b>(2,000)</b>	—
Loss on modification of promissory note receivable		<b>(2,275)</b>	—
Fair value change of contingent consideration payables		—	289
Fair value change of promissory notes payable		—	721
Fair value change of convertible bonds		—	<u>(4,616)</u>
<b>LOSS FROM OPERATIONS</b>		<b>(53,390)</b>	(27,693)
Finance costs	5(c)	<u>(8,472)</u>	<u>(13,534)</u>
<b>LOSS BEFORE TAXATION</b>	5	<b>(61,862)</b>	(41,227)
Taxation	6	<u>(5,069)</u>	<u>(1,863)</u>
<b>LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<u><b>(66,931)</b></u>	<u>(43,090)</u>

		<b>For the six months ended 30 September</b>	
	<i>Note</i>	<b>2020 HK\$'000 (unaudited)</b>	<b>2019 HK\$'000 (unaudited and restated)</b>
<b>DISCONTINUED OPERATIONS</b>			
<b>(Loss)/profit for the period from discontinued operations</b>	7	<u>(1,396)</u>	<u>16,891</u>
<b>LOSS FOR THE PERIOD</b>		<u>(68,327)</u>	<u>(26,199)</u>
<b>OTHER COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of foreign operations		<u>266</u>	<u>(351)</u>
<b>OTHER COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD</b>		<u>266</u>	<u>(351)</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>		<u>(68,061)</u>	<u>(26,550)</u>
<b>(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
— from continuing operations		<u>(66,017)</u>	<u>(41,837)</u>
— from discontinued operations		<u>(1,166)</u>	<u>11,303</u>
		<u>(67,183)</u>	<u>(30,534)</u>
<b>(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>			
— from continuing operations		<u>(914)</u>	<u>(1,253)</u>
— from discontinued operations		<u>(230)</u>	<u>5,588</u>
		<u>(1,144)</u>	<u>4,335</u>

	<b>For the six months ended 30 September</b>	
	<b>2020</b>	2019
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited and restated)
<b>TOTAL COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>		
Owners of the Company	<b>(66,765)</b>	(30,704)
Non-controlling interests	<b>(1,296)</b>	4,154
	<b><u>(68,061)</u></b>	<u>4,154</u>
	<b><u>(68,061)</u></b>	<u>(26,550)</u>
<b>LOSS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS</b>		
— Basic (HK cents)	<i>9</i> <b>2.62</b>	1.38
— Diluted (HK cents)	<i>9</i> <b>2.62</b>	1.38
	<b><u>2.62</u></b>	<u>1.38</u>
<b>LOSS PER SHARE FROM CONTINUING OPERATIONS</b>		
— Basic (HK cents)	<i>9</i> <b>2.58</b>	1.89
— Diluted (HK cents)	<i>9</i> <b>2.58</b>	1.89
	<b><u>2.58</u></b>	<u>1.89</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2020*

		As at 30 September 2020	As at 31 March 2020
	<i>Notes</i>	<b><i>HK\$'000</i></b> <b>(unaudited)</b>	<b><i>HK\$'000</i></b> <b>(audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		77,421	83,459
Right-of-use assets		3,680	3,668
Investment property		—	3,500
Interests in an associate		—	47,283
Intangible assets		11,667	13,293
Goodwill		16,348	26,570
Prepayments and deposits	10	777	2,139
		<b>109,893</b>	179,912
<b>CURRENT ASSETS</b>			
Inventories		32,867	31,390
Trade and other receivables	10	68,381	68,271
Contingent consideration receivable		1,735	1,735
Promissory notes receivable		35,562	35,687
Tax recoverable		2,041	3,759
Cash and cash equivalents		26,973	57,157
		<b>167,559</b>	197,999
Non-current assets classified as held for sale		1,500	60,946
		<b>169,059</b>	258,945
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	38,647	42,589
Bank and other borrowings		92,944	96,088
Lease liabilities		2,044	3,513
Contract liabilities		382	617
Refund liabilities		1,710	1,258
Tax payable		4,618	2,418
		<b>140,345</b>	146,483

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
<b>Liabilities associated with non-current assets classified as held for sale</b>	—	61,883
	<u>140,345</u>	<u>208,366</u>
<b>NET CURRENT ASSETS</b>	<u>28,714</u>	<u>50,579</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>138,607</u>	<u>230,491</u>
<b>NON-CURRENT LIABILITIES</b>		
Bank and other borrowings	7,000	—
Convertible bonds	56,093	94,999
Lease liabilities	1,703	217
Amounts due to non-controlling interests	60	60
Deferred tax liabilities	1,680	2,402
	<u>66,536</u>	<u>97,678</u>
<b>NET ASSETS</b>	<u>72,071</u>	<u>132,813</u>
<b>EQUITY</b>		
Share capital	6,413	6,388
Reserves	70,523	136,325
	<u>76,936</u>	<u>142,713</u>
Equity attributable to owners of the Company	76,936	142,713
Non-controlling interests	(4,865)	(9,900)
	<u>72,071</u>	<u>132,813</u>
<b>TOTAL EQUITY</b>	<u>72,071</u>	<u>132,813</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements of Shunten International (Holdings) Limited (the “**Company**”) and its subsidiaries (collectively referred to as, the “**Group**”) for the six months ended 30 September 2020 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 requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

### 1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The government of Hong Kong has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue, increase in government grant and the deterioration of the financial performance of an associate, which results in corresponding full impairment on the interests in the associate.

