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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 2021

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Continuing operations:		
Revenue	95,746	117,355
Gross profit	64,687	84,828
Loss for the period attributable to owners of the Company	(57,868)	(67,183)
Loss per share <i>(expressed in HK cents per share)</i>		
From continuing and discontinued operations		
– Basic	(2.18)	(2.62)
– Diluted	(2.18)	(2.62)
From continuing operations		
– Basic	(2.18)	(2.53)
– Diluted	(2.18)	(2.53)

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 2021 (the “**Reporting Period**”) are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		For the six months ended 30 September	
	<i>Notes</i>	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited and restated)
CONTINUING OPERATIONS			
REVENUE	3	95,746	117,355
Cost of revenue		(31,059)	(32,527)
GROSS PROFIT		64,687	84,828
Other income, gains or losses		5,233	12,551
Selling and distribution expenses		(16,505)	(21,871)
Administrative expenses		(45,341)	(64,907)
Share of profit/(loss) of an associate		18	(11,689)
Reversal of impairment loss on promissory note receivable		4,000	–
Fair value change of derivative financial instrument		(55,402)	–
Impairment loss on intangible assets		(4,907)	–
Impairment loss on interests in an associate		–	(35,594)
Impairment loss on goodwill		–	(10,222)
Fair value change of an investment property		–	(2,000)
Loss on modification of promissory note receivable		–	(2,275)
LOSS FROM OPERATIONS		(48,217)	(51,179)
Finance costs	5(c)	(8,780)	(8,471)
LOSS BEFORE TAXATION	5	(56,997)	(59,650)
Taxation	6	(1,087)	(5,418)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(58,084)	(65,068)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	7	–	(3,259)

		For the six months ended 30 September	
		2021 HK\$'000	2020 HK\$'000 (unaudited and restated)
		(unaudited)	
LOSS FOR THE PERIOD		(58,084)	(68,327)
OTHER COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>(155)</u>	<u>266</u>
OTHER COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD		<u>(155)</u>	<u>266</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		<u>(58,239)</u>	<u>(68,061)</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– from continuing operations		(57,868)	(64,899)
– from discontinued operations		<u>–</u>	<u>(2,284)</u>
		<u>(57,868)</u>	<u>(67,183)</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS			
– from continuing operations		(216)	(169)
– from discontinued operations		<u>–</u>	<u>(975)</u>
		<u>(216)</u>	<u>(1,144)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(58,086)	(66,765)
Non-controlling interests		<u>(153)</u>	<u>(1,296)</u>
		<u>(58,239)</u>	<u>(68,061)</u>
LOSS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS			
– Basic (HK cents)	9	(2.18)	(2.62)
– Diluted (HK cents)	9	<u>(2.18)</u>	<u>(2.62)</u>
LOSS PER SHARE FROM CONTINUING OPERATIONS			
– Basic (HK cents)	9	(2.18)	(2.53)
– Diluted (HK cents)	9	<u>(2.18)</u>	<u>(2.53)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		72,453	74,738
Right-of-use assets		3,480	2,876
Interests in associates	10	66,705	–
Intangible assets		2,224	8,380
Prepayments and deposits	11A	450	459
		<u>145,312</u>	<u>86,453</u>
CURRENT ASSETS			
Inventories		19,213	25,465
Trade and other receivables	11A	52,332	57,717
Promissory note receivable	11B	551	1,430
Tax recoverable		265	611
Cash and cash equivalents		31,307	36,652
		<u>103,668</u>	<u>121,875</u>
CURRENT LIABILITIES			
Trade and other payables	12	18,777	28,254
Tax payable		3,194	3,419
Bank and other borrowings		33,527	92,281
Convertible bonds		5,242	52,587
Lease liabilities		2,323	1,511
Contract liabilities		375	407
Refund liabilities		1,547	1,145
		<u>64,985</u>	<u>179,604</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>38,683</u>	<u>(57,729)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>183,995</u>	<u>28,724</u>

