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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 2023

FINANCIAL HIGHLIGHTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
Continuing operations		
Revenue	216,127	155,639
Gross profit	166,310	107,309
Profit/(loss) for the year attributable to owners of the Company	41,036	(43,888)
Earnings/(loss) per share attributable to owners of the company (<i>expressed in HK cents</i>)		
From continuing and discontinued		
Basic	1.32	(1.53)
Diluted	1.32	(1.53)
From continuing operations		
Basic	1.33	(1.44)
Diluted	1.33	(1.44)

The board (the “**Board**”) of directors (the “**Director(s)**”) 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 2023, together with the comparative figures for the previous financial year. The audited consolidated results of the Group for the year ended 31 March 2023 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 2023

	<i>Notes</i>	2023 HK\$’000	2022 <i>HK\$’000</i> (Re-presented)
CONTINUING OPERATIONS:			
REVENUE	4	216,127	155,639
Cost of sales		<u>(49,817)</u>	<u>(48,330)</u>
GROSS PROFIT		166,310	107,309
Other income, gains or losses		15,836	5,189
Selling and distribution expenses		(47,447)	(29,867)
Administrative expenses		(85,256)	(78,560)
Share of profit of an associate		6	349
(Impairment loss)/reversal of impairment loss under expected credit loss model on trade and other receivables		(715)	427
Gain on disposal of promissory note receivable		—	25,000
Fair value change of the Company’s shares issued in relation to acquisition of an associate		—	(55,402)
Reversal of/impairment loss on promissory note receivable		—	4,170
Impairment loss on intangible assets		—	<u>(4,231)</u>
PROFIT/(LOSS) FROM OPERATIONS		48,734	(25,616)
Finance costs	6	<u>(4,968)</u>	<u>(12,878)</u>
PROFIT/(LOSS) BEFORE TAXATION	7	43,766	(38,494)
Taxation	8	<u>(2,590)</u>	<u>(2,755)</u>

<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	<u>41,176</u>	<u>(41,249)</u>
DISCONTINUED OPERATIONS:		
Loss for the year from discontinued operations	<u>(423)</u>	<u>(3,136)</u>
PROFIT/(LOSS) FOR THE YEAR	<u>40,753</u>	<u>(44,385)</u>
OTHER COMPREHENSIVE (EXPENSE)/ INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	<u>(210)</u>	<u>571</u>
OTHER COMPREHENSIVE (EXPENSE)/ INCOME FOR THE YEAR	<u>(210)</u>	<u>571</u>
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR	<u>40,543</u>	<u>(43,814)</u>
Profit/(loss) for the year attributable to owners of the Company:		
— from continuing operations	41,296	(41,379)
— from discontinued operations	<u>(260)</u>	<u>(2,509)</u>
Profit/(loss) for the year attributable to owners of the Company	<u>41,036</u>	<u>(43,888)</u>
(Loss)/profit for the year attributable to non-controlling interests:		
— from continuing operations	(120)	130
— from discontinued operations	<u>(163)</u>	<u>(627)</u>
Loss for the year attributable to non-controlling interests	<u>(283)</u>	<u>(497)</u>
	<u>40,753</u>	<u>(44,385)</u>

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i> (Re-presented)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		40,758	(43,406)
Non-controlling interests		<u>(215)</u>	<u>(408)</u>
		<u>40,543</u>	<u>(43,814)</u>
Total comprehensive income/(expense) attributable to owners of the Company:			
— from continuing operations		41,018	(40,897)
— from discontinued operations		<u>(260)</u>	<u>(2,509)</u>
		<u>40,758</u>	<u>(43,406)</u>
Earnings/(loss) per share attributable to owners of the Company for the year:			
From continuing and discontinued operations			
— basic (<i>HK cents</i>)	<i>11</i>	<u>1.32</u>	<u>(1.53)</u>
— diluted (<i>HK cents</i>)	<i>11</i>	<u>1.32</u>	<u>(1.53)</u>
From continuing operations			
— basic (<i>HK cents</i>)	<i>11</i>	<u>1.33</u>	<u>(1.44)</u>
— diluted (<i>HK cents</i>)	<i>11</i>	<u>1.33</u>	<u>(1.44)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Investment property		136,900	—
Property, plant and equipment		68,401	70,450
Right-of-use assets		6,722	2,403
Intangible assets		7,425	2,210
Interest in an associate		—	67,036
Prepayments and deposits	<i>12</i>	22,918	26,691
		242,366	168,790
Current assets			
Inventories		23,817	19,835
Trade and other receivables, prepayments and deposits	<i>12</i>	58,780	20,720
Tax recoverable		1,375	2,152
Cash and cash equivalents		13,108	35,276
		97,080	77,983
Current liabilities			
Trade payables, other payables and accruals	<i>13</i>	24,602	19,819
Contract liabilities		84	255
Amount due to a shareholder		79,909	—
Bank and other borrowings		79,737	99,993
Bank overdrafts		—	18,964
Lease liabilities		2,692	2,371
Refund liabilities		1,274	1,395
Tax payable		3,657	1,018
		191,955	143,815
Net current liabilities		(94,875)	(65,832)
Total assets less current liabilities		147,491	102,958