During the current interim period, the operation for game distribution business through IAHGames Hong Kong Limited (“**IAHGames**”) was discontinued with effect from 1 July 2020 and the operation for online advertising business through Star Root Limited (“**Star Root**”) and its subsidiary (collectively referred to as, the “**Star Root Group**”) was discontinued with effect from 11 September 2020. Accordingly, the results of IAHGames for the period ended 30 June 2020 and the six months ended 30 September 2019 and the results of the Star Root Group for the period ended 10 September 2020 and the six months ended 30 September 2019 have been separately presented as discontinued operations in the condensed consolidated statement of profit or loss and other comprehensive income.

During the year ended 31 March 2020, the operation for online payment business through Empire Access Limited (“**Empire Access**”) and its subsidiaries (“**Empire Access Group**”) was discontinued with effect from 28 March 2020. Accordingly, the results of the Empire Access Group for the period ended 30 September 2019 have been separately presented as a discontinued operation in the condensed consolidated statement of profit or loss and other comprehensive income.

Details of the above discontinued operations are set out in Note 7.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for a property and certain financial instruments, which are measured at fair values, as appropriate.

Other than the additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of an accounting policy 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 financial statements for the year ended 31 March 2020.

## **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

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the 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.

### **2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"**

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

### **2.2 Accounting policy newly applied by the Group**

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

#### *Government grants*

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

Government grants 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 grants are intended to compensate.

Government grants 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, gains or losses".

### 3. REVENUE

#### Continuing operations

#### *Disaggregation of revenue from contracts with customers*

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 30 September 2020 (unaudited)			
	Development, manufacturing and sales of health and beauty supplements and products <i>HK\$'000</i>	E-commerce promotion business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by geographical locations of customers:</b>				
Hong Kong (place of domicile)	111,372	5,841	129	117,342
Taiwan	—	127	—	127
Others	—	15	—	15
	<u>111,372</u>	<u>5,983</u>	<u>129</u>	<u>117,484</u>
<b>Timing of revenue recognition:</b>				
Point in time	111,372	4,632	129	116,133
Over time	—	1,351	—	1,351
	<u>111,372</u>	<u>5,983</u>	<u>129</u>	<u>117,484</u>

For the six months ended 30 September 2019  
(unaudited and restated)

	Development, manufacturing and sales of health and beauty supplements and products <i>HK\$'000</i>	E-commerce promotion business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by geographical locations of customers:</b>				
Hong Kong (place of domicile)	146,624	3,520	398	150,542
Taiwan	—	46	—	46
Others	—	24	—	24
	<u>146,624</u>	<u>3,590</u>	<u>398</u>	<u>150,612</u>
<b>Timing of revenue recognition:</b>				
Point in time	146,624	2,211	398	149,233
Over time	—	1,379	—	1,379
	<u>146,624</u>	<u>3,590</u>	<u>398</u>	<u>150,612</u>

#### 4. 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; and
- E-commerce promotion business.

During the six months ended 30 September 2020, its operation in game distribution business and online advertising agency business were disposed of and are presented as discontinued operations for the six months ended 30 September 2020. Prior period segment disclosures have been re-presented to confirm with the current period's presentation.

On 27 March 2020, the Group disposed of its entire equity interest in Empire Access in which the Group's operation in online payment business is presented as a discontinued operation for the six months ended 30 September 2019.

(i) *Segment revenue and results*

**Continuing operations**

	For the six months ended 30 September 2020 (unaudited)			
	Development, manufacturing and sales of health and beauty supplements and products <i>HK\$'000</i>	E-commerce promotion business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>				
Revenue from external customers	<u>111,372</u>	<u>5,983</u>	<u>129</u>	<u>117,484</u>
<b>Segment results</b>	<u>18,261</u>	<u>(3,357)</u>	<u>(2,212)</u>	12,692
Unallocated other income, gains or losses				4,534
Share of loss of an associate				(11,689)
Impairment loss on interest in an associate				(35,594)
Fair value change of investment property				(2,000)
Loss on modification of promissory note receivable				(2,275)
Unallocated finance costs				(8,359)
Unallocated corporate expenses				<u>(19,171)</u>
Loss before taxation from continuing operations				<u>(61,862)</u>

For the six months ended 30 September 2019  
(unaudited and restated)

