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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

FINANCIAL HIGHLIGHTS

	2021 HK\$'000	2020 HK\$'000 <i>(Restated)</i>
Continuing operations		
Revenue	223,147	303,854
Gross profit	161,448	229,909
Loss for the year attributable to owners of the Company	(127,377)	(139,690)
Loss per share attributable to owners of the Company <i>(expressed in HK cents)</i>		
From continuing and discontinued operations		
Basic	(4.97)	(5.91)
Diluted	(4.97)	(5.91)
From continuing operations		
Basic	(4.91)	(0.46)
Diluted	(4.91)	(0.46)

The board (the “**Board**”) of directors (the “**Directors**”) announces the audited consolidated results of Shunten International (Holdings) Limited (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”) for the year ended 31 March 2021, together with the comparative figures for the previous financial year. The audited consolidated results of the Group for the year ended 31 March 2021 were reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
CONTINUING OPERATIONS:			
REVENUE	4	223,147	303,854
Cost of sales		<u>(61,699)</u>	<u>(73,945)</u>
GROSS PROFIT		161,448	229,909
Other income, gains or losses		20,037	19,333
Selling and distribution expenses		(39,500)	(63,842)
Administrative expenses		(121,817)	(193,411)
Share of (loss)/profit of an associate		(11,689)	1,954
Loss on modification of promissory note receivable		(2,275)	—
Fair value change of an investment property		(2,000)	(4,630)
Fair value change of contingent consideration receivable		(28)	1,735
Fair value change of contingent consideration payables		—	55,336
Fair value change of promissory notes payable		—	9,966
Fair value change of convertible bonds		—	7,742
Impairment loss on promissory note receivable		(41,429)	—
Impairment loss on interest in an associate		(35,594)	(28,071)
Impairment loss on intangible assets		(1,728)	—
Impairment loss on goodwill		<u>(26,570)</u>	<u>(4,161)</u>
(LOSS)/PROFIT FROM OPERATIONS		(101,145)	31,860
Finance costs	6	<u>(15,180)</u>	<u>(37,187)</u>
LOSS BEFORE TAXATION	7	(116,325)	(5,327)
Taxation	8	<u>(7,770)</u>	<u>(5,424)</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		<u>(124,095)</u>	<u>(10,751)</u>
DISCONTINUED OPERATIONS:			
Loss for the year from discontinued operations	9	<u>(1,573)</u>	<u>(140,916)</u>
LOSS FOR THE YEAR		<u><u>(125,668)</u></u>	<u><u>(151,667)</u></u>

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000 (Restated)
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>510</u>	<u>792</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>510</u>	<u>792</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		<u>(125,158)</u>	<u>(150,875)</u>
Loss for the year attributable to owners of the Company:			
— from continuing operations		(126,010)	(10,966)
— from discontinued operations		<u>(1,367)</u>	<u>(128,724)</u>
Loss for the year attributable to owners of the Company		<u>(127,377)</u>	<u>(139,690)</u>
Profit/(loss) for the year attributable to non-controlling interests:			
— from continuing operations		1,915	214
— from discontinued operations		<u>(206)</u>	<u>(12,191)</u>
Profit/(loss) for the year attributable to non-controlling interests		<u>1,709</u>	<u>(11,977)</u>
		<u>(125,668)</u>	<u>(151,667)</u>
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(126,757)	(139,288)
Non-controlling interests		<u>1,599</u>	<u>(11,587)</u>
		<u>(125,158)</u>	<u>(150,875)</u>
Total comprehensive expense attributable to owners of the Company:			
— from continuing operations		(125,390)	(10,564)
— from discontinued operations		<u>(1,367)</u>	<u>(128,724)</u>
		<u>(126,757)</u>	<u>(139,288)</u>
Loss per share attributable to owners of the Company for the year:			
From continuing and discontinued operations			
— basic (<i>HK cents</i>)	11	<u>(4.97)</u>	<u>(5.91)</u>
— diluted (<i>HK cents</i>)	11	<u>(4.97)</u>	<u>(5.91)</u>
From continuing operations			
— basic (<i>HK cents</i>)	11	<u>(4.91)</u>	<u>(0.46)</u>
— diluted (<i>HK cents</i>)	11	<u>(4.91)</u>	<u>(0.46)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		74,738	83,459
Investment property		—	3,500
Right-of-use assets		2,876	3,668
Intangible assets		8,380	13,293
Goodwill		—	26,570
Interest in an associate		—	47,283
Prepayments and deposits	<i>12</i>	459	2,139
		86,453	179,912
Current assets			
Inventories		25,465	31,390
Trade and other receivables	<i>12</i>	57,717	68,271
Promissory note receivable		1,430	35,687
Contingent consideration receivable		—	1,735
Tax recoverable		611	3,759
Cash and cash equivalents		36,652	57,157
		121,875	197,999
Assets classified as held for sale		—	60,946
		121,875	258,945
Current liabilities			
Trade and other payables	<i>13</i>	28,254	42,589
Contract liabilities		407	617
Bank and other borrowings		92,281	96,088
Lease liabilities		1,511	3,513
Convertible bonds		52,587	—
Refund liabilities		1,145	1,258
Tax payable		3,419	2,418
		179,604	146,483
Liabilities associated with assets classified as held for sale		—	61,883
		179,604	208,366
Net current (liabilities)/assets		(57,729)	50,579
Total assets less current liabilities		28,724	230,491