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
NON-CURRENT LIABILITIES		
Other borrowings	100,000	7,000
Lease liabilities	1,336	1,527
Amounts due to non-controlling interests	60	60
Deferred tax liabilities	74	1,100
	<u>101,470</u>	<u>9,687</u>
NET ASSETS	<u>82,525</u>	<u>19,037</u>
EQUITY		
Share capital	7,695	6,413
Reserves	<u>77,000</u>	<u>14,641</u>
Equity attributable to owners of the Company	84,695	21,054
Non-controlling interests	<u>(2,170)</u>	<u>(2,017)</u>
TOTAL EQUITY	<u>82,525</u>	<u>19,037</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 2021 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 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

On 12 August 2021, the Group has entered into a sale and purchase agreement to purchase 43.05% of equity interest of Aggressive Resources Limited (“**Aggressive Resources**”) for a total consideration of approximately HK\$66,687,000, which is settled by the Company allotting and issuing 512,982,240 of share capital at HK\$0.13 per share. Upon the completion of the acquisition on 31 August 2021, Aggressive Resources has become an associate of the Company and the details are set out in Note 10.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for 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 certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

2.1 Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual periods beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim 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 the condensed consolidated financial statements.

2.2 Potential impact of application of the June 2021 International Financial Reporting Standards Interpretations Committee's (the "Committee") agenda decision – Costs necessary to sell inventories

In June 2021, the Committee, through its agenda decision clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental to a particular sale.

As at 30 September 2021, the Group is still in the process of assessing the potential impact and has yet to implement the change in accounting policy based on the Committee's agenda decision. The impacts on such change, if any, will be disclosed in the Group's future consolidated financial statements.

2.3 Accounting policies 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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

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 2021 (unaudited)		
	Health and beauty supplements and products business HK\$'000	E-commerce promotion business HK\$'000	Total HK\$'000
Disaggregated by geographical locations of customers:			
Hong Kong (place of domicile)	91,047	4,396	95,443
Taiwan	–	299	299
Others	–	4	4
	<u>91,047</u>	<u>4,699</u>	<u>95,746</u>
Timing of revenue recognition:			
Point in time	91,047	3,111	94,158
Over time	–	1,588	1,588
	<u>91,047</u>	<u>4,699</u>	<u>95,746</u>

	For the six months ended 30 September 2020 (unaudited and 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>
Disaggregated by geographical locations of customers:			
Hong Kong (place of domicile)	111,372	5,841	117,213
Taiwan	–	127	127
Others	–	15	15
	<u>111,372</u>	<u>5,983</u>	<u>117,355</u>
Timing of revenue recognition:			
Point in time	111,372	4,632	116,004
Over time	–	1,351	1,351
	<u>111,372</u>	<u>5,983</u>	<u>117,355</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.

- 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 of marketing services.

During the year ended 31 March 2021, the Group completed the disposal of the operation for online payment business through Junten Technology Limited (“**Junten**”). As a result, the operation for online payment business through Junten was discontinued with effective from 11 December 2020, this is described in more details in Note 7. The segment information reported in this note does not include any amounts for the discontinued operation of online payment business through Junten. The comparative figures in this note have been restated to conform to the current period's presentation.

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.

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

(i) **Segment revenue and results**

Continuing operations

For the six months ended 30 September 2021			
(unaudited)			
	Health and beauty supplements and products business HK\$'000	E-commerce promotion business HK\$'000	Total HK\$'000
Segment revenue:			
Revenue from external customers	91,047	4,699	95,746
Segment results	11,146	(2,112)	9,034
Unallocated other income, gains or losses			5,346
Share of profit of an associate			18
Reversal of impairment loss on promissory note receivable			4,000
Fair value change of derivative financial instrument			(55,402)
Unallocated finance costs			(8,659)
Unallocated corporate expenses			(11,334)
Loss before taxation from continuing operations			(56,997)

For the six months ended 30 September 2020			
(unaudited and restated)			
	Health and beauty supplements and products business HK\$'000	E-commerce promotion business HK\$'000	Total HK\$'000
Segment revenue:			
Revenue from external customers	111,372	5,983	117,355
Segment results	18,261	(3,357)	14,904
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 an investment property			(2,000)
Loss on modification of promissory note receivable			(2,275)
Unallocated finance costs			(8,359)
Unallocated corporate expenses			(19,171)
Loss before taxation from continuing operations			(59,650)