	Development, manufacturing and sales of health and beauty supplements and products <i>HK\$'000</i>	E-commerce promotion business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>				
Revenue from external customers	<u>146,624</u>	<u>3,590</u>	<u>398</u>	<u>150,612</u>
<b>Segment results</b>	<u>9,257</u>	<u>140</u>	<u>(1,612)</u>	7,785
Unallocated other income, gains or losses				(284)
Share of profit 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				<u>(28,178)</u>
Loss before taxation from continuing operations				<u>(41,227)</u>

(ii) *Segment assets and liabilities*

The following is an analysis of the Group's assets and liabilities by reportable segments from continuing operations:

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited and restated)
<b>Continuing operations</b>		
Development, manufacturing and sales of health and beauty supplements and products	137,961	141,550
E-commerce promotion business	6,767	12,071
Others	94	2,467
	<hr/>	<hr/>
Total reportable segment assets	<b>144,822</b>	156,088
	<hr/> <hr/>	<hr/> <hr/>
	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited and restated)
<b>Continuing operations</b>		
Development, manufacturing and sales of health and beauty supplements and products	27,569	21,310
E-commerce promotion business	1,641	2,948
Others	81	94
	<hr/>	<hr/>
Total reportable segment liabilities	<b>29,291</b>	24,352
	<hr/> <hr/>	<hr/> <hr/>

## 5. LOSS BEFORE TAXATION

Loss before taxation has been arrived of after charging/(crediting) the following items:

	For the six months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited and restated)
<b>CONTINUING OPERATIONS</b>		
<b>(a) Staff costs:</b>		
Salaries, allowances, and other benefits (including directors' emoluments)	43,816	63,441
Contributions to defined contribution retirement plans	1,492	1,975
Equity-settled share-based payments	—	5,810
	<b>45,308</b>	<b>71,226</b>
<b>(b) Other items:</b>		
Auditors' remuneration	1,200	1,001
Cost of inventories	32,251	36,124
Depreciation of		
— property, plant and equipment	3,486	3,811
— right-of-use assets	2,390	2,628
Amortisation of intangible assets	1,625	1,625
Government grants	(8,744)	—
Exchange loss, net	227	8
Loss on disposal of property, plant and equipment, net	856	329
Research and development costs	1,512	1,602
Rent for special designated counters	8,835	32,032
	<b>8,835</b>	<b>32,032</b>
<b>(c) Finance costs:</b>		
Interest on bank borrowings	518	611
Interest on other borrowings	3,301	1,252
Interest on liability component of convertible bonds measured at amortised cost	4,504	5,477
Interest on promissory notes payables measured at amortised cost	—	961
	<b>8,323</b>	<b>8,301</b>
Total interest expenses from financial liabilities	8,323	8,301
Interest on lease liabilities	149	270
Interest on convertible bonds designated at fair value through profit and loss (“FVTPL”)	—	4,963
	<b>8,472</b>	<b>13,534</b>

## 6. TAXATION

	For the six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited and restated)
<b>CONTINUING OPERATIONS</b>		
<b>Current taxation</b>		
Hong Kong Profits Tax	3,461	2,185
<b>Underprovision in respect of prior years</b>		
Hong Kong Profits Tax	2,330	—
<b>Deferred tax</b>	<u>(722)</u>	<u>(322)</u>
	<b><u>5,069</u></b>	<b><u>1,863</u></b>

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%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessment profits above HK\$2 million.

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 both periods.

## 7. DISPOSAL OF SUBSIDIARIES

### Disposal of Star Root Group

On 10 September 2020, the Group resolved to dispose the entire equity interest of its wholly owned subsidiary, Star Root and its non-wholly owned subsidiary, Tenfok Asia Limited, to an independent third party for a total cash consideration of HK\$10,000. The transaction was completed on 10 September 2020.

The Group's share of net assets of Star Root Group at the date of disposal and the effect of disposal were as follows:

	<i>HK\$'000</i> (unaudited)
Consideration:	
Consideration receivable	10
	<u>10</u>
	<b>As at</b>
	<b>10 September</b>
	<b>2020</b>
	<i>HK\$'000</i> (unaudited)
Analysis of assets and liabilities over which control was lost:	
Right-of-use assets	33
Trade and other receivables	1,271
Bank overdrafts	(542)
Trade and other payables	(473)
Lease liabilities	(68)
	<u>221</u>
Net assets disposed of	<u>221</u>
Gain on disposal of subsidiaries:	
Consideration	10
Non-controlling interests	1,140
Net assets disposed of	(221)
	<u>929</u>
Gain on disposal	<u>929</u>

The (loss)/profit for the period from the discontinued operation is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the operations as a discontinued operation.