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Other borrowings	7,000	—
Convertible bonds	—	94,999
Lease liabilities	1,527	217
Amounts due to non-controlling interests	60	60
Deferred tax liabilities	1,100	2,402
	<u>9,687</u>	<u>97,678</u>
Net assets	<u>19,037</u>	<u>132,813</u>
Equity		
Share capital	6,413	6,388
Reserves	14,641	136,325
	<u>21,054</u>	<u>142,713</u>
Equity attributable to owners of the Company		
Non-controlling interests	(2,017)	(9,900)
	<u>19,037</u>	<u>132,813</u>
Total Equity	<u>19,037</u>	<u>132,813</u>

NOTES

1. GENERAL INFORMATION

Shunten International (Holdings) Limited (the “**Company**”) is a public limited company incorporated and domiciled in the Cayman Islands as an exempted company with limited liability on 5 December 2011 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of principal place of business of the Company is 27/F, The Galaxy, 313 Castle Peak Road, Kwai Chung, Hong Kong.

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

During the current year, 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 agency 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 and the operation for online payment business through Junten Technology Limited (“**Junten**”) was discontinued with effect from 12 December 2020. Accordingly, the results of IAHGames for the period ended 30 June 2020 and the year ended 31 March 2020, the results of the Star Root Group for the period ended 10 September 2020 and the year ended 31 March 2020 and the results of Junten for the period ended 11 December 2020 and the year ended 31 March 2020 have been separately presented as discontinued operations in the 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 (collectively referred to as, the “**Empire Access Group**”) was discontinued with effect from 28 March 2020. Accordingly, the results of the Empire Access Group for the period ended 27 March 2020 have been separately presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

Details of the above discontinued operations are set out in Note 9.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on or after 1 April 2020 for the preparation of the 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 year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. 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 year had no impact on the consolidated financial statements.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

As at 31 March 2021, the Group has net current liabilities of HK\$57,729,000 and it incurred loss of HK\$125,668,000 for the year ended 31 March 2021. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements. Taking into account the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, existing banking facilities and successful restructuring of existing short-term bank borrowings, with a financial institution, to become a long-term other borrowing of HK\$100,000,000 with a maturity period of 18 months subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for a property and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment property which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. REVENUE

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

	For the year ended 31 March 2021		
	Health and beauty supplements and products business <i>HK\$'000</i>	E-commerce promotion business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Continuing operations			
Disaggregated by geographical locations of customers:			
Hong Kong (place of domicile)	210,461	11,806	222,267
Taiwan	—	345	345
Others	—	535	535
	<u>210,461</u>	<u>12,686</u>	<u>223,147</u>
Timing of revenue recognition:			
Point in time	210,461	8,968	219,429
Over time	—	3,718	3,718
	<u>210,461</u>	<u>12,686</u>	<u>223,147</u>

	For the year ended 31 March 2020 (Restated)		
	Health and beauty supplements and products business <i>HK\$'000</i>	E-commerce promotion business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Continuing operations			
Disaggregated by geographical locations of customers:			
Hong Kong (place of domicile)	294,888	7,838	302,726
Taiwan	—	62	62
Others	—	1,066	1,066
	<u>294,888</u>	<u>8,966</u>	<u>303,854</u>
Timing of revenue recognition:			
Point in time	294,888	6,899	301,787
Over time	—	2,067	2,067
	<u>294,888</u>	<u>8,966</u>	<u>303,854</u>

5. SEGMENT REPORTING

Information reported to the board of directors of the Company, being the Chief Operating Decision Maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s reportable segments under HKFRS 8 *Operating Segments* are as follows:

- Health and beauty supplements and products business: development, manufacturing and sales of health and beauty supplements and products and provision for Chinese medical consultation services.
- E-commerce promotion business: merchandise sales and provision for marketing services.