(ii) **Segment assets and liabilities**

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

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Segment assets		
Health and beauty supplements and products business	83,710	98,450
E-commerce promotion business	3,653	5,089
Total reportable segment assets	87,363	103,539
	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Segment liabilities		
Health and beauty supplements and products business	17,362	16,889
E-commerce promotion business	2,426	1,936
Total reportable segment liabilities	19,788	18,825

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging the following items:

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
CONTINUING OPERATIONS		
(a) Staff costs:		
Salaries, allowances, and other benefits (including directors' emoluments)	31,263	43,816
Contributions to defined contribution retirement plans	1,167	1,492
Equity-settled share-based payments	100	–
	<u>32,530</u>	<u>45,308</u>
(b) Other items:		
Auditors' remuneration	1,200	1,200
Cost of inventories	30,783	32,251
Depreciation of		
– property, plant and equipment	2,200	3,158
– right-of-use assets	1,211	2,384
Amortisation of intangible assets	1,249	1,625
Exchange loss, net	153	227
Loss on disposal of property, plant and equipment, net	38	856
Research and development costs	1,315	1,512
Rent for special designated counters	8,089	8,835
	<u>8,089</u>	<u>8,835</u>
(c) Finance costs:		
Interest on bank borrowings	365	518
Interest on other borrowings	6,461	3,301
Interest on liability component of convertible bonds measured at amortised cost	1,833	4,504
	<u>1,833</u>	<u>4,504</u>
Total interest expenses from financial liabilities	8,659	8,323
Interest on lease liabilities	121	148
	<u>121</u>	<u>148</u>
	<u>8,780</u>	<u>8,471</u>

6. TAXATION

	For the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
CONTINUING OPERATIONS		
Current taxation		
Hong Kong Profits Tax	2,113	3,461
Underprovision in respect of prior years		
Hong Kong Profits Tax	–	2,330
Deferred tax	(1,026)	(373)
	<u>1,087</u>	<u>5,418</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 group entity 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\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessment profits above HK\$2,000,000.

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. DISCONTINUED OPERATIONS

Disposal of Star Root Limited (“Star Root”) and its subsidiary (collectively, “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 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:	
Cash consideration receivable	10
	As at 10 September 2020
	<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)
Net assets disposed of	221
Gain on disposal of subsidiaries:	
Consideration	10
Non-controlling interests	1,140
Net assets disposed of	(221)
Gain on disposal	929

The loss for the period from the discontinued online advertising agency business is set out below:

	Period ended 10 September 2020
	<i>HK\$'000</i> (unaudited)
Loss for the period	(443)
Gain on disposal of Star Root Group	929
	486

The results of Star Root Group 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:

	Period ended 10 September 2020 <i>HK\$'000</i> (unaudited)
Revenue	2,294
Cost of sales	<u>(2,761)</u>
Gross loss	(467)
Other income, gains or losses	528
Administrative expenses	(497)
Finance costs	<u>(7)</u>
Loss before taxation	(443)
Taxation	<u>–</u>
Loss for the period	<u><u>(443)</u></u>
Loss for the period from discontinued operations includes the following:	
Staff costs (including directors' emoluments):	
– Salaries, allowances and other benefits	1,805
– Retirement benefits	<u>82</u>
	<u><u>1,887</u></u>

Disposal of IAHHGames Hong Kong Limited (“IAHHGames”)

On 30 June 2020, the Group entered into a sales and purchase agreement to dispose of its 69.75% equity interest of its non-wholly owned subsidiary, IAHHGames, to an independent third party for a fair value of consideration of HK\$4,651,000. IAHHGames was engaged in game distribution business. The transaction was completed on 30 June 2020.

The 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>
	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	(55,389)
Deferred tax liabilities	(7)
	<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*	1,200
Less: cash and cash equivalents disposed of	(312)
	<u>888</u>

* Agreed among the Group, the third party purchaser of IAHGames and a creditor, cash consideration of HK\$2,000,000 was settled by offsetting with certain other payables.

