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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 2022**

#### **FINANCIAL HIGHLIGHTS**

|  | <b>2022</b>     | 2021      |
|--|-----------------|-----------|
|  | <b>HK\$'000</b> | HK\$'000  |
| Continuing operations  |                 |           |
| Revenue  | <b>162,993</b>  | 223,147   |
| Gross profit   | <b>112,546</b>  | 161,448   |
| Loss for the year attributable to owners of the Company                                | <b>(43,888)</b> | (127,377) |
| Loss per share attributable to owners of the company<br><i>(expressed in HK cents)</i> |                 |           |
| From continuing and discontinued   |                 |           |
| Basic  | <b>(1.53)</b>   | (4.97)    |
| Diluted  | <b>(1.53)</b>   | (4.97)    |
| From continuing operations   |                 |           |
| Basic  | <b>(1.53)</b>   | (4.91)    |
| Diluted  | <b>(1.53)</b>   | (4.91)    |

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 2022, together with the comparative figures for the previous financial year. The audited consolidated results of the Group for the year ended 31 March 2022 were reviewed by the audit committee of the Company (the “**Audit Committee**”) and agreed with the auditors.

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

*For the year ended 31 March 2022*

|   | <i>Notes</i> | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>CONTINUING OPERATIONS:</b>   |              |                                |                         |
| <b>REVENUE</b>  | 4            | <b>162,993</b>                 | 223,147                 |
| Cost of sales   |              | <u>(50,447)</u>                | <u>(61,699)</u>         |
| <b>GROSS PROFIT</b>   |              | <b>112,546</b>                 | 161,448                 |
| Other income, gains or losses   |              | <b>4,914</b>                   | 20,037                  |
| Selling and distribution expenses   |              | <b>(29,867)</b>                | (39,500)                |
| Administrative expenses   |              | <b>(86,525)</b>                | (120,395)               |
| Share of profit/(loss) of an associate  |              | <b>349</b>                     | (11,689)                |
| Reversal of/(impairment loss) under expected credit loss model on trade and other receivables |              | <b>958</b>                     | (1,422)                 |
| Gain on disposal of promissory note receivable  |              | <b>25,000</b>                  | —                       |
| Loss on modification of promissory note receivable  |              | —                              | (2,275)                 |
| Fair value change of the Company’s shares issued in relation to acquisition of an associate   |              | <b>(55,402)</b>                | —                       |
| Fair value change of an investment property   |              | —                              | (2,000)                 |
| Fair value change of contingent consideration receivable                                      |              | —                              | (28)                    |
| Reversal of/(impairment loss) on promissory note receivable                                   |              | <b>4,170</b>                   | (41,429)                |
| Impairment loss on interest in an associate   |              | —                              | (35,594)                |
| Impairment loss on intangible assets  |              | <b>(4,907)</b>                 | (1,728)                 |
| Impairment loss on goodwill   |              | <u>—</u>                       | <u>(26,570)</u>         |
| <b>LOSS FROM OPERATIONS</b>   |              | <b>(28,764)</b>                | (101,145)               |
| Finance costs   | 6            | <u>(12,880)</u>                | <u>(15,180)</u>         |
| <b>LOSS BEFORE TAXATION</b>   | 7            | <b>(41,644)</b>                | (116,325)               |
| Taxation  | 8            | <u>(2,741)</u>                 | <u>(7,770)</u>          |

|   | <b>2022</b>            | 2021                    |
|---|------------------------|-------------------------|
| <i>Notes</i>  | <i>HK\$'000</i>        | <i>HK\$'000</i>         |
| <b>LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>                               | <u>(44,385)</u>        | <u>(124,095)</u>        |
| <b>DISCONTINUED OPERATIONS:</b>   |                        |                         |
| Loss for the year from discontinued operations                                    | <u>—</u>               | <u>(1,573)</u>          |
| <b>LOSS FOR THE YEAR</b>  | <u><b>(44,385)</b></u> | <u><b>(125,668)</b></u> |
| <b>OTHER COMPREHENSIVE INCOME</b>   |                        |                         |
| <b>Item that may be reclassified subsequently to profit or loss:</b>              |                        |                         |
| Exchange differences on translation of financial statements of foreign operations | <u>571</u>             | <u>510</u>              |
| <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>                                    | <u>571</u>             | <u>510</u>              |
| <b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>                                   | <u><b>(43,814)</b></u> | <u><b>(125,158)</b></u> |
| <b>Loss for the year attributable to owners of the Company:</b>                   |                        |                         |
| — from continuing operations  | <b>(43,888)</b>        | (126,010)               |
| — from discontinued operations  | <u>—</u>               | <u>(1,367)</u>          |
| Loss for the year attributable to owners of the Company                           | <u><b>(43,888)</b></u> | <u>(127,377)</u>        |
| <b>(Loss)/profit for the year attributable to non-controlling interests:</b>      |                        |                         |
| — from continuing operations  | <b>(497)</b>           | 1,915                   |
| — from discontinued operations  | <u>—</u>               | <u>(206)</u>            |
| (Loss)/profit for the year attributable to non-controlling interests              | <u><b>(497)</b></u>    | <u>1,709</u>            |
|   | <u><b>(44,385)</b></u> | <u><b>(125,668)</b></u> |

|   | <i>Notes</i> | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>Total comprehensive (expense)/income attributable to:</b>              |              |                                |                         |
| Owners of the Company   |              | <b>(43,406)</b>                | (126,757)               |
| Non-controlling interests   |              | <b>(408)</b>                   | 1,599                   |
|   |              | <b><u>(43,814)</u></b>         | <b><u>(125,158)</u></b> |
| <b>Total comprehensive expense attributable to owners of the Company:</b> |              |                                |                         |
| — from continuing operations  |              | <b>(43,406)</b>                | (125,390)               |
| — from discontinued operations  |              | <b>—</b>                       | (1,367)                 |
|   |              | <b><u>(43,406)</u></b>         | <b><u>(126,757)</u></b> |
| <b>Loss per share attributable to owners of the Company for the year:</b> |              |                                |                         |
| <b>From continuing and discontinued operations</b>                        |              |                                |                         |
| — basic ( <i>HK cents</i> )   | <i>10</i>    | <b><u>(1.53)</u></b>           | <b><u>(4.97)</u></b>    |
| — diluted ( <i>HK cents</i> )   | <i>10</i>    | <b><u>(1.53)</u></b>           | <b><u>(4.97)</u></b>    |
| <b>From continuing operations</b>   |              |                                |                         |
| — basic ( <i>HK cents</i> )   | <i>10</i>    | <b><u>(1.53)</u></b>           | <b><u>(4.91)</u></b>    |
| — diluted ( <i>HK cents</i> )   | <i>10</i>    | <b><u>(1.53)</u></b>           | <b><u>(4.91)</u></b>    |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