During the current year, the operation for game distribution business through IAHGames, the online advertising agency business through Star Root Group and the online payment business through Junten were discontinued and are presented as discontinued operations. Prior year segment disclosures have been re-presented.

During the year ended 31 March 2020, the operation for online payment business through Empire Access Group was discontinued and the online payment business was separately presented as a discontinued operation.

Details of the discontinued operations are further set out in Note 9.

(a) Segment revenue, results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance for the years ended 31 March 2021 and 2020 are set out below:

(i) Segment revenue and results

	For the year ended 31 March 2021		
	Health and beauty supplements and products business HK\$'000	E-commerce promotion business HK\$'000	Total from continuing operations HK\$'000
Continuing operations			
Segment revenue:			
Revenue from external customers	210,461	12,686	223,147
Segment results	22,229	(5,310)	16,919
Unallocated other income, gains or losses			8,558
Share of loss of an associate			(11,689)
Impairment loss on interest in an associate			(35,594)
Fair value change of contingent consideration receivable			(28)
Loss on modification of promissory note receivable			(2,275)
Fair value change of an investment property			(2,000)
Equity-settled share-based payments			(4,912)
Unallocated finance costs			(14,954)
Unallocated corporate expenses			(70,350)
Loss before taxation			(116,325)

	For the year ended 31 March 2020 (restated)		
	Health and beauty supplements and products business <i>HK\$'000</i>	E-commerce promotion business <i>HK\$'000</i>	Total from continuing operations <i>HK\$'000</i>
Continuing operations			
Segment revenue:			
Revenue from external customers	294,888	8,966	303,854
Segment results	<u>42,072</u>	<u>(4,584)</u>	37,488
Unallocated other income, gains or losses			16,550
Share of profit of an associate			1,954
Impairment loss on interest in an associate			(28,071)
Fair value change of contingent consideration receivable			1,735
Fair value change of contingent consideration payables			55,336
Fair value change of promissory notes payable			9,966
Fair value change of convertible bonds			7,742
Fair value change of an investment property			(4,630)
Equity-settled share-based payments			(7,100)
Unallocated finance costs			(37,135)
Unallocated corporate expenses			<u>(59,162)</u>
Loss before taxation			<u>(5,327)</u>

(ii) *Segment assets and liabilities*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment assets		
<i>Continuing operations</i>		
Health and beauty supplements and products business	98,450	141,550
E-commerce promotion business	5,089	12,071
	<hr/>	<hr/>
Total reportable segment assets	103,539	153,621
Unallocated assets	104,789	285,236
	<hr/>	<hr/>
Total consolidated assets	208,328	438,857
	<hr/>	<hr/>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment liabilities		
<i>Continuing operations</i>		
Health and beauty supplements and products business	16,889	21,310
E-commerce promotion business	1,936	2,948
	<hr/>	<hr/>
Total reportable segment liabilities	18,825	24,258
Unallocated liabilities	170,466	281,786
	<hr/>	<hr/>
Total consolidated liabilities	189,291	306,044
	<hr/>	<hr/>

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

- All assets are allocated to operating segments other than tax recoverable, investment property, interest in an associate, promissory notes receivable, contingent consideration receivable, unallocated intangible assets, unallocated cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.
- All liabilities allocated to operating segments other than deferred tax liabilities, tax payable, unallocated bank and other borrowings, convertible bonds, amounts due to non-controlling interests and other unallocated corporate liabilities as these liabilities are managed on a group basis.

(b) Geographical information

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

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

	2021		2020	
	Revenue from continuing operations <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i>	Revenue from continuing operations <i>HK\$'000</i> (restated)	Non-current assets <i>HK\$'000</i>
Hong Kong (place of domicile)	223,025	86,451	303,792	179,876
Taiwan	122	—	62	—
Other	—	2	—	36
	<u>223,147</u>	<u>86,453</u>	<u>303,854</u>	<u>179,912</u>

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Continuing operations		
Interest on bank borrowings	1,008	1,147
Interest on other borrowings	5,775	2,472
Interest on lease liabilities	261	441
Interest on liability component of convertible bonds measured at amortised cost	8,136	16,692
Interest on promissory notes payable measured at amortised cost	—	3,345
Total interest expenses on financial liabilities at amortised cost	15,180	24,097
Interest on convertible bonds at fair value through profit or loss	—	13,090
	<u>15,180</u>	<u>37,187</u>