The loss for the period from the discontinued game distribution business is set out below:

	Period ended 30 June 2020 <i>HK\$'000</i> (unaudited)
Loss for the period	(251)
Loss on disposal of IAHGames	(1,631)
	<u>(1,882)</u>

The results of IAHGames 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:

	Period ended 30 June 2020 <i>HK\$'000</i> (unaudited)
Revenue	6,084
Cost of sales	(5,854)
	<u>230</u>
Gross profit	230
Other income, gains or losses	54
Administrative expenses	(535)
	<u>(251)</u>
Loss for the period	<u>(251)</u>
Loss for the period from discontinued operations includes the following:	
Staff costs (including directors' emoluments):	
– Salaries, allowances and other benefits	402
– Retirement benefits	13
	<u>415</u>

Disposal of Junten

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

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

	For the six months ended 30 September 2020 HK\$'000 (unaudited)
Revenue	129
Cost of sales	(104)
Gross profit	25
Administrative expenses	(2,236)
Finance costs	(1)
Loss before taxation	(2,212)
Taxation	349
Loss for the period	(1,863)
Loss for the period from discontinued operations includes the following:	
Staff costs (including directors' emoluments):	
– Salaries, allowances and other benefits	–

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	
	2021	2020
	(unaudited)	(unaudited and restated)
Loss (HK\$'000)		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(57,868)	(67,183)
Less: Loss for the period from discontinued operations	—	2,284
	<u>(57,868)</u>	<u>(64,899)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,651,809,831</u>	<u>2,562,998,632</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	
	2021	2020
	(unaudited)	(unaudited)
Loss (HK\$'000)		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(57,868)</u>	<u>(67,183)</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 HK0.09 cents per share, based on the loss for the period from the discontinued operations of HK\$2,284,000 and the denominators used is the same as those detailed above for basic loss per share from continuing operations.

For both interim periods, the computation of diluted loss per share does not assume (1) the conversion of the Company's convertible bonds since their exercise and conversion 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.

10. INTERESTS IN ASSOCIATES

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Cost of investments in associates, unlisted	136,687	70,000
Share of post-acquisition losses	(6,317)	(6,335)
Less: Accumulated impairment losses	(63,665)	(63,665)
	<u>66,705</u>	<u>–</u>

Name of entity	Place of incorporation	Principal place of business	Percentage of ownership interest attributable to the Group		Principal activity
			As at 30 September 2021 (unaudited)	As at 31 March 2021 (audited)	
Leader Shine International Limited ("Leader Shine")	BVI	Hong Kong	45%	45%	Investment holding
Aggressive Resources	BVI	Hong Kong	43.05%	–	Investment holding

Acquisition of an associate, Aggressive Resources

On 12 August 2021, Super Winner Enterprises Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with an independent third party pursuant to which the Group acquired 43.05% equity interest in Aggressive Resources, a company incorporated in the BVI with limited liability, at a consideration of approximately HK\$66,687,000 settled by issuing 512,982,240 shares of the Company at HK\$0.13 per share. The Group is given the right to appoint two out of five directors on the board of Aggressive Resources. Therefore, upon completion of the Agreement, the Group has significant influence on Aggressive Resources and the investment is accounted for as an associate.

Aggressive Resources and its wholly-owned subsidiary, which is incorporated in Hong Kong, are principally engaged in sourcing, manufacturing, designing, packaging, wholesaling and trading of health supplement products in Hong Kong. The Group is actively sourcing other channels to sell its products in order to diversify the risk of reliance on the existing retail chains. The management expects to open up new sales channels and new markets for selling its existing health products through business cooperation with Aggressive Resources. The management of the Company believes the benefits of the acquisition will be a new driving force to the revenue of the Group, which together with the time and resources saved for building new distribution channels, shall outweigh the cost of the acquisition. The transaction was completed on 31 August 2021.

Pursuant to the Agreement, the consideration was settled by issuing 512,982,240 shares of the Company at HK\$0.13 per share upon completion on 31 August 2021. The share price of the Company on 31 August 2021 was HK\$0.238. Hence, there was a derivative forward contract within the scope of HKFRS 9 entered into by the Group to acquire for Aggressive Resources before the completion of the Agreement. The fair value change of the derivative forward contract from the contract date to the completion date of approximately HK\$55,402,000 was recognised in the condensed consolidated statement of profit or loss and other comprehensive income, giving rise to the substantial reduction in the amount recognised as the investment cost of the associate.