|  | <i>Notes</i> | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>                    |              |                                |                         |
| Property, plant and equipment                |              | <b>70,450</b>                  | 74,738                  |
| Right-of-use assets                          |              | <b>2,403</b>                   | 2,876                   |
| Intangible assets                            |              | <b>2,210</b>                   | 8,380                   |
| Goodwill                                     |              | —                              | —                       |
| Interest in an associate                     | <i>12</i>    | <b>67,036</b>                  | —                       |
| Prepayments and deposits                     | <i>11</i>    | <b>26,691</b>                  | 459                     |
|  |              | <u><b>168,790</b></u>          | <u>86,453</u>           |
| <b>Current assets</b>                        |              |                                |                         |
| Inventories                                  |              | <b>19,835</b>                  | 25,465                  |
| Trade and other receivables                  | <i>11</i>    | <b>20,720</b>                  | 57,717                  |
| Promissory note receivable                   |              | —                              | 1,430                   |
| Tax recoverable                              |              | <b>2,152</b>                   | 611                     |
| Cash and cash equivalents                    |              | <b>35,276</b>                  | 36,652                  |
|  |              | <u><b>77,983</b></u>           | <u>121,875</u>          |
| <b>Current liabilities</b>                   |              |                                |                         |
| Trade and other payables                     | <i>13</i>    | <b>19,819</b>                  | 28,254                  |
| Contract liabilities                         |              | <b>255</b>                     | 407                     |
| Bank and other borrowings                    |              | <b>99,993</b>                  | 92,281                  |
| Bank overdrafts                              |              | <b>18,964</b>                  | —                       |
| Lease liabilities                            |              | <b>2,371</b>                   | 1,511                   |
| Convertible bonds                            |              | —                              | 52,587                  |
| Refund liabilities                           |              | <b>1,395</b>                   | 1,145                   |
| Tax payable                                  |              | <b>1,018</b>                   | 3,419                   |
|  |              | <u><b>143,815</b></u>          | <u>179,604</u>          |
| <b>Net current liabilities</b>               |              | <u><b>(65,832)</b></u>         | <u>(57,729)</u>         |
| <b>Total assets less current liabilities</b> |              | <u><b>102,958</b></u>          | <u>28,724</u>           |

|  | <i>Notes</i> | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>Non-current liabilities</b>               |              |                                |                         |
| Other borrowings                             |              | —                              | 7,000                   |
| Lease liabilities                            |              | <b>208</b>                     | 1,527                   |
| Amounts due to non-controlling interests     |              | <b>60</b>                      | 60                      |
| Deferred tax liabilities                     |              | <b>35</b>                      | 1,100                   |
|  |              | <u>303</u>                     | <u>9,687</u>            |
| <b>Net assets</b>                            |              | <u><b>102,655</b></u>          | <u>19,037</u>           |
| <b>Equity</b>                                |              |                                |                         |
| Share capital                                |              | 7,770                          | 6,413                   |
| Reserves                                     |              | <b>97,389</b>                  | 14,641                  |
| Equity attributable to owners of the Company |              | <b>105,159</b>                 | 21,054                  |
| Non-controlling interests                    |              | <b>(2,504)</b>                 | (2,017)                 |
| <b>Total equity</b>                          |              | <u><b>102,655</b></u>          | <u>19,037</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 addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

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 e-commerce promotion business.

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 1 April 2021 for the preparation of the 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 |
| Amendment to HKFRS 9, HKAS 39,<br>HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2              |

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.

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

|   |  |
|---|--|
| HKFRS 17  | Insurance Contracts and the related Amendments <sup>2</sup>  |
| Amendments to HKFRS 3                               | Reference to the Conceptual Framework <sup>1</sup>   |
| Amendments to HKFRS 10 and HKAS 28                  | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>                               |
| Amendments to HKAS 1                                | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies <sup>2</sup>   |
| Amendments to HKAS 8                                | Definition of Accounting Estimates <sup>2</sup>  |
| Amendments to HKAS 12                               | Deferred Tax related to Assets and liabilities arising from a Single Transaction <sup>2</sup>                                    |
| Amendments to HKAS 16                               | Property, Plant and Equipment — Proceeds before Intended Use <sup>1</sup>  |
| Amendments to HKAS 37                               | Onerous Contracts — Cost of Fulfilling a Contract <sup>1</sup>   |
| Amendments to HKFRSs                                | Annual Improvements to HKFRSs 2018–2020 <sup>1</sup>   |
| Accounting Guideline 5 (Revised)                    | Merger accounting for common control combination <sup>4</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for common control combinations that occur on or after beginning of the first annual period on or after 1 January 2022

### 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 of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

During the year ended 31 March 2022, the Group incurred a net loss of HK\$44,385,000 and, as of that date, the Group had net current liabilities of approximately HK\$65,832,000. The Group’s bank balances and cash as at 31 March 2022 amounted to approximately HK\$35,276,000 as compared to the Group’s bank and other borrowings and bank overdrafts of totaling approximately HK\$118,957,000, of which are repayable within the next twelve months from the end of the reporting period. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements. In order to improve the Group’s financial position, the directors of the Company have been implementing following various measures:

- (i) taking active measures to facilitate the collection of the trade receivables to improve operating cash flows and its financial position, of which subsequent to the end of the reporting period, the Group has collected approximately HK\$8,007,000 up to the date of this announcement;



- (ii) reviewing its investment and actively considering to realise it in order to enhance the cash flow position of the Group whenever it is necessary, of which the interest in an associate is disposed subsequent to the end of the reporting period and the sales proceeds of HK\$66,000,000 is received by the Group before the date of issuing this announcement; and
- (iii) negotiating with respective lenders to renew and extend the existing borrowings upon their maturities, of which the Group has pledged its leasehold land and buildings held for own use with carrying amount of approximately HK\$68,865,000 (2021: HK\$71,658,000) to banks to secure banking facilities granted to the Group. The directors of the Company have evaluated the relevant facts and are of the opinion that the Company is in compliance with the bank borrowings' covenants. There is no indication that the bank will require immediate repayment of the outstanding bank borrowings in the coming twelve months.
- (iv) implementing an active cost-saving measures to control administrative costs.