7. LOSS BEFORE TAXATION

Loss before taxation from continuing operations is arrived at after charging the followings:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Continuing operations		
(a) Staff costs (including directors' emoluments):		
Salaries, allowances, and other benefits	80,076	118,828
Contributions to defined contribution retirement plans	2,801	3,603
Equity-settled share-based payments	4,912	7,100
	<u>87,789</u>	<u>129,531</u>
(b) Other items:		
Auditors' remuneration	1,950	1,685
Cost of inventories	61,147	73,393
Depreciation charge:		
— property, plant and equipment	5,725	6,710
— right-of-use assets	3,951	5,041
Amortisation of intangible assets	3,185	3,241
Research and development costs (included in administrative expenses)	3,662	3,962
Rent for special designated counters	17,286	51,884
Impairment losses under expected credit loss model:		
— trade receivables	1,346	206
— deposits	—	1,000
— other receivables	76	—
— promissory note receivable	41,429	—
	<u>41,429</u>	<u>—</u>

8. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Continuing operations		
Current tax		
Hong Kong Profits Tax	7,499	6,806
Underprovision/(overprovision) in respect of prior years		
Hong Kong Profits Tax	1,224	(29)
Deferred tax	<u>(953)</u>	<u>(1,353)</u>
	<u>7,770</u>	<u>5,424</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\$2,000,000 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 directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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% for both years.

For the years ended 31 March 2021 and 2020, no provision for PRC EIT has been made in the consolidated financial statements as the Group has no assessable profits under EIT.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. DISCONTINUED OPERATIONS

(a) Disposal of Star Root Group

On 10 September 2020, the Group resolved to dispose of 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 loss for the period/year from the discontinued online advertising agency business is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the operation as a discontinued operation.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the period/year from discontinued online advertising agency business	(443)	(43,684)
Gain on disposal of Star Root Group	929	—
	<u>486</u>	<u>(43,684)</u>

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

	Period from 1 April 2020 to 10 September 2020 <i>HK\$'000</i>	Year ended 31 March 2020 <i>HK\$'000</i>
Revenue	2,294	13,597
Cost of sales	<u>(2,761)</u>	<u>(7,938)</u>
Gross (loss)/profit	(467)	5,659
Other income, gains or losses	528	—
Administrative expenses	(497)	(838)
Finance costs	(7)	(27)
Impairment loss on intangible assets	—	(21,064)
Impairment loss on goodwill	<u>—</u>	<u>(31,214)</u>
Loss before taxation	(443)	(47,484)
Taxation	<u>—</u>	<u>3,800</u>
Loss for the period/year	<u><u>(443)</u></u>	<u><u>(43,684)</u></u>
Loss for the period/year from discontinued operation includes the following:		
Staff costs (including directors' emoluments):		
— Salaries, allowances and other benefits	1,805	5,539
— Contribution to defined contribution retirement plans	<u>82</u>	<u>239</u>
	<u><u>1,887</u></u>	<u><u>5,778</u></u>

(b) Disposal of IAHGames

On 30 June 2020, the Group entered into sales and purchase agreement to dispose of its 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, of which IAHGames is engaged in game distribution business. The transaction was completed on 30 June 2020.

The loss for the period/year from the discontinued game distribution business is set out below.

	2021 HK\$'000	2020 HK\$'000
Loss of IAHGames for the period/year from discontinued game distribution business	(251)	(33,396)
Loss on disposal of IAHGames	(1,631)	—
	(1,882)	(33,396)

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

	Period from 1 April 2020 to 30 June 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Revenue	6,084	113,410
Cost of sales	(5,854)	(103,848)
Gross profit	230	9,562
Other income, gains or losses	54	(171)
Administrative expenses	(535)	(2,595)
Impairment loss on trade receivables	—	(30,002)
Impairment loss on goodwill	—	(10,192)
Loss before taxation	(251)	(33,398)
Taxation	—	2
Loss for the period/year	(251)	(33,396)
Loss for the period/year from discontinued operation includes the following:		
Staff costs (including directors' emoluments):		
— Salaries, allowances and other benefits	402	1,920
— Contributions to defined contribution retirement plans	13	65
	415	1,985

(c) Disposal of Junten

On 11 December 2020, the Group entered into the sales and purchase agreement to dispose of the 60% equity interest of Junten to an independent third party for a fair value of consideration of HK\$111,000, of which Junten is engaged in online payment business. The transaction was completed on 11 December 2020.