	<b>Period ended 10 September 2020 HK\$'000 (unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (unaudited and restated)
(Loss)/profit for the period	(443)	4,901
Gain on disposal of Star Root Group	<u>929</u>	<u>—</u>
	<b><u>486</u></b>	<b><u>4,901</u></b>

The results of the operation for the period from 1 April 2020 to 10 September 2020, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	<b>Period ended 10 September 2020 HK\$'000 (unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (unaudited and restated)
Revenue	2,294	8,325
Cost of sales	<u>(2,761)</u>	<u>(4,289)</u>
Gross (loss)/profit	(467)	4,036
Other income, gains and losses	528	1,576
Administrative expenses	(496)	(860)
Finance costs	<u>(8)</u>	<u>(16)</u>
(Loss)/profit before taxation	(443)	4,736
Taxation	<u>—</u>	<u>165</u>
(Loss)/profit for the period	<b><u>(443)</u></b>	<b><u>4,901</u></b>
(Loss)/profit for the period from discontinued operation includes the following:		
Auditor's remuneration	—	—
Other staff costs:		
— Salaries and other benefits	<u>1,886</u>	<u>2,929</u>

## Disposal of IAHGames

On 30 June 2020, the Group entered into an agreement to dispose of the entire equity interest of its non-wholly own subsidiary, IAHGames, to an independent third party for a fair value of consideration of HK\$4,651,000. The transaction was completed on 30 June 2020.

The Group's share of net liabilities of IAHGames at the date of disposal and the effect of disposal were as follows:

	<i>HK\$'000</i> (unaudited)
Fair value of consideration:	
Consideration received	3,200
Promissory note receivable	1,451
	<u>4,651</u>
	<u>4,651</u>
	As at 30 June 2020 <i>HK\$'000</i> (unaudited)
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	39
Goodwill	14,369
Trade and other receivables	38,886
Inventories	601
Cash and cash equivalents	312
Trade and other payables	(55,396)
	<u>(1,189)</u>
Net liabilities disposed of	<u>(1,189)</u>
Loss on disposal of subsidiary:	
Fair value of consideration	4,651
Non-controlling interests	(7,471)
Net liabilities disposed of	1,189
	<u>(1,631)</u>
Loss on disposal	<u>(1,631)</u>
Net cash inflow arising on disposal:	
Cash consideration received	3,200
Less: cash and cash equivalents disposed of	(312)
	<u>2,888</u>

The (loss)/profit for the period from the discontinued operation is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the operations as a discontinued operation.

	<b>Period ended 30 June 2020 HK\$'000 (unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (unaudited and restated)
(Loss)/profit for the period	(251)	3,893
Loss on disposal of IAHGames	<u>(1,631)</u>	<u>—</u>
	<b><u>(1,882)</u></b>	<b><u>3,893</u></b>

The results of the operation for the period from 1 April 2020 to 30 June 2020, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	<b>Period ended 30 June 2020 HK\$'000 (unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (unaudited and restated)
Revenue	6,084	67,386
Cost of sales	<u>(5,854)</u>	<u>(62,140)</u>
Gross profit	230	5,246
Other income, gains and losses	54	(11)
Administrative expenses	<u>(535)</u>	<u>(1,306)</u>
(Loss)/profit before taxation	(251)	3,929
Taxation	<u>—</u>	<u>(36)</u>
(Loss)/profit for the period	<b><u>(251)</u></b>	<b><u>3,893</u></b>
(Loss)/profit for the period from discontinued operation includes the following:		
Auditor's remuneration	—	—
Other staff costs:		
— Salary and other benefits	<u>415</u>	<u>1,064</u>

### Disposal of Empire Access Group

During the year ended 31 March 2020, the operation for online payment business through Empire Access Group was discontinued with effect from 27 March 2020. Accordingly, the results of the Empire Access Group for the six months ended 30 September 2019 have been separately presented as a discontinued operation in the condensed consolidated statement of profit or loss and other comprehensive income.

The results of the operation for the period from 1 April 2019 to 30 September 2019, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Six months ended 30 September 2019 <i>HK\$'000</i> (unaudited and restated)
Revenue	18,411
Cost of sales	<u>(4,880)</u>
Gross profit	13,531
Other income, gains and losses	174
Administrative expenses	(5,391)
Finance costs	<u>(29)</u>
Profit before taxation	8,285
Taxation	<u>(188)</u>
Profit for the period	<u><u>8,097</u></u>

## 8. DIVIDENDS

No dividend was paid, declared or proposed during both interim periods. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 9. LOSS PER SHARE

### From continuing operations

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

	For the six months ended 30 September	
	2020 (unaudited)	2019 (unaudited and restated)
<b>Loss (HK\$'000)</b>		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(67,183)	(30,534)
Less: Loss/(profit) for the period from discontinued operations	<u>1,166</u>	<u>(11,303)</u>
Loss for the purpose of basic loss per share from continuing operations	<u><u>(66,017)</u></u>	<u><u>(41,837)</u></u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><u>2,562,998,632</u></u>	<u><u>2,218,976,256</u></u>

### From continuing and discontinued operations

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

	For the six months ended 30 September	
	2020 (unaudited)	2019 (unaudited and restated)
<b>Loss (HK\$'000)</b>		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u><u>(67,183)</u></u>	<u><u>(30,534)</u></u>

The denominators used are the same as those detailed above for the basic loss per share from continuing operations.