The directors of the Company have also carried out detail review on the Group's cash flow projection prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. In preparing the cash flow projection, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the source of finance (including the banking and other facilities) which may impact the operations of the Group during the next twelve-month period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period.

The consolidated financial statements have been prepared on the historical cost basis except for a property and financial instruments that are measured at 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* ("HKFRS 16"), 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:

|  | <b>For the year ended 31 March 2022</b>  |  |                                  |
|--|--|--|----------------------------------|
|  | <b>Health and<br/>beauty<br/>supplements<br/>and products<br/>business<br/><i>HK\$'000</i></b> | <b>E-commerce<br/>promotion<br/>business<br/><i>HK\$'000</i></b> | <b>Total<br/><i>HK\$'000</i></b> |
| <b>Continuing operations</b>                                 |  |  |                                  |
| <b>Disaggregated by geographical locations of customers:</b> |  |  |                                  |
| Hong Kong (place of domicile)                                | 155,639  | 6,632  | 162,271                          |
| Taiwan   | —  | 718  | 718                              |
| Others   | —  | 4  | 4                                |
|  | <u>155,639</u>   | <u>7,354</u>   | <u>162,993</u>                   |
| <b>Timing of revenue recognition:</b>                        |  |  |                                  |
| Point in time  | 155,639  | 5,138  | 160,777                          |
| Over time  | —  | 2,216  | 2,216                            |
|  | <u>155,639</u>   | <u>7,354</u>   | <u>162,993</u>                   |
| Principal  | 155,639  | 5,347  | 160,986                          |
| Agent  | —  | 2,007  | 2,007                            |
|  | <u>155,639</u>   | <u>7,354</u>   | <u>162,993</u>                   |

|  | For the year ended 31 March 2021   |  |                          |
|--|--|--|--------------------------|
|  | Health and<br>beauty<br>supplements<br>and products<br>business<br><i>HK\$'000</i> | E-commerce<br>promotion<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| <b>Continuing operations</b>                                 |  |  |                          |
| <b>Disaggregated by geographical locations of customers:</b> |  |  |                          |
| 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>           |
| <b>Timing of revenue recognition:</b>                        |  |  |                          |
| 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>           |
| Principal  | 210,461  | 9,997  | 220,458                  |
| Agent  | —  | 2,689  | 2,689                    |
|  | <u>210,461</u>   | <u>12,686</u>  | <u>223,147</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 of marketing services.

During the year ended 31 March 2021, the operation for game distribution business through IAHGames Hong Kong Limited, the online advertising business through Star Root Limited and its non-wholly owned subsidiary, Tentok Asia Limited and the online payment business through Junten Technology Limited were discontinued and are separately presented as discontinued operations.

**(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 2022 and 2021 are set out below:

**(i) Segment revenue and results**

|   | <b>For the year ended 31 March 2022</b>   |   |  |
|---|---|---|--|
|   | <b>Health and<br/>beauty<br/>supplements<br/>and products<br/>business<br/>HK\$'000</b> | <b>E-commerce<br/>promotion<br/>business<br/>HK\$'000</b> | <b>Total from<br/>continuing<br/>operations<br/>HK\$'000</b> |
| <b>Continuing operations</b>  |   |   |  |
| <b>Segment revenue:</b>   |   |   |  |
| Revenue from external customers   | 155,639   | 7,354   | 162,993  |
| <b>Segment results</b>  | <b>16,368</b>   | <b>(3,150)</b>  | <b>13,218</b>  |
| Unallocated other income,<br>gains or losses  |   |   | 5,228  |
| Share of profit of an associate   |   |   | 349  |
| Fair value change of the Company's<br>shares issued in relation to<br>acquisition of an associate |   |   | (55,402)   |
| Gain on disposal of promissory note<br>receivable   |   |   | 25,000   |
| Reversal of impairment loss on<br>promissory note receivable                                      |   |   | 4,170  |
| Equity-settled share-based payments   |   |   | (100)  |
| Unallocated finance costs   |   |   | (12,705)   |
| Unallocated corporate expenses  |   |   | (21,402)   |
| Loss before taxation  |   |   | <b>(41,644)</b>  |

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

(ii) *Segment assets and liabilities*

|   | 2022<br><i>HK\$000</i> | 2021<br><i>HK\$000</i> |
|---|------------------------|------------------------|
| <b>Segment assets</b>                               |                        |                        |
| Health and beauty supplements and products business | 78,408                 | 98,450                 |
| E-commerce promotion business                       | <u>2,096</u>           | <u>5,089</u>           |
| Total reportable segment assets                     | 80,504                 | 103,539                |
| Unallocated assets                                  | <u>166,269</u>         | <u>104,789</u>         |
| Total consolidated assets                           | <u><u>246,773</u></u>  | <u><u>208,328</u></u>  |
|   | 2022<br><i>HK\$000</i> | 2021<br><i>HK\$000</i> |
| <b>Segment liabilities</b>                          |                        |                        |
| Health and beauty supplements and products business | 15,242                 | 16,889                 |
| E-commerce promotion business                       | <u>1,668</u>           | <u>1,936</u>           |
| Total reportable segment liabilities                | 16,910                 | 18,825                 |
| Unallocated liabilities                             | <u>127,208</u>         | <u>170,466</u>         |
| Total consolidated liabilities                      | <u><u>144,118</u></u>  | <u><u>189,291</u></u>  |

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

- All assets are allocated to operating segments other than tax recoverable, interest in an associate, promissory note 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 are allocated to operating segments other than deferred tax liabilities, tax payable, unallocated bank and other borrowings, convertible bonds and other unallocated corporate liabilities as these liabilities are managed on a group basis.