The loss for the period/year from discontinued online payment business is set out below:

	2021 HK\$'000	2020 HK\$'000
Loss of Junten for the period/year from discontinued online payment business	(222)	(2,555)
Gain on disposal of Junten	45	—
	(177)	(2,555)

The results of Junten for the period from 1 April 2020 to 11 December 2020, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period from 1 April 2020 to 11 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Revenue	202	679
Cost of sales	(163)	(536)
Gross profit	39	143
Other income, gains or losses	63	(227)
Administrative expenses	(671)	(2,577)
Finance costs	(2)	(9)
Loss before taxation	(571)	(2,670)
Taxation	349	115
Loss for the period/year	(222)	(2,555)
Loss for the period/year from discontinued operation includes the following:		
Staff costs (including directors' emoluments):		
— Salaries, allowances and other benefits	—	873
— Contributions to defined contribution retirement plans	—	38
	—	911

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

From continuing operations

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	(127,377)	(139,690)
Less: Loss for the year from discontinued operations	<u>1,367</u>	<u>128,724</u>
Loss for the purpose of basic loss per share from continuing operations	<u>(126,010)</u>	<u>(10,966)</u>
	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,563,952</u>	<u>2,364,155</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:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(127,377)</u>	<u>(139,690)</u>

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

From discontinued operations

For the year ended 31 March 2021, basic loss per share for the discontinued operation is HK0.05 cents per share (2020: HK5.44 cents per share), based on the loss for the year from the discontinued operations of HK\$1,367,000 (2020: HK\$128,724,000) and the denominators used are the same as those detailed above for basic loss per share from continuing operations.

For both 2020 and 2021, the computation of diluted loss per share does not assume 1) the conversion of the Company's convertible bonds since their assumed exercise would result in a decrease in loss per share from continuing operations; and 2) the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares.

12. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	44,743	48,027
Less: Allowance for credit losses	<u>(1,714)</u>	<u>(1,357)</u>
	43,029	46,670
Other receivables	4,115	2,515
Prepayments	5,234	9,602
Utility, trade and other deposits	6,694	12,429
Right-of-return assets	180	194
Less: Allowance for credit losses	<u>(1,076)</u>	<u>(1,000)</u>
	<u>58,176</u>	<u>70,410</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Analysis of trade and other receivables:		
Non-current portion	459	2,139
Current portion	<u>57,717</u>	<u>68,271</u>
	<u>58,176</u>	<u>70,410</u>

As at 1 April 2020, trade receivables from contracts with customers amounted to HK\$46,670,000.

The Group generally allows credit period ranging from 0 to 90 days.

The following is an ageing analysis of trade receivables (net of allowance for credit losses) based on the date of revenue recognition.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	31,990	34,531
31–60 days	8,920	7,070
61–90 days	255	438
91–180 days	510	1,189
181–365 days	526	2,504
Over 365 days	828	938
	<u>43,029</u>	<u>46,670</u>

13. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	4,767	3,038
Salary and welfare payables	7,291	15,028
Accrued advertising expenses	1,754	5,899
Other payables and accruals	12,961	13,014
Interest payable on bank and other borrowings	1,481	1,430
Interest payable on liability component of convertible bonds measured at amortised cost	—	4,180
	<u>28,254</u>	<u>42,589</u>

The credit period on trade payable is ranging from 0 to 90 days.

The following is an ageing analysis of trade payables based on invoice date.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	1,245	1,486
31–60 days	1,495	685
61–90 days	1,123	248
91–180 days	369	8
181–365 days	201	170
Over 365 days	334	441
	<u>4,767</u>	<u>3,038</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in the sales, marketing and distribution of health and beauty supplements and products in Hong Kong and provision of e-commerce promotion business. During the year ended 31 March 2021 (the “**Reporting Period**”), we had been facing a very challenging year in Hong Kong which had been affected by the weaker performance of global economy and social unrest in Hong Kong since June 2019 and also the outbreak of novel coronavirus (“**COVID-19**”) globally in first quarter of 2020.

For the Reporting Period, the Group recorded revenue from continuing operations of approximately HK\$223.1 million (2020: HK\$303.9 million), representing a decrease of approximately HK\$80.8 million or 26.6% when compared to the corresponding period of last year. Revenue from the core business, health and beauty supplements and products segment, contributed approximately HK\$210.5 million. Meanwhile, E-commerce promotion business contributed approximately HK\$12.6 million to the revenue of the Group for the Reporting Period.

The gross profit margin of the continuing operation of the Group for the Reporting Period was approximately 72.4% (2020: 75.7%), representing a decrease of approximately 3.3 percentage points over the corresponding period of last year.

2020 had been a very tough and unprecedented year in human history. Worldwide coverage of pandemic threat plus the implementation of global lockdown measures jointly contributed to economic slowdown and change in global consumption pattern.

Even though China has been recovering rapidly under the pandemic control environment, the overseas and Hong Kong SAR markets are still under severe detrimental impact yet to be resolved on the public health and economic sides. The Hong Kong domestic consumption ecology has been changing from dominance of mainstream traditional offline retail channels to robust growing proportion of online consumption. These changes have been nurtured especially whenever “work-from-home” arrangement was widely adopted throughout 2020 and 2021.