Aggressive Resources

Reconciliation of the financial information to the carrying amount of the interest in the associate recognised in the condensed consolidated financial statements:

	As at 30 September 2021 HK\$'000 (unaudited)
Net assets of Aggressive Resources	11,510
Portion of the Group's ownership interest in Aggressive Resources	43.05%
The Group's share of net asset of Aggressive Resources	4,955
Other adjustments (<i>note</i>)	61,750
Carrying amount of the Group's interest in Aggressive Resources	66,705

Note: Other adjustments represent intangible assets, goodwill and related taxes arose from the acquisition of Aggressive Resources. The fair value and classification of assets and liabilities of Aggressive Resources have been determined on a provisional basis awaiting further information and finalisation of the valuation during the measurement period.

Impairment assessment of an associate, Leader Shine

Due to the continuous negative impact from the COVID-19 and the travel restriction imposed by the government in Hong Kong during the current interim period, the business of the associate, which is principally engaged in the consignment sales of jewellery and precious metal ornaments, faces significant challenges with the significant reduction on inbound travelers and the recovery of its business became highly uncertain and it is clear that the recovery is slow. For the six months ended 30 September 2020, the directors of the Company had consequently determined an impairment amounted to HK\$35,594,000 to an interest in associate, Leader Shine and its carrying amount was fully impaired. Due to the continuous unsatisfactory financial performance of Leader Shine, the directors of the Company concluded that there was no indicator for reversal of impairment during the six months ended 30 September 2021.

11A. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Trade receivables	40,178	44,743
Less: Allowance for credit losses	(1,699)	(1,714)
	38,479	43,029
Other receivables	2,221	4,115
Prepayments	4,984	5,234
Utility and other deposits	7,891	6,694
Right of return assets	210	180
Less: Allowance for credit losses	(1,003)	(1,076)
	52,782	58,176

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Analysis of trade and other receivables:		
Non-current portion	450	459
Current portion	52,332	57,717
	52,782	58,176

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 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
0–30 days	25,702	31,990
31–60 days	11,339	8,920
61–90 days	187	255
91–180 days	196	510
181–365 days	344	526
Over 365 days	711	828
	38,479	43,029

11B. PROMISSORY NOTE RECEIVABLE

As at 30 September 2021, the promissory note receivable of HK\$551,000 represented the Group's consideration receivables in relation to the disposal of 69.75% equity interest in IAHGames during the year ended 31 March 2021.

As at 31 March 2021, the promissory note receivable represented the Group's consideration receivables in relation to the disposal of the entire equity interest in Empire Access Limited ("**Empire Access**") during the year ended 31 March 2021 and the disposal of IAHGames. As at 31 March 2021, the directors of the Company considered that the promissory note receivable in relation to the disposal of Empire Access had been defaulted and there was no realistic prospect of recovery, hence, full impairment of HK\$41,408,000 was recognised during the year ended 31 March 2021. The Company subsequently agreed with the acquirer to further extend the repayment by instalments and the acquirer has settled HK\$4,000,000 in accordance with the revised repayment plan during the six months ended 30 September 2021, hence, a reversal of impairment loss of HK\$4,000,000 is recognised during the six months ended 30 September 2021.

12. TRADE AND OTHER PAYABLES

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Trade payables	4,354	4,767
Salary and welfare payables	5,435	7,291
Payables on advertising expenses	2,937	1,754
Other payables and accruals	5,609	12,961
Interests payables on other borrowings	442	1,481
	<u>18,777</u>	<u>28,254</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 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
0–30 days	1,499	1,245
31–60 days	1,647	1,495
61–90 days	599	1,123
91–180 days	276	369
181–365 days	7	201
Over 365 days	326	334
	<u>4,354</u>	<u>4,767</u>

13. EVENTS AFTER THE END OF REPORTING PERIOD

On 4 October 2021, convertible bonds issued on 4 October 2019 ("**CB 2020**") became mature and the entire outstanding balance of CB 2020 with principal amount of HK\$5,000,000 was fully settled in cash.