### From discontinued operations

For the six months ended 30 September 2020, basic loss per share for the discontinued operations is HK0.05 cent per share (six months ended 30 September 2019: basic earnings per share of HK0.51 cent per share), based on the loss for the period from the discontinued operations of HK\$1,166,000 (six months ended 30 September 2019: profit for the period of HK\$11,303,000) and the denominators used is the same as those detailed above for basic loss per share.

For both interim periods, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and conversion of convertible bonds since their exercise and conversion would result in a decrease in loss per share.

## 10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Trade receivables	51,496	48,027
Less: Allowance for credit losses	<u>(506)</u>	<u>(1,357)</u>
	50,990	46,670
Other receivables	2,884	2,709
Prepayments	7,519	9,602
Utility and other deposits	<u>7,765</u>	<u>11,429</u>
	<u><b>69,158</b></u>	<u><b>70,410</b></u>
	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Analysis of trade and other receivables:		
Non-current portion	777	2,139
Current portion	<u>68,381</u>	<u>68,271</u>
	<u><b>69,158</b></u>	<u><b>70,410</b></u>

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 credit losses were as follows:

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
0–30 days	27,698	34,531
31–60 days	19,901	7,070
61–90 days	667	438
91–180 days	981	1,189
181–365 days	970	2,504
Over 365 days	773	938
	<u>50,990</u>	<u>46,670</u>

#### 11. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Trade payables	6,978	3,038
Salary and welfare payables	11,278	15,028
Accrued advertising expenses	2,667	5,899
Other payables and accruals	17,449	13,014
Interests payables on other borrowings	275	1,430
Interests payable on convertible bonds designated at FVTPL	—	4,180
	<u>38,647</u>	<u>42,589</u>

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

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
0–30 days	1,841	1,486
31–60 days	2,414	685
61–90 days	1,869	248
91–180 days	275	8
181–365 days	125	170
Over 365 days	454	441
	<u>6,978</u>	<u>3,038</u>

## 12. EVENTS AFTER THE END OF REPORTING PERIOD

- (a) Subsequent to the end of reporting period, on 12 October 2020, the Company and Shijiazhuang Yiling Pharmaceutical Co., Limited 石家莊以嶺藥業股份有限公司 (“**Yiling**”), an independent third party, which is principally engaged in the research and development, manufacturing and distribution of Chinese patent medicine, entered into a non-legally binding memorandum of understanding which sets out the intention of both parties in relation to the proposed cooperation on (i) establishment of an international e-commerce platform focusing on development international branding; (ii) optimization and merchandising of the products of the Company and Yiling; and (iii) establishment of Chinese medicine clinical network in the PRC and overseas (the “**Proposed Cooperation with Yiling**”).
- (b) Subsequent to the end of reporting period, on 27 October 2020, the Company and Sino Faour Holdings Limited 華精集團有限公司 (“**Sino Faour**”), an independent third party, entered into a cooperation agreement which sets out the proposed cooperation between the Company and Sino Faour in relation to the sales and marketing of the Group’s Chinese medicine, health and beauty supplements and products businesses in the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Proposed Cooperation with Sino Faour**”).
- (c) Subsequent to the end of reporting period, on 20 November 2020, Junten Technology Limited, a non-wholly owned subsidiary of the Company that is principally engaged in the online payment business of the Group, resolved to discontinue its online payment business and submitted a cessation of operating money service notices to the Custom and Excise Department of Hong Kong.

As at the date of this announcement, no legally-binding agreement has been entered into in relation to the Proposed Cooperation with Yiling and Proposed Cooperation with Sino Faour.

## 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 and provision of e-commerce promotion business. During the six months ended 30 September 2020 (“**Reporting Period**”), we had been facing a very tough time in Hong Kong which had been affected by the weaker performance of global economy under social unrest in Hong Kong since June 2019 and the pandemic environment started from the first quarter of 2020. Market sentiment in local retail market has also been further suppressed by the travel restrictions which discouraged the entry of tourists especially those from the PRC to Hong Kong whom contributed a very substantial part of our revenue.

Corporate restructuring started in the financial year 2019/2020 involving the disposal of several non-core businesses, such as online payment and game distribution businesses, not only resulted in health segment to be the core focus of development but also trimmed the unaudited revenue from continuing operation by over approximately HK\$33.1 million or 22.0% over the corresponding period of last year. The core health and beauty supplements and products business contributed approximately HK\$111.4 million or 94.8% of the Group’s unaudited revenue from continuing operation of approximately HK\$117.5 million (2019: HK\$150.6 million), total revenue whereas the other business accounted for approximately HK\$6.1 million or 5.2% during the Reporting Period.

The gross profit margin of the Group for the Reporting Period was approximately 72.2% (2019: 75.0%), representing a decrease of approximately 2.8 percentage points over the corresponding period of last year. Such decrease was mainly due to the product mix in health and beauty supplements and product segment.