Retail segment covering health and beauty supplements and products is also damaged. Cross border consumption figures dropped severely under the Hong Kong Compulsory Quarantine Arrangement for inbound travellers is fully implemented since first quarter of 2020.

Health and beauty supplements and products segment

Revenue of health and beauty supplements and products segment

As at 31 March 2021, the Group sold and distributed 73 (2020: 75) health supplements and 11 (2020: 12) beauty supplements and products under its proprietary brands; 56 (2020: 55) health supplements under the distribution facilitator's private label brands; and 15 (2020: 17) health supplements under trading of goods.

The following table sets forth the breakdown of revenue by product categories for the two years ended 31 March 2021:

Categories	For the year ended 31 March			
	2021		2020	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Health supplements	164,803	78.3%	255,024	86.5%
Beauty supplements and products	45,262	21.5%	39,165	13.3%
Others	396	0.2%	699	0.2%
Total	<u>210,461</u>	<u>100.0%</u>	<u>294,888</u>	<u>100.0%</u>

The health and beauty supplements and products segment recorded a revenue of approximately HK\$210.5 million for the Reporting Period (2020: HK\$294.9 million), representing a decrease of approximately HK\$84.4 million or 28.6% when compared to the previous year.

Revenue attributable to health supplements decreased by approximately HK\$90.2 million or 35.4% to approximately HK\$164.8 million (2020: HK\$255.0 million), while revenue attributable to beauty supplements and products increased by approximately HK\$6.1 million or 15.6% to HK\$45.3 million (2020: HK\$39.2 million).

For the Reporting Period, the top 4 best-selling products were Royal Medic No.1 Chinese Cs-4, RM Broken Ganoderma Spore, Melty Enzyme and Royal Medic Pure Chicken Essence, which in aggregate contributed approximately HK\$121.2 million or 57.6% of the segment's total revenue.

For the year ended 31 March 2020, the top 4 best-selling products were Royal Medic No.1 Chinese Cs-4, RM Broken Ganoderma Spore, Melty Enzyme and Royal Medic Pure Chicken Essence, which in aggregate contributed approximately HK\$109.6 million or 37.2% of the segment's total revenue.

Revenue by sales and distribution channels

The following table sets forth the breakdown of the health and beauty supplements and products segment's revenue by distribution channels for the two years ended 31 March 2021:

	For the year ended 31 March			
	2021		2020	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Shelves in the Distribution				
Facilitator's stores	161,352	76.7%	155,406	52.7%
SDCs located in the Distribution				
Facilitator's stores	39,432	18.7%	119,612	40.6%
Other distribution channels (<i>Note 1</i>)	8,687	4.1%	1,959	0.7%
Hong Kong Brands and Products				
Expo	594	0.3%	17,212	5.8%
Others (<i>Note 2</i>)	396	0.2%	699	0.2%
Total	<u>210,461</u>	<u>100.0%</u>	<u>294,888</u>	<u>100.0%</u>

Note 1: "Other distribution channels" mainly includes online channel, the Wisdom Club, wholesalers, and Royal Medic Chinese Medicine Clinics.

Note 2: "Others" mainly represents service income.

As at 31 March 2021, the Group had 23 (2020: 18) Royal Medic SDCs, 34 (2020: 47) Health Proof SDCs and Nil (2020: 27) H365 SDCs in distribution facilitators' stores in Hong Kong.

Due to the outbreak of COVID-19, the Hong Kong government's tightened quarantine arrangement, leading to a sharp fall in tourist arrivals since early 2020. Consequently, tourists spending is effectively vanished. With growing fears over the spread of COVID-19, local consumers are avoiding to go out for shopping in order to minimise the risk of COVID-19 spreading in the community. This severely impacted the health and beauty supplements and products business line in Hong Kong, especially to our special designated counters ("SDC's") which are basically rely on cross border free individual traveler. As a result, the revenue attributable to the SDCs located in the Distribution Facilitator's stores decreased by approximately 67.0%.

On the other hand, the revenue attributable to the shelves in the Distribution Facilitator's stores showed an unexpected growth of domestic consumption due to rising awareness of health consciousness has boosted our key products to another level of record-breaking sales.

Revenue by geographical locations

100.0% of the revenue during the Reporting Period was contributed by the Hong Kong market.

100.0% of the revenue during the year ended 31 March 2020 was contributed by the Hong Kong market.