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 provision of e-commerce promotion business. During the six months ended 30 September 2021 (“**Reporting Period**”), we had been facing a challenging period in Hong Kong which had been affected by travel quarantine measures which discouraged the entry of tourists especially those from the People’s Republic of China (the “**PRC**”) to Hong Kong whom contributed a very substantial part of our revenue.

During the Reporting Period, the Group recorded the unaudited revenue from continuing operations of approximately HK\$95.7 million (2020: HK\$117.4 million), representing a decrease of approximately HK\$21.7 million or 18.5% when compared to the corresponding period of last year. The core health and beauty supplements and products business contributed approximately HK\$91.0 million or 95.1% (2020: HK\$111.4 million or 94.9%) of the Group’s unaudited revenue from continuing operations of approximately HK\$95.7 million (2020: HK\$117.4 million), whereas the unaudited revenue of other business accounted for approximately HK\$4.7 million or 4.9% (2020: HK\$6.0 million or 5.1%) during the Reporting Period.

The gross profit margin of the Group for the Reporting Period was approximately 67.6% (2020: 72.3%), representing a decrease of approximately 4.7 percentage points over the corresponding period of last year.

The Group recorded a loss attributable to owners of the Company during the Reporting Period of approximately HK\$57.9 million (2020: HK\$67.2 million). The loss attributable to owners of the Company before deduction of approximately HK\$55.4 million in respect of one-off fair value loss of derivative financial instrument is approximately HK\$2.5 million (2020: HK\$67.2 million), representing a decrease of approximately 96.3% over the corresponding period of last year.

Health and beauty supplements and products segment

Revenue of health and beauty supplements and products segment

The COVID-19 pandemic, which has happened since early 2020, is still continuing and inflicting severe negative impacts on global economy. Travel quarantine measures were persistently reinforced by many countries around the world. Between Hong Kong and China, most of the cross-borders immigration control points have been suspending services for passengers since February 2020. As a result, the number of tourists visiting Hong Kong from the PRC whom contributed a very substantial part of our revenue remains at a low level. As such, the financial position and performance of the Group were affected in different aspects, including reduction in revenue and impairment loss on intangible assets in certain business lines. This segment recorded an aggregate revenue of approximately HK\$91.0 million for the Reporting Period (2020: HK\$111.4 million), representing a decrease of approximately HK\$20.4 million or 18.3% over the corresponding period of last year.

Revenue attributable to proprietary brands decreased by HK\$20.4 million or approximately 20.5% to approximately HK\$78.9 million for the Reporting Period (2020: HK\$99.3 million). The revenue attributable to the health supplements in proprietary brands decreased by approximately HK\$12.8 million or 18.3% to approximately HK\$57.2 million for the Reporting Period (2020: HK\$70.0 million). In the meantime the revenue attributable to beauty supplements and products decreased by approximately HK\$7.6 million or 25.9% to approximately HK\$21.7 million for the Reporting Period (2020: HK\$29.3 million).

Revenue attributable to private label brands increased by approximately HK\$0.6 million or 5.8% to approximately HK\$11.0 million for the Reporting Period (2020: HK\$10.4 million).

Results of health and beauty supplements and products segment

Owing to the decrease in turnover, the gross profit of this segment for the Reporting Period also experienced a decline to approximately HK\$61.3 million (2020: HK\$81.4 million). The gross margin ratio for the Reporting Period was approximately 67.3% (2020: 73.1%), representing a decrease of 5.8 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's turnover for the Reporting Period. 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 primarily due to continuous cost control measures, such as reduced in the number of staff headcount.

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 interim results announcement.

Impairment losses

During the Reporting Period, the Group recorded impairment losses on intangible assets of approximately HK\$4.9 million, of which HK\$4.2 million mainly come from H365 Health Products Limited due to the decrease of sales in this product line. The remaining impairment loss on intangible assets of approximately HK\$0.7 million is arising from e-commerce promotion business.

Intangible assets

As at 30 September 2021, the intangible assets of the Group amounted to approximately HK\$2.2 million (as at 31 March 2021: HK\$8.4 million). Intangible assets mainly include club membership.