**(iii) Other segment information**

|  | For the year ended 31 March 2022  |   |   |                    |                   |
|--|---|---|---|--------------------|-------------------|
|  | Health and<br>beauty<br>supplements<br>and products<br>business<br>HK\$'000 | E-commerce<br>promotion<br>business<br>HK\$'000 | Total<br>reportable<br>segments<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
| <b>Continuing operations</b>                               |   |   |   |                    |                   |
| <b>Other information</b>                                   |   |   |   |                    |                   |
| Additions of property, plant and equipment                 | 5   | 3   | 8   | —                  | 8                 |
| Depreciation of property, plant and equipment              | 2,617   | 35  | 2,652                                       | 1,553              | 4,205             |
| Depreciation of right-of-use assets                        | 2,345   | 47  | 2,392                                       | —                  | 2,392             |
| Amortisation of intangible assets                          | 986   | 277   | 1,263                                       | —                  | 1,263             |
| Impairment loss on intangible assets                       | 4,232   | 675   | 4,907                                       | —                  | 4,907             |
| Reversal of impairment loss on trade and other receivables | (357)   | (601)   | (958)                                       | —                  | (958)             |
| Reversal of impairment loss on promissory note receivable  | —   | —   | —   | (4,170)            | (4,170)           |

|  | For the year ended 31 March 2021  |   |   |                    |                   |
|--|---|---|---|--------------------|-------------------|
|  | Health and<br>beauty<br>supplements<br>and products<br>business<br>HK\$'000 | E-commerce<br>promotion<br>business<br>HK\$'000 | Total<br>reportable<br>segments<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
| <b>Continuing operations</b>                   |   |   |   |                    |                   |
| <b>Other information</b>                       |   |   |   |                    |                   |
| Additions of property, plant and equipment     | 74  | 45  | 119   | 1                  | 120               |
| Depreciation of property, plant and equipment  | 3,961   | 33  | 3,994                                       | 1,731              | 5,725             |
| Depreciation of right-of-use assets            | 2,741   | 564   | 3,305                                       | 646                | 3,951             |
| Amortisation of intangible assets              | 2,633   | 552   | 3,185                                       | —                  | 3,185             |
| Impairment loss on intangible assets           | 1,728   | —   | 1,728                                       | —                  | 1,728             |
| Impairment loss on goodwill                    | 22,383  | 4,187   | 26,570                                      | —                  | 26,570            |
| Impairment loss on trade and other receivables | 920   | 432   | 1,352                                       | 70                 | 1,422             |
| Impairment loss on promissory note receivable  | —   | —   | —   | 41,429             | 41,429            |



(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.

|                               | 2022   |  | 2021   |  |
|-------------------------------|--|--|--|--|
|                               | Revenue<br>from<br>continuing<br>operations<br><i>HK\$'000</i> | Non-current<br>assets<br><i>HK\$'000</i> | Revenue<br>from<br>continuing<br>operations<br><i>HK\$'000</i><br>(restated) | Non-current<br>assets<br><i>HK\$'000</i> |
| Hong Kong (place of domicile) | 162,757  | 168,789                                  | 223,025  | 86,451                                   |
| Taiwan                        | 236  | —  | 122  | —  |
| Others                        | —  | 1  | —  | 2  |
|                               | <u>162,993</u>   | <u>168,790</u>                           | <u>223,147</u>   | <u>86,453</u>                            |

(c) **Information about major customer**

Revenue from external customer contributing 10% or more of the total revenue of the Group is as follows:

|             | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|-------------|-------------------------|-------------------------|
| Customer A* | <u>107,472</u>          | <u>160,360</u>          |

\* The revenue was derived from the health and beauty supplements and products business.

6. **FINANCE COSTS**

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i><br>(Restated) |
|--|-------------------------|---------------------------------------|
| <b>Continuing operations</b>   |                         |                                       |
| Interest on bank borrowings  | 2,222                   | 1,008                                 |
| Interest on other borrowings   | 8,642                   | 5,775                                 |
| Interest on lease liabilities  | 176                     | 261                                   |
| Interest on liability component of convertible bonds measured at<br>amortised cost | <u>1,840</u>            | <u>8,136</u>                          |
|  | <u>12,880</u>           | <u>15,180</u>                         |

## 7. LOSS BEFORE TAXATION

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

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i><br>(Restated) |
|---|-------------------------|---------------------------------------|
| <b>Continuing operations</b>  |                         |                                       |
| <b>(a) Staff costs (including directors' emoluments):</b>               |                         |                                       |
| Salaries, allowances, and other benefits                                | 57,579                  | 80,076                                |
| Retirement benefits   | 2,165                   | 2,801                                 |
| Equity-settled share-based payments                                     | 100                     | 4,912                                 |
|   | <u>59,844</u>           | <u>87,789</u>                         |
| <b>(b) Other items:</b>   |                         |                                       |
| Auditors' remuneration  | 1,550                   | 1,950                                 |
| Cost of inventories   | 50,171                  | 61,147                                |
| Depreciation charge:  |                         |                                       |
| — property, plant and equipment   | 4,205                   | 5,725                                 |
| — right-of-use assets   | 2,392                   | 3,951                                 |
| Amortisation of intangible assets                                       | 1,263                   | 3,185                                 |
| Research and development costs<br>(included in administrative expenses) | 1,583                   | 3,662                                 |
| Rent for special designated counters                                    | 15,595                  | 17,286                                |
| Loss on disposal of property, plant and equipment, net                  | 5                       | —                                     |
| Impairment loss on intangible assets                                    | 4,907                   | —                                     |
| Written off of trade receivables  | 522                     | —                                     |
| (Reversal of)/impairment losses under expected credit<br>loss model:    |                         |                                       |
| — trade receivables   | (886)                   | 1,346                                 |
| — other receivables   | (72)                    | 76                                    |
| — promissory note receivable  | (4,170)                 | 41,429                                |

## 8. TAXATION

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i><br>(Restated) |
|---|-------------------------|---------------------------------------|
| <b>Continuing operations</b>                    |                         |                                       |
| <b>Current tax</b>                              |                         |                                       |
| Hong Kong Profits Tax                           | 3,806                   | 7,499                                 |
| <b>Underprovision in respect of prior years</b> |                         |                                       |
| Hong Kong Profits Tax                           | —                       | 1,224                                 |
| <b>Deferred tax</b>                             | <u>(1,065)</u>          | <u>(953)</u>                          |
|   | <u>2,741</u>            | <u>7,770</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 2022 and 2021, 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.