The Group recorded a loss attributable to owners of the Company of approximately HK\$67.2 million for the Reporting Period as compared to approximately HK\$30.5 million of the same period in 2019, representing an increase of approximately HK\$36.7 million or 120.3% over the corresponding period of last year. The significant increase in the loss was primarily due to the impairment losses on interest in an associate and goodwill. Such losses are non-cash items recorded in the Reporting Period and have no material effect on the Group’s daily operations and cash flow.

## **Health and beauty supplements and products segment**

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

Due to the outbreak of novel coronavirus (“COVID-19”), the Hong Kong government has gradually tightened quarantine restrictions, leading to a sharp fall in tourist arrivals since early 2020. As a result, the total retail sales of Hong Kong suffered from devastating drops in the first nine months of 2020. This severely impacted the health and beauty supplements and products business line of the Group, especially to our special designated counters (“SDCs”). This segment recorded an aggregate revenue of approximately HK\$111.4 million for the Reporting Period (2019: HK\$146.6 million), representing an decrease of approximately HK\$35.2 million or 24.0% over the corresponding period of last year.

Revenue attributable to proprietary brands maintained at an increase of approximately 27.8% to approximately HK\$99.3 million for the Reporting Period (2019: HK\$77.7 million). The revenue attributable to the health supplements in proprietary brands increased by approximately HK\$18.6 million or 36.2% to approximately HK\$70.0 million for the Reporting Period (2019: HK\$51.4 million), which was attributable to increased domestic customers’ loyalty and their increasing demand to those health supplement and different scheduling of one day special promotion events of health supplements being held in the Reporting Period as compared with those hold in the corresponding period of last year. In the meantime the revenue attributable to beauty supplements and products increased by approximately HK\$3.0 million or 11.4% to approximately HK\$29.3 million for the Reporting Period (2019: HK\$26.3 million).

Revenue attributable to private label brands decreased by approximately HK\$48.7 million or 82.4% to approximately HK\$10.4 million for the Reporting Period (2019: HK\$59.1 million). The descend in revenue to private label brands was primarily due to the sharp fall in tourist arrivals, and the shutdown of SDCs located at tourist famous shopping area.

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

Owing to the decrease in turnover, the gross profit of this segment for the Reporting Period also experienced a decline to approximately HK\$81.4 million (2019: HK\$110.6 million). The gross margin ratio for the Reporting Period was approximately 73.1% (2019: 75.4%), representing a decrease of 2.3 percentage points from that of the corresponding period of last year.

The segment's selling and distribution expenses decreased in proportion to the decrease in segment turnover for the Reporting Period. A portion of the selling and distribution expenses were sales turnover driven, the decrease in turnover led to a corresponding decrease in commission paid to promoters. The selling and distribution expenses include, but not limited to, conducting digital marketing through bloggers and key opinion leaders in addition to the traditional marketing media.

The administrative expenses of this segment also decreased sharply for the Reporting Period, which was primarily due to continuous cost control measures by the Group, such as reduce the number of SDCs in order to reduce the related rental expenses, over the corresponding period of last year.

This segment has minimized the declining market impact of the outbreak of COVID-19 with various cost saving efforts. The segment profit of the health and beauty supplements and products segment before the deduction of HK\$7.1 million in respect of the impairment loss on goodwill of H365 Health Products Limited is approximately HK\$25.4 million. The profit generated by this segment increased by approximately HK\$9.0 million to approximately HK\$18.3 million (2019: HK\$9.3 million), representing an increase of approximately 96.8% over the corresponding period of last year. The Group remains predominant among the market players of the same industry despite the negative impact of the pandemic.

#### **Game distribution business segment**

On 30 June 2020, the Group completed the disposal of its 69.75% interest of IAHGames Hong Kong Limited (“IAHGames”) which is principally engaged in game distribution business. The board of directors (the “Board”) considered the financial performance of IAHGames since the completion of the acquisition thereof in February 2018 and the prevailing challenging operating environment due to the social unrest in Hong Kong since June 2019 and the COVID-19 outbreak, and believed that its growth prospects was limited. As mentioned previously, the Board therefore considered that the disposal will allow the Company to focus on the health and beauty supplements and products business, and will streamline the Company's existing business segments and operations, and sharpen the Company's strategic focus on its core business.

## Segment reporting

The details of segment revenue, results, assets and liabilities are set out in note 4 to the unaudited condensed consolidated financial statements in this announcement.

## Impairment losses

An independent professional valuer was engaged to perform impairment assessment on the goodwill and the interest in an associate. During the Reporting Period, the Group recorded impairment loss on goodwill approximately of HK\$10.2 million, of which HK\$7.1 million mainly come from H365 Health Products Limited due to the continuous negative effects by the novel coronavirus. The remaining HK\$3.1 million arising from e-commerce promotion business. In addition, impairment loss on interest in an associate of approximately HK\$35.6 million due to the novel coronavirus and the travel restriction imposed by the government in Hong Kong, it had a significant impact on tourist arrivals, which led to a significant decline in the operating performance of the sales of jewellery and precious metal ornaments in the shop located at Tsim Sha Tsui tourist area operated by the associate.