Promissory note receivable

On 30 September 2021, the Company and the purchaser entered into the agreement pursuant to which the purchaser agreed to purchase and the Company agreed to sell the promissory note receivable in relation to the disposal of Empire Access Limited. As at the date of this announcement, completion has not yet taken place since the parties require more time to arrange for the completion, and the Company and the purchaser have mutually agreed to fix the completion date to a date no later than 31 December 2021.

Financial position and liquidity

As at 30 September 2021, cash and bank balances of the Group amounted to approximately HK\$31.3 million (as at 31 March 2021: HK\$36.7 million). The current ratio (current asset divided by current liabilities) of the Group was approximately 1.6 times as at 30 September 2021 (as at 31 March 2021: 0.7 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 168.2% as at 30 September 2021 (as at 31 March 2021: approximately 798.1%). 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.

Subsequent to the Reporting Period and on 8 November 2021, the Group obtained a general banking facility offered by a bank (the "**Banking Facility**") in respect of overdraft facilities of HK\$20,000,000 and long-term instalment loans in an aggregate amount of HK\$70,000,000 with maturity period from 5 to 10 years with variable interest rate carried at 5.25% (i.e., the Hong Kong dollars best lending rate at the date of Banking Facility obtained). The Banking Facility was used to settle the existing long-term other borrowings offered by a financial institution with interest rate carried at 17.04% per annum. The Directors believe that the Banking Facility obtained will lower the finance costs of the Group which is for the benefit of the Company and the shareholders as a whole.

Convertible bonds

Pursuant to a placing agreement dated 16 September 2019 entered between a placing agent and the Company, the Company issued unsecured redeemable convertible bonds in an aggregate principal amount of HK\$180.0 million which bear interest at 10% per annum with maturity on the second anniversary of date of issue (i.e. 4 October 2021), which could be converted into a total number of 416,666,666 fully paid up shares (the “**Conversion Share**”) at an initial conversion price of HK\$0.432 per Conversion Share commencing from 4 October 2019 to the second anniversary of date of issue (the “**2019 Convertible Bonds**”). Principal amounts 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, HK\$5.0 million, HK\$27.0 million, HK\$6.0 million and HK\$3.0 million of the 2019 Convertible Bonds were redeemed by the Company on 31 March 2020, 11 May 2020, 17 June 2020, 17 July 2020, 4 February 2021, 15 March 2021, 1 April 2021, 10 June 2021, 30 June 2021, 3 August 2021 and 30 September 2021 respectively. As at 30 September 2021, the outstanding principal amount of the 2019 Convertible Bonds is HK\$5.0 million, all of which were matured and fully repaid on 4 October 2021.

The net proceeds from the issue of 2019 Convertible Bonds amounted to approximately HK\$178.1 million of which (i) approximately HK\$89.1 million was used to redeem the outstanding principal amount of the convertible bonds issued on 12 October 2017; (ii) approximately HK\$71.2 million was used to enhance and further develop the formulation, marketing, sale and distribution of health and beauty supplements and products in Hong Kong and the PRC; and (iii) approximately HK\$17.8 million was used to replenish the Group’s general working capital. For details of the 2019 Convertible Bonds, please refer to the announcements of the Company on 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, 10 June 2021, 2 July 2021, 3 August 2021 and 30 September 2021.

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 2021, the Group had 171 employees (as at 31 March 2021: 188). For the Reporting Period, staff costs including remuneration of the directors of the Company (the “**Director(s)**”) from continuing operations was approximately HK\$32.5 million (2020: HK\$45.3 million).

Material acquisitions or disposals

Save as disclosed on note 10 to the unaudited condensed consolidated financial statements in this interim results 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 2021, the Group had secured bank loans and other borrowings of approximately HK\$100.0 million (as at 31 March 2021: HK\$71.3 million). The banking facilities were secured by the Group's leasehold land and buildings, having carrying amount of approximately HK\$70.3 million as at 30 September 2021 (as at 31 March 2021: leasehold land and buildings and account receivable having carrying amount of approximately HK\$111.4 million).

Capital commitment

As at 30 September 2021, 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 2021: HK\$0.14 million).

Interim dividend

The Board does not recommend any payment of an interim dividend for the Reporting Period (Period of six months ended 30 September 2020: Nil).