The tax charge for the year can be reconciled to the loss before taxation from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

|   | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Loss before taxation  | <u>(41,644)</u>                | <u>(116,325)</u>        |
| Tax at the Hong Kong Profits Tax rate of 16.5%                | (6,871)                        | (19,194)                |
| Tax effect on income not taxable for tax purpose              | (8,073)                        | (6,609)                 |
| Tax effect on expenses not deductible for tax purpose         | 16,161                         | 29,325                  |
| Tax effect on share of (profit)/loss of an associate          | (58)                           | 1,929                   |
| Tax effect of deductible temporary differences not recognised | (44)                           | 398                     |
| Tax effect of tax losses not recognised                       | 1,933                          | 1,149                   |
| Utilisation of tax losses previously not recognised           | (34)                           | (115)                   |
| Underprovision in respect of prior years                      | —                              | 1,224                   |
| Tax effect of tax rates in other jurisdiction                 | (35)                           | (94)                    |
| Others  | <u>(238)</u>                   | <u>(243)</u>            |
| Actual tax expense  | <u><u>2,741</u></u>            | <u><u>7,770</u></u>     |

## 9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 March 2022 and 2021, nor has any dividend been proposed since the end of the reporting periods.

## 10. 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:

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loss for the year attributable to owners of the Company for the purpose of basic loss per share | (43,888)                | (127,377)               |
| Less: Loss for the year from discontinued operations  | <u>—</u>                | <u>1,367</u>            |
| Loss for the purpose of basic loss per share from continuing operations                         | <u>(43,888)</u>         | <u>(126,010)</u>        |
|   | 2022<br><i>'000</i>     | 2021<br><i>'000</i>     |
| Weighted average number of ordinary shares for the purpose of basic loss per share              | <u>2,876,925</u>        | <u>2,563,952</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:

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loss for the year attributable to owners of the Company for the purpose of basic loss per share | <u>(43,888)</u>         | <u>(127,377)</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, based on the loss for the year attributable to owners of the Company from the discontinued operations of HK\$1,367,000 and the denominators used are the same as those detailed above for basic loss per share from continuing operations.

For both 2022 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.

## 11. TRADE AND OTHER RECEIVABLES

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables                        | 8,007                   | 44,743                  |
| Less: Allowance for credit losses        | <u>(828)</u>            | <u>(1,714)</u>          |
|  | 7,179                   | 43,029                  |
| Other receivables                        | 2,302                   | 4,115                   |
| Prepayments ( <i>note</i> )              | 31,379                  | 5,234                   |
| Utility, trade and other deposits        | 7,385                   | 6,694                   |
| Right-of-return assets                   | 170                     | 180                     |
| Less: Allowance for credit losses        | <u>(1,004)</u>          | <u>(1,076)</u>          |
|  | <u>47,411</u>           | <u>58,176</u>           |
|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
| Analysis of trade and other receivables: |                         |                         |
| Non-current portion ( <i>note</i> )      | 26,691                  | 459                     |
| Current portion ( <i>note</i> )          | <u>20,720</u>           | <u>57,717</u>           |
|  | <u>47,411</u>           | <u>58,176</u>           |

Note: The prepayments mainly represented the IT solution services prepaid by the Group as at 31 March 2022. During the year ended 31 March 2022, in order to seek for more potential sales channels for the Group's health products, the Group has entered into IT solution agreements and cloud hosting services agreement with an independent IT solutions company, where the Group plans to utilize an e-platform, set up member-based system during future exhibitions, place vending machines in various locations and provide e-lockers services for online purchase in future. As at 31 March 2022, a total of HK\$26,220,000 has been prepaid for these services which the Group will receive these IT solution services for more than 1 year. Accordingly, such prepayment has been classified into current and non-current portion based on the expected thing of services to be received by the Group.

As at 31 March 2022, included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK\$3,997,000 (2021: HK\$11,035,000) which are past due. Out of the past due balances, approximately HK\$322,000 (2021: HK\$1,864,000) has been past due 90 days or more and is not considered as in default due to long-term/on-going relationship, good repayment record and continuous repayment from these customers.

As at 31 March 2022, included in trade receivables of approximately HK\$499,000 (2021: HK\$nil) as due from an associate of the Group.

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.

|               | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0–30 days     | 3,182                   | 31,990                  |
| 31–60 days    | 3,675                   | 8,920                   |
| 61–90 days    | —                       | 255                     |
| 91–180 days   | 56                      | 510                     |
| 181–365 days  | 28                      | 526                     |
| Over 365 days | 238                     | 828                     |
|               | <u>7,179</u>            | <u>43,029</u>           |

## 12. INTEREST IN AN ASSOCIATE

### **Aggressive Resources Limited (“Aggressive Resources”)**

#### *Acquisition of 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 once expected to open up new sales channels and new markets for selling its existing health products through business cooperation with Aggressive Resources, and considered the acquisition would 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 loss incurred by the Group to acquire for Aggressive Resources upon the completion of the Agreement. The Group has recognised loss on acquisition of the associate of approximately HK\$55,402,000 as at the acquisition date measured at the excess of share price as at completion date (i.e. fair value of the consideration transferred) over the fair value of the interest in associate acquired.

As disclosed in the announcement made by the Company on 16 June 2022, subsequent to 31 March 2022, due to change in circumstances, the Group has agreed to sell to an independent third party of the entire interest in Aggressive Resources held by the Group at a cash consideration of HK\$66,000,000. As at the date of this announcement, the disposal of the interest in Aggressive Resources has completed and the cash consideration has been settled. For details thereof, please refer to the announcement of the Company detailed 16 June 2022.

### 13. TRADE AND OTHER PAYABLES

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade payables                                | 5,614                   | 4,767                   |
| Salary and welfare payables                   | 5,609                   | 7,291                   |
| Accrued advertising expenses                  | 1,835                   | 1,754                   |
| Other payables and accruals                   | 5,144                   | 12,961                  |
| Interest payable on bank and other borrowings | 1,617                   | 1,481                   |
|   | <u>19,819</u>           | <u>28,254</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.

|               | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0–30 days     | 1,591                   | 1,245                   |
| 31–60 days    | 1,347                   | 1,495                   |
| 61–90 days    | 1,007                   | 1,123                   |
| 91–180 days   | 1,326                   | 369                     |
| 181–365 days  | 5                       | 201                     |
| Over 365 days | 338                     | 334                     |
|               | <u>5,614</u>            | <u>4,767</u>            |

### 14. EVENTS AFTER THE REPORTING PERIOD

On 16 June 2022, the Company has announced that the Group has agreed to sell to an independent third party of the entire interest in Aggressive Resources held by the Group at a cash consideration of HK\$66,000,000. As at the date of this announcement, the disposal of the interest in Aggressive Resources has completed and the cash consideration has been settled.