Results of health and beauty supplements and products segment

The following table sets forth the breakdown of the health and beauty supplements and products segment's gross profit and gross profit margin by operating segments for the two years ended 31 March 2021:

	For the year ended 31 March			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Health supplements				
Proprietary brands	104,311	74.7%	113,207	75.4%
Private label brands	15,427	69.2%	73,710	82.1%
Trading of goods	2,112	72.4%	11,353	75.1%
	<u>121,850</u>	<u>73.9%</u>	<u>198,270</u>	<u>77.7%</u>
Beauty supplements and products				
Proprietary brands	<u>31,360</u>	<u>69.3%</u>	<u>26,810</u>	<u>68.5%</u>
Others	<u>359</u>	<u>90.9%</u>	<u>516</u>	<u>73.8%</u>
Total	<u><u>153,569</u></u>	<u><u>73.0%</u></u>	<u><u>225,596</u></u>	<u><u>76.5%</u></u>

Owing to the decrease in the segment turnover, the gross profit of the health and beauty supplements and products segment for the Reporting Period was approximately HK\$153.6 million (2020: HK\$225.6 million), representing a decrease of 31.9% over the previous year. The gross profit margin of the health and beauty supplements and products segment for the Reporting Period decreased to 73.0% (2020: 76.5%). The decrease in gross profit margin was mainly attributed to the change in sales composition.

The selling and distribution expenses principally consist of (i) advertising and promotion expenses for advertisements through various channels including traditional marketing media, digital marketing through KOLs (key opinion leaders) as well as engagement of artistes to endorse the Group's products as brand ambassadors; (ii) commission paid to

sales promoters; and (iii) exhibition expenses. The selling and distribution expenses decreased by approximately HK\$24.3 million or 38.1% to approximately HK\$39.5 million for the Reporting Period (2020: HK\$63.8 million). Such decrease was in line with the decrease in segment turnover during the Reporting Period.

The administrative expenses of this segment also decreased sharply by approximately HK\$47.3 million or 37.2% to approximately HK\$80.0 million for the Reporting Period (2020: HK\$127.3 million) 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 last year.

Management 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 after the deduction of HK\$24.1 million (2020: HK\$Nil) in respect of the impairment loss on goodwill and intangible assets of H365 Health Products Limited, CJ Pharmaceutical Limited and CV Virtue Limited (collectively known as “**H365 Group**”) is approximately HK\$22.2 million (2020: HK\$42.1 million). The segment profit before deduction of impairment loss on goodwill and intangible assets generated by this segment increased by approximately HK\$4.2 million to approximately HK\$46.3 million (2020: HK\$42.1 million), representing an increase of approximately 10.0% 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 Group to focus on the health and beauty supplements and products business. Such move will streamline the Company’s existing business segments and operations, and sharpen the Group’s strategic focus on its core business.

Segment reporting

The particulars of segment revenue, results, assets and liabilities are set out in note 5 to the audited consolidated financial statements in this announcement.

Equity-settled share-based payments

During the Reporting Period, the Group recognised a total expense of approximately HK\$4.9 million (2020: HK\$7.1 million) in relation to the share options granted by the Company.

Impairment losses

An independent professionally qualified valuer was engaged to perform impairment assessments on the goodwill and the interest in an associate. During the Reporting Period, the Group recorded impairment losses on goodwill and intangible assets in amounted of approximately of HK\$26.6 million and HK\$1.7 million, respectively, of which HK\$24.1 million mainly come from H365 Group due to the continuous negative effects by the COVID-19. The remaining impairment loss on goodwill of approximately HK\$4.2 million is arising from e-commerce promotion business. In addition, impairment loss on interest in an associate of approximately HK\$35.6 million was due to the COVID-19 and the compulsory quarantine arrangement for inbound travellers imposed by the government in Hong Kong. The compulsory quarantine arrangement for inbound travellers 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.

Loss for the year

As a result of the foregoing factors, the Group's loss amounted to approximately HK\$125.7 million during the Reporting Period (2020: HK\$151.7 million). The Group's loss attributable to the owners of the Company amounted to approximately HK\$127.4 million for the Reporting Period (2020: HK\$139.7 million).

Disclaimer

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

FINANCIAL POSITION AND LIQUIDITY

As at 31 March 2021, cash and bank balances of the Group amounted to approximately HK\$36.7 million (2020: HK\$57.2 million) and the current ratio (current assets divided by current liabilities) of the Group was approximately 0.7 times as at 31 March 2021 (2020: 1.2 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 798.1% as at 31 March 2021 (2020: 143.9%). The increase in gearing ratio was primarily due to the decrease in total equity during the Reporting Period. In view of the Group's current level of cash and bank balances, funds generated

internally from operations and the unutilised banking facilities available, the Board is confident that the Group will have sufficient resources to meet its financial needs for its operations. As at 31 March 2021, the Group had unutilised general banking facilities of approximately HK\$1.2 million (2020: HK\$1.1 million).