OUTLOOK

Health and beauty supplements and products segment

Despite the retail industry continues to pose challenges since the outbreak of COVID-19 in 2 years ago, the Group is still now in a good sign of growing confidence and expertise on building positive progress. During the Reporting Period, the Group has managed to implement sustainable cost cutting measures including dynamic market strategy to capture consumer sentiments under modernizing digital initiatives and operational efficiencies.

As one of the major supplements manufacturers, the cost structure enhancement and procurement strategy are our key missions to focus. So, the Group always stays on cultivating deep relationships with suppliers, making our global sourcing chains being standardized and centralized. Meanwhile, many of existing product lines with high popularity and good margin will also be re-established in a wider range of product offering. This move combines to gain greater market share, as well as to unite the purchasing cost. In our management's opinion, adjusting the overhead cost is crucial to shape up the workforce structure and employee performance. To this end, the number of new members who have solid operations management experience and strong multitasking skills are brought in to raise the execution capability.

Looking ahead, the Group will continuously strive to seize business growth opportunity in the wake of the border reopening approach together with a certain degree of monetary stimulus will likely happen in the first half of year 2022.

Market and geographical diversification

Single market risk focusing in Hong Kong and Macau has been one of the risks hindering the expansion of both topline and bottomline of the Group for years. In order to tackle such shortcoming, the management team has signed contract and partnering with channel distributors in Singapore and Malaysia in November 2021 targeting to enter into the two markets in first quarter of 2022. The preliminary plan will cover 3 major channels totalling over 300 outlets in Singapore and 800 outlets in Malaysia within 2022.

Channel diversification in Hong Kong and Macau

Currently, over 73.8% of the Group's sales are generated from one major channel distributor in Hong Kong and Macau. In order to diversify the single channel risks, the management has successfully secured channels in Hong Kong and Macau including department stores, supermarkets, pharmacies, non-governmental organizations and industrial associations.

Smart retail and logistics network

In order to meet the demand of client data acquisition and analytics, the Group has invested in smart retail and logistics platform to integrate online and offline channel. Deployment of the trial run targets to install over 50 smart retail and logistics points in Hong Kong by first quarter of 2022. Ultimate outcome aiming at building a nationwide smart network in China and Hong Kong with user big data artificial intelligence ("AI") analytic enhancement capabilities. The management believes that AI-driven user data will boost repeated consumption and substantial stickiness of our member base. Currently, our existing member totalled our 120,000 registered members. The new AI platform will raise our base to new height in 2022. The Group is currently deploying over 100 promoters in over 50 concessionary counters in our channel partner's outlets in Hong Kong. New policy may multiple our exposure and service quality to our end users or clients.

Research and development and product line diversification

Following the strategic collaboration with certain pharmaceutical entities as well as universities research centres, the Group is planning to launch over 20 new stock keeping units of products covering 3 major product lines in 2022. In addition, the Group has obtained licenses from The Walt Disney Company (Hong Kong) Limited to launch infant and young user product line by utilizing certain popular and renowned titles and characters of Disney to secure client and members royalty and users' stickiness through different incentive programmes.

Besides, starting from our research and development (“**R&D**”) laboratory located in Hong Kong Science Park commenced operation by end of 2018, we had conducted R&D projects on both proprietary research and product material quality assurance (“**QA**”) work. In the past 4 years, our research team has conducted QA tests over 350 batches throughout over 30 stock keeping units of product to uphold the highest standard in the territory. From 2016 onwards, the Hong Kong Special Administrative Region Government and the Hong Kong Science and Technology Park Corporation has recognized and endorsed our research work by offering funding upon our completion of R&D program with sound results.

During the past 8 years, the Group has successfully collaborated with major universities in Hong Kong to create new medical R&D results and commercialize 7 products generated from such results. All the research works were publicized in international academic journals and produced positive commercial responses.

EVENTS AFTER REPORTING PERIOD

Save for the events set out in note 13 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.

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 2020: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to the Company's growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. The Company has adopted the code provisions set out in the Corporate Governance Code (amended from time to time, the "Code") contained in the Appendix 14 of the Listing Rules. 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 interim results 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

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 "**2021/2022 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. 2021/2022 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 2021.

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 2021/2022 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 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.