## 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 2022 (the “**Reporting Period**”), we had been facing a very challenging year in Hong Kong which had been affected by the deteriorate economic environment in Hong Kong since the outbreak of novel coronavirus (“**COVID-19**”) globally in first quarter of 2020.

During the Reporting Period, the Group recorded revenue from continuing operations of approximately HK\$163.0 million (2021: HK\$223.1 million), representing a decrease of approximately HK\$60.1 million or 26.9% when compared to the corresponding period of last year. Revenue from the core business, health and beauty supplements and products segment, contributed approximately HK\$155.6 million. Meanwhile, e-commerce promotion business contributed approximately HK\$7.4 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 69.0% (2021: 72.4%), representing a decrease of approximately 3.4 percentage points over the corresponding period of last year.

2020 till 2022 had been very tough years in human history. The new waves of epidemic mutation from December 2021 in Hong Kong has contributed to HKSAR economic slump and most of the territory’s retail chains has been locked down in March 2022 due to widespread infection. Traditionally, March, being the annual top sales month, has been postponed to April this year causing an unprecedented drop in both our top line and bottom line for the health segment recorded in the Reporting Period.

However, our discount sales event in April exhibited strong and record-breaking rebound showing our hero products and core business of Chinese medicine and health supplements are still on the right track.

Cross border consumption figures continue to drop at historic low level given the Hong Kong Compulsory Quarantine Arrangement for inbound travelers 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 2022, the Group sold and distributed 68 (2021: 73) health supplements and 12 (2021: 11) beauty supplements and products under its proprietary brands; 58 (2021: 56) health supplements under the distribution facilitator's private label brands; and 12 (2021: 15) 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 2022:

| Categories                      | For the year ended 31 March |               | 2021           |               |
|---------------------------------|-----------------------------|---------------|----------------|---------------|
|                                 | 2022                        | % of total    | 2021           | % of total    |
|                                 | HK\$'000                    | revenue       | HK\$'000       | revenue       |
| Health supplements              | 123,603                     | 79.4%         | 164,803        | 78.3%         |
| Beauty supplements and products | 32,036                      | 20.6%         | 45,262         | 21.5%         |
| Others                          | —                           | —             | 396            | 0.2%          |
| Total                           | <u>155,639</u>              | <u>100.0%</u> | <u>210,461</u> | <u>100.0%</u> |

The health and beauty supplements and products segment recorded a revenue of approximately HK\$155.6 million for the Reporting Period (2021: HK\$210.5 million), representing a decrease of approximately HK\$54.9 million or 26.1% when compared to the previous year.

Revenue attributable to health supplements decreased by approximately HK\$41.2 million or 25.0% to approximately HK\$123.6 million (2021: HK\$164.8 million), while revenue attributable to beauty supplements and products decreased by approximately HK\$13.3 million or 29.4% to approximately HK\$32.0 million (2021: HK\$45.3 million). It is mainly caused by postpone of discount sales event from March to April 2022.

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\$83.1 million or 53.4% of the segment's total revenue.

For the year ended 31 March 2021, 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.

### ***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 2022:

|   | For the year ended 31 March |                           |                 |                           |
|---|-----------------------------|---------------------------|-----------------|---------------------------|
|   | 2022                        |                           | 2021            |                           |
|   | <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                    | 107,529                     | 69.1%                     | 161,352         | 76.7%                     |
| SDCs located in the Distribution        |                             |                           |                 |                           |
| Facilitator's stores                    | 35,359                      | 22.7%                     | 39,432          | 18.7%                     |
| Other distribution channels<br>(Note 1) | 4,239                       | 2.7%                      | 8,687           | 4.1%                      |
| Hong Kong Brands and Products           |                             |                           |                 |                           |
| Expo                                    | 8,512                       | 5.5%                      | 594             | 0.3%                      |
| Others (Note 2)                         | —                           | —                         | 396             | 0.2%                      |
| Total                                   | <u>155,639</u>              | <u>100.0%</u>             | <u>210,461</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 2022, the Group had 25 (2021: 23) Royal Medic SDCs and 25 (2021: 34) Health Proof SDCs in distribution facilitators' stores in Hong Kong.

### ***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 2021 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 2022:

|                                 | <b>For the year ended 31 March</b> |              |                 |          |
|---------------------------------|------------------------------------|--------------|-----------------|----------|
|                                 | <b>2022</b>                        |              | <b>2021</b>     |          |
|                                 | <b>HK\$'000</b>                    | <b>%</b>     | <b>HK\$'000</b> | <b>%</b> |
| Health supplements              |                                    |              |                 |          |
| Proprietary brands              | <b>74,429</b>                      | <b>73.5%</b> | 104,311         | 74.7%    |
| Private label brands            | <b>12,719</b>                      | <b>62.6%</b> | 15,427          | 69.2%    |
| Trading of goods                | <b>801</b>                         | <b>38.4%</b> | 2,112           | 72.4%    |
|                                 | <b>87,949</b>                      | <b>71.2%</b> | 121,850         | 73.9%    |
| Beauty supplements and products |                                    |              |                 |          |
| Proprietary brands              | <b>20,110</b>                      | <b>62.8%</b> | 31,360          | 69.3%    |
| Others                          | —                                  | —            | 359             | 90.9%    |
| <b>Total</b>                    | <b>108,059</b>                     | <b>69.4%</b> | 153,569         | 73.0%    |

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\$108.1 million (2021: HK\$153.6 million), representing a decrease of 29.6% over the previous year. The gross profit margin of the health and beauty supplements and products segment for the Reporting Period decreased to 69.4% (2021: 73.0%). 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\$9.6 million or 24.3% to approximately HK\$29.9 million for the Reporting Period (2021: HK\$39.5 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\$21.9 million or 27.4% to approximately HK\$58.1 million for the Reporting Period (2021: HK\$80.0 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.

### **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\$0.1 million (2021: HK\$4.9 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 amount of approximately HK\$Nil and HK\$4.9 million (2021: HK\$26.6 million and HK\$1.7 million), respectively, of which approximately HK\$4.2 million mainly come from H365 Group due to the continuous negative effects by the COVID-19. The remaining impairment loss on intangible assets of approximately HK\$0.7 million is arising from e-commerce promotion business.