## FINANCIAL POSITION AND LIQUIDITY

As at 30 September 2020, cash and bank balances of the Group amounted to approximately HK\$27.0 million (as at 31 March 2020: HK\$57.2 million). The current ratio (current asset divided by current liabilities) of the Group was approximately 1.2 times as at 30 September 2020 (as at 31 March 2020: 1.2 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 216.5% as at 30 September 2020 (as at 31 March 2020: approximately 143.9%). 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.

## Convertible Bonds

On 4 October 2019, the Group issued convertible bonds in the aggregate principal amount of HK\$180.0 million (the “**2019 Convertible Bonds**”). The net proceeds from the placing of the 2019 Convertible Bonds amounted to approximately HK\$178.1 million have been fully utilised by the Group. The intended use of the net proceeds are as follows: (i) approximately 50.0% of the net proceeds in the amount of approximately HK\$89.1 million were used to redeem the outstanding principal amount of the convertible bonds issued in 2017, interest and other amounts accrued thereunder of approximately HK\$178.22 million; (ii) approximately 40.0% of the net proceeds in the amount of approximately HK\$71.2 million were 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 approximately HK\$17.8 million were used to replenish the Group's general working capital.

On 31 March 2020, 11 May 2020, 17 June 2020 and 17 July 2020, the Company partially redeemed the 2019 Convertible Bonds in the aggregate principal amount of HK\$85.0 million, HK\$23.0 million, HK\$8.0 million and HK\$8.0 million (the “**Partial Redemption**”), respectively. As at the date of this announcement, no 2019 Convertible Bond has been converted into conversion shares. Immediately after completion of the Partial Redemption, the 2019 Convertible Bonds in the aggregate principal amount of HK\$56.0 million remain outstanding. Please refer to the announcements of the Company dated 16 September 2019, 17 September 2019, 4 October 2019, 31 March 2020, 11 May 2020, 17 June 2020 and 17 July 2020 for details relating to the 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 as a going concern 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 2020, the Group had 247 employees (as at 31 March 2020: 267). For the Reporting Period, staff costs including the directors' of the Company (the “**Director(s)**”) remuneration from continuing operations was approximately HK\$45.3 million (2019: HK\$71.2 million).

## **MATERIAL ACQUISITIONS OR DISPOSALS**

Save as disclosed on note 7 to the unaudited condensed consolidated financial statements in this announcement, there were no material acquisitions or disposals of subsidiaries, associated companies and joint ventures during the period of review.

## **CHARGES ON ASSETS**

As at 30 September 2020, the Group had secured bank loans of approximately HK\$49.2 million (as at 31 March 2020: HK\$35.6 million). The banking facilities were secured by the Group's leasehold land and buildings and account receivable, having carrying amount of approximately HK\$93.1 million as at 30 September 2020 (as at 31 March 2020: HK\$74.5 million).

## **CAPITAL COMMITMENT**

As at 30 September 2020, the Group was committed to acquire certain property, plant and equipment for its e-commerce promotion business with a total amount of approximately HK\$0.14 million (31 March 2020: HK\$0.16 million).

## **INTERIM DIVIDEND**

The Board does not recommend any payment of an interim dividend for the Reporting Period (2019: Nil).

## **OUTLOOK**

### **Health and beauty supplements and products segment**

The ongoing COVID-19 pandemic continued to hamper spending and tourism, and have imposed devastating impact on the local retail market. Retail sales volume of Hong Kong in the third quarter of 2020 has been dropping. 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 adopted 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.

### **Collaboration with universities, quality assurance and internal compliance**

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 the commercialization and owned the intellectual property. Although the Group did not launch any product under the brand "LEGEND" in the Reporting Period but a new Innovation Technology Fund ("ITF") matching fund product, is currently under development and planned to be launched in the fourth quarter of 2020 or in the first quarter of 2021. In addition, our research and development lab in the Hong Kong

Science Park conduct stringent and regular internal compliance tests on our existing products further to strengthen our capabilities of quality control. Currently, every batch of our major key products are tested before launch to the market.

Moreover, the Group had research projects with the purpose of product development and strengthening the competitiveness of current products. The Group signed new contract with the Hong Kong University of Science and Technology R and D Corporation Limited in May 2020. This project focuses on the development of new product for topical use, and evaluation on functions of existing products.

### **New opportunities under the pandemic ecology**

As mentioned in the business and financial review, under the health and beauty supplements and products segment have experienced a remarkable growth of 27.8% rise in revenue of proprietary brands which implied a very strong growth of domestic consumption since the quarantine restrictions. The general public's boosting level in health awareness has been escalating and enhance a series of record-breaking sales in a variety of key products. Besides, the management believe that the 82.4% sales drop of private label brand "Health Proof" attributable to sharp fall of mainland inbound tourist consumption is expected to rebound following release of quarantine restrictions possibly by first quarter of 2021. The management is expecting to leverage on our brand penetration to extend online e-commerce platform in the future for driving our sales revenue.