Convertible Bonds

Use of Proceeds from issue of 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 the year of 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.

Redemption of 2019 Convertible Bonds

On 31 March 2020, 11 May 2020, 17 June 2020, 17 July 2020, 4 February 2021, 15 March 2021, 1 April 2021 and 10 June 2021, 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, HK\$8.0 million, HK\$2.0 million, HK\$3.0 million, HK\$5.0 million and HK\$5.0 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\$41.0 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, 17 July 2020, 4 February 2021, 17 March 2021, 1 April 2021 and 10 June 2021 for the details relating to the 2019 Convertible Bonds.

CAPITAL MANAGEMENT

The Group's objectives in managing capital are to ensure that entities in the Group will be able to continue as a going concern while 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 31 March 2021, the Group had 188 employees (2020: 267). For the Reporting Period, staff costs including directors' remuneration from continuing operations was approximately HK\$87.8 million (2020: HK\$129.5 million).

REMUNERATION POLICY

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

OUTLOOK

Health and beauty supplements and products segment

The ongoing COVID-19 pandemic continued to hamper spending and tourism, and have imposed devastating impact on the local retail market. 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 coming financial years.

Given the rising rate of COVID-19 vaccination in the Hong Kong population and global travel policy release, we anticipate the return of free individual traveller consumption may boost up our SDCs sales. On the other hand, the management is proactively planning for cross border and online solutions to explore the retail market in other regions in Asia.

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. The Group has launched a new product: Liver Plus Capsule in the Reporting Period. Besides, a new Innovation Technology Fund ("ITF") matching fund product, is currently under development and planned to be launched in the fourth quarter of 2021 or in the first quarter of 2022. 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 evaluation on functions of existing products.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in note 9 to the audited consolidated financial statements and elsewhere in this announcement, there was no other material acquisition and disposal of subsidiaries, associated companies and joint ventures during the Reporting Period.

FOREIGN EXCHANGE EXPOSURE

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

CHARGES ON ASSETS

As at 31 March 2021, the Group had secured bank loans and term loans of approximately HK\$62.3 million (2020: HK\$35.6 million) and HK\$9.0 million (2020: HK\$33.0 million), respectively. The banking facilities and term loans are secured by the Group’s leasehold land and buildings and account receivable, having carrying amount of approximately HK\$111.4 million as at 31 March 2021 (2020: HK\$74.5 million).

EVENTS AFTER REPORTING PERIOD

There is no significant event occurring after the Reporting Period up to the date of this announcement.

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

Industry and technological changes

The Group's e-commerce promotion business 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 e-commerce promotion business within this environment and to meet changing market requirements, including conformity with applicable standards.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2021 (2020: Nil).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividends for the Reporting Period (2020: Nil).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 19 August 2021 to Tuesday, 24 August 2021, both dates inclusive, for the purpose of determining the shareholders' eligibility to attend and vote at the annual general meeting of the Company to be held on Tuesday, 24 August, 2021 (the "**2021 AGM**") and during which no transfer of shares of the Company will be effected. In order to qualify for attendance of 2021 AGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 18 August 2021.

CORPORATE GOVERNANCE PRACTICES

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

Code provision A.2.1 stipulates that the roles of chairman of the Board and chief executive officer of the Company 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 REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPETING INTEREST

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

AUDIT COMMITTEE

The Audit Committee has been established in compliance with Rule 3.21 of the Listing Rules and comprises three members, namely Mr. Leung Winson Kwan Yau (*Chairman*), Mr. Tam Kin Yip and Mr. Leung Man Loon, all are independent non-executive Directors.

The Audit Committee has reviewed the consolidated financial results of the Group for the Reporting Period.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("**Deloitte**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on

Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on this preliminary announcement.

INDEPENDENT AUDITOR'S REPORT

The Group's auditor has issued an unmodified opinion with an Other Matter section in the independent auditor's report in connection with the audit of the consolidated financial statements of the Group for the year ended 31 March 2021. The extract of the independent auditor's report in relation to the Other Matter section is set out below:

Other Matter

The consolidated financial statements of the Group for the year ended 31 March 2020 were audited by another auditor, who expressed an unqualified opinion on those statements on 29 June 2020.

PUBLICATION OF THE ANNUAL RESULT ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the respective websites of the Company (www.shunten.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2020/2021 Annual Report and the notice of 2021 AGM will be published and despatched in the due course and in the manner as required by the Listing Rules.

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

Hong Kong, 29 June 2021

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.