### **Loss for the year**

As a result of the foregoing factors, the Group's loss amounted to approximately HK\$44.4 million during the Reporting Period (2021: HK\$125.7 million). The Group's loss attributable to the owners of the Company amounted to approximately HK\$43.9 million for the Reporting Period (2021: HK\$127.4 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.

## **INTANGIBLE ASSETS AND GOODWILL**

As at 31 March 2022, the intangible assets and goodwill of the Group amounted to approximately HK\$2.2 million (2021: HK\$8.4 million) and HK\$Nil (2021: HK\$Nil), respectively. Intangible assets mainly include brand name, sales distribution channel, customer relationship, product development rights and club membership. Goodwill has arisen upon the Group's acquisition.

## **FINANCIAL POSITION AND LIQUIDITY**

As at 31 March 2022, cash and bank balances of the Group amounted to approximately HK\$35.3 million (2021: HK\$36.7 million) and the current ratio (current assets divided by current liabilities) of the Group was approximately 0.5 times as at 31 March 2022 (2021: 0.7 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 115.9% as at 31 March 2022 (2021: 798.1%). The decrease in gearing ratio was primarily due to the increase 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 2022, the Group had unutilised general banking facilities of approximately HK\$1.0 million (2021: HK\$1.2 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 was used to redeem the outstanding principal amount of the convertible bonds issued on 12 October 2017; (ii) approximately 40.0% of the net proceeds in the amount of approximately HK\$71.2 million was 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 was 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, 10 June 2021, 30 June 2021, 3 August 2021 and 30 September 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, HK\$5.0 million, HK\$27.0 million, HK\$6.0 million and HK\$3.0 million (the “**Partial Redemption**”), respectively. On 4 October 2021, the outstanding principal amount of the 2019 Convertible Bonds in aggregate principal amount of HK\$5.0 million were matured and fully repaid to the bondholders. As at 31 March 2022, the Company does not have any outstanding convertible bonds. 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, 10 June 2021, 2 July 2021, 3 August 2021 and 30 September 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 2022, the Group had 152 employees (2021: 188). For the Reporting Period, staff costs including directors' remuneration from continuing operations was approximately HK\$59.8 million (2021: HK\$87.8 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. 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 continues to adopt more measures on cost control and strengthen our partnerships with distribution channels for seaming and improving our performance in coming financial years.

The recurrent new waves of epidemic mutation posted uncertainties of when mainland free individual traveler consumption will return to boost up our SDCs sales. In view of this, the management is proactively planning for cross border and online solutions to explore the retail market in other regions in Asia.

As the Group is going to celebrate our 20th Years Anniversary, the launch of new product lines and brand building revitalization exercises will be fully implemented by second half of 2022. The management is planning to launch new product lines with solid clinical proof to cater for different needs of end users in the second half of 2022. The Royal Medic Group will continue to uphold our mission of applying new and modern scientific research technology, modified formulations infused into manufacture traditional Chinese medicine. We are the guardian of our customers' health. Throughout our global supply chain network together with our R&D capacities, high standard of production and safety, the Group will further enhance supreme quality of medical and health supplement, beauty products to our customers in both local and overseas markets.

## **NEW DEVELOPMENT ON MARKET AND CHANNEL DIVERSIFICATION**

Mitigation on single market and single channel risks has been concerns of the management for years. Starting from April 2022, trial run of penetration into local department stores and supermarkets has been started.

Traditionally, the Group's focus target end users are Chinese community in Hong Kong. The management is proactively seeking for diversification to overseas Chinese population throughout Asia. Due to the recurrent new waves of epidemic mutation from January 2022 onwards, our planning has been deferred to the fourth quarter of this year.

Southeast Asia and mainland China will be our focus this year for market proliferation. In the mainland China market, the Group will collaborate closely with our strategic alliance, Shijiazhuang Yiling Pharmaceutical Co. Ltd. to secure the mutual markets by third quarter of this year.

## **MEMBERSHIP FORTIFICATION AND SMART RETAIL DIRECTION**

The Group has been seeking for more potential sales channels in the market.

The Group is currently distributing its health products through certain distribution channels, among which include one of the leading health and beauty supplements and products retail chains in Hong Kong, counter sales and sales via member base, and these sales platforms have incurred significant transportation costs to deliver variety of products to the locations as requested by the customers. As a result, the management of the Group have been actively seeking and identifying new distribution channels, in order to diversify its existing distribution channels and lower the logistics costs.



The management will promote an innovative retail platform that enhanced with artificial intelligence, which create a novel shopping experience for business and customers. The smart kiosk solution can help the Group to build a member-based system during the expos and other outdoor promotion events that will be participated by the Group. The smart vending solution can help the customers to purchase selected products in specific locations where the vending machines located. The smart logistics solution will provide the e-locker services so that the customers can pick up the products in the locations near their home or office in which they may pass through everyday after online purchases. After the implementation of the smart kiosk, smart vending and smart logistics solutions, the management will manage the solutions through the cloud database. This innovative retail platform may start deployment by second half of 2022.

The management believes that deployment of the IT Solutions and Cloud Hosting Services Agreement will allow the Group to build an innovative retail platform that enlarge the membership base of the Group in the Hong Kong market, which in return help the Group establishes a new distribution channel for its existing health products to the general public customers.

#### **COLLABORATION WITH UNIVERSITIES, RESEARCH AND DEVELOPMENT, 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 The Chinese University of Hong Kong 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. Our research and development lab in the Hong Kong Science Park conduct stringent and regular internal compliance tests on our existing products further to guarantee our capabilities of quality control. Currently, every batch of our major key products are tested before launch to the market.

The Group also had research projects with the Hong Kong University of Science and Technology R and D Corporation Limited to focuses on the evaluation on functions of existing products.

The Group attaches great importance to the quality standard of products, including the strict selection of suppliers to require their plants to meet international standards. The Group owns proprietary Chinese medicine and food manufacturing plants, and wholesaler/retailer licences in Chinese herbal medicines and proprietary Chinese medicines. The management system of the food manufacturing plants has obtained ISO22000 and HACCP certifications, with stringent regulations over plant construction, production process, employee training, pest control, product testing, etc., to ensure food safety.