### **New research and development and global strategic business partnership development**

The management also proactively seeking to upgrade our biotech research and development level by developing more intellectual properties through global partnership for future growth momentum.

Our first move is to partner with state-of-the-art technology company to explore anti-aging solutions to establish to new product line. The Group is planning to setup joint venture with Regenerative Biotech Limited ("**Regenerative Biotech**"), which located in the United States, agreed to develop a platform in researching and manufacturing anti-aging and healthcare products using artificial intelligence ("**AI**") and machine learning drug discovery technologies. By virtue of the leading AI machine learning and the latest technologies in computational chemistry of Regenerative Biotech, the Group expects that the joint venture company will help to upgrade the Group's biotech product mix and research and development portfolio together with rising profitability and bring long term value to the Group.

The second move is to cooperate with strategic partnership with one of China's top 20 pharmaceutical company to build from research and development, manufacturing to distribution channel in the PRC and Hong Kong. The Group and Shijiazhuang Yiling Pharmaceutical Co., Limited (石家莊以嶺藥業股份有限公司) ("**Shijiazhuang Yiling**

**Pharmaceutical**”) (SZSE Stock Code: 002603) has entered into the memorandum of understanding to cooperate in the research and development, formulation, sale and distribution of health and beauty supplement product and sale channel network, Shijiazhuang Yiling Pharmaceutical is a national innovative enterprise and one of the top 20 listed Chinese pharmaceutical enterprises that has penetrated over 400,000 pharmacies in the PRC. The cooperation is expected to help expand and promote the growth of the Group’s existing health and beauty supplements and products businesses in Greater Bay Area and raise the Group’s profitability and bring long term value to the Group.

## **EVENTS AFTER REPORTING PERIOD**

Save for the events set out in note 12 to the unaudited condensed consolidated financial statements in this announcement, 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:

### **Regulatory risks**

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

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

### **Prolonged economic downturn**

The Group’s health and beauty supplements and products business is closely related to the economic conditions of Hong Kong. Slowing economic growth or a recession may affect 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.

### **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.

### **Operational risk**

The Group's online businesses 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 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 to a large extent upon the Group's continued ability to offer its online businesses within this environment and to meet changing market requirements, including conformity with applicable standards.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Period (Period of six months ended 30 September 2019: 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Throughout the Reporting Period, the Company has fully complied with all code provisions of the Code except the deviation from the Code provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the Reporting Period and up to the date of this announcement, Mr. Wang Xihua, an executive Director, is the acting chairman of the Board and the acting chief executive officer of the Company since 1 April 2019.

Mr. Wang Xihua, the acting chairman of the Board and the acting chief executive officer of the Company, is responsible for providing leadership to the Board in terms of establishing policies and business directions. He ensures that the Board discharges its responsibilities effectively and all key issues are discussed by the Board timely. Mr. Wang is also responsible for the overall operations and the executive responsibilities of the Group and the full implementation of the directions and policies established by the Board. Although Mr. Wang serving as both the acting chairman of the Board and the acting chief executive officer of the Company is a deviation from the Code provision A.2.1, given Mr. Wang's extensive experience in the business of the Group, it is more efficient for Mr. Wang to perform both roles. It is also more favorable to the development and management of the Group's businesses. Moreover, all other members of the Board have the experience and expertise to ensure the balance of power and authority so that the power is not concentrated in any one individual. The Board is in the process of identifying suitable candidate with appropriate experience to act as the chairman of the Board and will make announcement thereon in due course in accordance with the Listing Rules.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (“MODEL CODE”)**

The Company has adopted the Model Code (amended from time to time) as set out in Appendix 10 of Listing Rules as the code of conduct regarding Directors’ 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 Reporting Period, 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 also been requested to comply with the provisions of the Model Code.

## **AUDIT COMMITTEE**

The audit committee of the Company (“**Audit Committee**”), is currently composed of the three independent non-executive Directors, namely Mr. LEUNG Winson Kwan Yau (Chairman), 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 external auditor had carried out a review of the condensed consolidated financial statements of the Group for the Reporting Period (the “**2020/2021 Interim Financial Information**”) 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. 2020/2021 Interim Financial Information has also been reviewed by the Audit Committee.

## **APPROVAL OF INTERIM REPORT**

The interim report and the unaudited interim condensed consolidated results of the Group for the Reporting Period were approved and authorised for issue by the Board on 30 November 2020.

**PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Company at *www.shunten.com.hk* and Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The 2020/2021 interim report will be published and despatched in the manner as required by the Listing Rules in due course.

By order of the Board  
**Shunten International (Holdings) Limited**  
**Wang Xihua**  
*Executive Director*

Hong Kong, 30 November 2020

*As at the date of this announcement, the executive Directors are Mr. WANG Xihua and Mr. LAI Wei Lam, William; and the independent non-executive Directors are Mr. LEUNG Winson Kwan Yau, Mr. TAM Kin Yip and Mr. LEUNG Man Loon.*