In respect of research and development, Royal Medic Research and Development Centre (hereafter, the “**R&D Centre**”), located at the Hong Kong Science Park, was established in 2017 and has been committed to improving the quality control standard of existing products, assisting in the research and development of new products and promoting academic exchange between Royal Medic and local universities. The primary scope of business of the R&D Centre covers chemical analysis of product ingredients, which develops rapid and accurate ingredient testing methods utilising an advanced chemical analysis platform to improve product safety and reliability. To further verify the effectiveness of products, the R&D Centre has been endorsed by the HKSAR government and received funding by the Innovation and Technology Fund — Research Talent Hub Programme of the Innovation and Technology Commission. Currently, the R&D Centre is focusing on the development of the following research projects:

- i. to study the inhibitory effects on lipid accumulation and fat cell proliferation of our products with the adipocyte model as the experimental basis
- ii. to examine the immunomodulating effects of our products with the macrophage model as the experimental basis
- iii. to study the use of liposome technology to wrap up the active ingredients of our products to reduce oxidation of the active ingredients, thereby enhancing the effect of our products
- iv. to assess the anti-glycation effect of our products
- v. to examine the Yin-nourishing and Yang-invigorating effect of our products and assess their synergy with our other products when used in combination

Meanwhile, we have been organising academic exchange meetings with professors and researchers from the Institute of Chinese Medicine of the Chinese University of Hong Kong on a regular basis to share insights on Chinese medicines and product development; we have also proactively participated in several research projects of the Institute of Chinese Medicine of the Chinese University of Hong Kong. We also cooperated with Professor Ko Kam Ming from the Division of Life Science of the University of Science and Technology to complete a pharmacological research of Royal Medic No.1 Chinese Cs-4 in treating allergic rhinitis and shortness of breath in 2019, and tests for the antioxidizing and immunity boosting effect on human body of Royal Medic No.1 Chinese Cs-4 and Pure Chicken Essence in 2020, respectively, with outstanding results, which provide direct and convincing scientific evidence for the benefits of our products.

### **MATERIAL ACQUISITIONS OR DISPOSALS**

Save as disclosed in note 12 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.

### **CONTINGENT LIABILITIES**

The Group did not have material contingent liabilities as at 31 March 2022.

### **CAPITAL COMMITMENT**

The Group did not have significant capital commitment as at 31 March 2022.

### **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 and Renminbi. 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 2022, the Group had secured bank loans and term loans of approximately HK\$86.7 million (2021: HK\$62.3 million) and HK\$Nil (2021: HK\$9.0 million), respectively. The banking facilities and term loans are secured by the Group's leasehold land and buildings, having carrying amount of approximately HK\$68.9 million as at 31 March 2022 (2021: secured by the Group's leasehold land and buildings and account receivable, having carrying amount of approximately HK\$74.5 million).

## **EVENTS AFTER REPORTING PERIOD**

On 16 June 2022, the Company, Super Winner Enterprises Limited (“**Super Winner**”) (an indirect wholly-owned subsidiary of the Company) and an independent third party entered into an agreement, pursuant to which Super Winner agreed to sell and the independent third party agreed to purchase 43.05% of the issued share capital of Aggressive Resources Limited, which was accounted for as an associate of the Company, at the consideration of HK\$66,000,000. As at the date of this announcement, the disposal has completed and the cash consideration has been settled.

Save as the events as disclosed, there is no other 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.

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

Save as disclosed under the section headed "Financial Position and Liquidity — Convertible Bonds", 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 2022 (2021: Nil).

### **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil).

### **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 22 August 2022 to Thursday, 25 August 2022, 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 Thursday, 25 August, 2022 (the "2022 AGM") and during which no transfer of shares of the Company will be effected. In order to qualify for attendance of the annual general meeting of the Company to be held on 25 August 2022, all completed

transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's Hong Kong branch share registrar and transfer agent, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 19 August 2022.

## **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 year ended 31 March 2022 and up to the date of this announcement, the Company has complied with all applicable 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 C.2.1 (former Code provision A.2.1) for the period from 1 April 2021 to 18 May 2022.

According to Code provision C.2.1 (former Code provision A.2.1), the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang Xihua, the Acting Chairman of the Board and the acting chief executive officer (the "CEO") 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 operation and the executive responsibilities of the Group and the full implementation of the directions and policies established by the Board. Although Mr. Wang served as both the Chairman and CEO of the Company which is a deviation from Code provision C.2.1 (former Code provision A.2.1), given Mr. Wang's extensive experience in the business of the Group, the Board considered during that time that performing both roles by Mr. Wang could enhance the efficiency of the Company's business development and management, and would not impair the balance of power and authority between the Board and the management of the Company. Moreover, all other members of the Board have the experience and expertise to ensure balance of power and authority so that the power is not concentrated in any one individual.

Since the appointment of Mr. Lam Wai Tong and Mr. Chen Man Lung as the Co-CEOs of the Company with effective from 19 May 2022, the Company has not deviated from Code provision C.2.1 (former Code provision A.2.1).

## **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 of Listing Rules as the code of conduct regarding Directors' securities transactions in the securities of the Company. Upon the Company's specific enquiry, each Director has confirmed that he or she has fully complied with the Model Code under the Listing Rules throughout the year ended 31 March 2022, and there is no event of non-compliance.



## AUDIT COMMITTEE

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

The Audit Committee has reviewed the consolidated financial statements and annual results of the Group for the year ended 31 March 2022. The Audit Committee is of the view that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions, and sufficient disclosures have already been made and also discussed auditing, risk management, internal control and financial reporting matters.

## SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in this preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited 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 Moore Stephens CPA Limited on this preliminary announcement.

## PUBLICATION OF THE ANNUAL RESULT ANNOUNCEMENT AND ANNUAL REPORT

This result announcement is published on the respective websites of the Company at [www.shunten.com.hk](http://www.shunten.com.hk) and Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The 2021/2022 Annual Report and the Notice of 2022 AGM 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 June 2022

*As at the date of this announcement, the executive directors of the Company are Mr. WANG Xihua, Mr. LAI Wei Lam, William, Mr. CHEUNG Siu Fai, Mr. LAM Wai Tong and Mr. CHEN Man Lung; and the independent non-executive directors of the Company are Mr. LEUNG Winson Kwan Yau, Mr. TAM Kin Yip, Mr. LEUNG Man Loon and Mr. YEUNG Yat Chuen.*