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities			
Amounts due to non-controlling interests		—	60
Lease liabilities		4,076	208
Deferred tax liabilities		5	35
		<u>4,081</u>	<u>303</u>
Net assets		<u>143,410</u>	<u>102,655</u>
Equity			
Share capital		7,770	7,770
Reserves		138,237	97,389
		<u>146,007</u>	<u>105,159</u>
Equity attributable to owners of the Company		(2,597)	(2,504)
Non-controlling interests		<u>143,410</u>	<u>102,655</u>
Total equity		<u>143,410</u>	<u>102,655</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.

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 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or 1 January 2024

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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.

The consolidated financial statements have been prepared on the historical cost basis except for investment property that are measured at fair values at the end of the 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

	For the year ended	
	31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Re-presented)	
Continuing operations		
Revenue from contracts with customers	215,920	155,639
Leasing of investment property	207	—
	<u>216,127</u>	<u>155,639</u>

Upon disposal of e-commerce promotion business through disposal of Advance Rider Limited (“**Advance Rider**”), the comparative figures have been re-presented to conform to the current period’s presentation. No disaggregation of revenue from contracts with customers is presented as all revenue from contracts with customers represents the net amount received and receivable for goods sold arising from the sales of health and beauty supplements and products in Hong Kong.

Revenue from the sales of health and beauty supplements and products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Certain contracts for the sale of health and beauty supplements and products provide customers with rights of return. The rights of return give rise to variable consideration. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. For goods that are expected to be returned, a refund liability is recognised.

All goods provided by the Group are for contracts with original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. SEGMENT REPORTING

- (a) During the year ended 31 March 2023, the Group completed the disposal of the operation for e-commerce promotion business through disposal of Advance Rider. As a result, the operation for e-commerce promotion business through Advance Rider was discontinued with effect from 30 August 2022, this is described in more details in Note 9. The comparative figures in this note have been re-presented to conform to the current period’s presentation.

Upon disposal of Advance Rider, information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of performance, focuses specifically on the revenue analysis by principal categories of the Group’s business. The principal categories of the Group’s business are sales of health and beauty supplements and products and, leasing of investment property. Accordingly, only entity-wide disclosures are presented.

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

(b) Information about major customer

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

	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
Customer A*	160,930	107,472

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

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
Continuing operations		
Interest on bank borrowings	3,279	2,222
Interest on other borrowings	1,396	8,642
Interest on amount due to a shareholder	182	—
Interest on lease liabilities	111	174
Interest on liability component of convertible bonds measured at amortised cost	—	1,840
	<u>4,968</u>	<u>12,878</u>

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation from continuing operations is arrived at after charging the followings:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
Continuing operations		
(a) Staff costs (including directors' emoluments):		
Salaries, allowances, and other benefits	65,585	54,053
Retirement benefits	2,024	2,013
Equity-settled share-based payments	—	100
	<u>67,609</u>	<u>56,166</u>
(b) Other items:		
Auditors' remuneration	2,090	2,118
Cost of inventories	36,515	36,023
Depreciation charge:		
— property, plant and equipment	3,775	4,158
— right-of-use assets	2,450	2,350
Amortisation of intangible assets	285	987
Rent for special designated counters	16,904	15,656
(Gain)/loss on disposal of property, plant and equipment, net	(303)	38
Impairment loss on intangible assets	—	4,231
Written off of trade receivables	303	—
Written off of inventories, net of reversal	106	3,782
	<u>106</u>	<u>3,782</u>

8. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
Continuing operations		
Current tax		
Hong Kong Profits Tax	4,611	3,806
Overprovision in respect of prior years		
Hong Kong Profits Tax	(1,994)	—
Deferred tax	<u>(27)</u>	<u>(1,051)</u>
	<u>2,590</u>	<u>2,755</u>

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 is 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 People's Republic of China (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 2023 and 2022, no provision for PRC EIT has been made in the consolidated financial statements as the Group has no assessable profits under EIT.

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

9. DISCONTINUED OPERATIONS

Disposal of Advance Rider and its subsidiaries (collectively, "Advance Rider Group")

On 30 August 2022, the Group resolved to dispose of the entire equity interest of Advance Rider Group to an independent third party for a total cash consideration of HK\$5,000. The transaction was completed on 30 August 2022.

The net liabilities of Advance Rider Group at the date of disposal and the effect of disposal were as follows:

	<i>HK\$'000</i>
Consideration:	
Cash consideration receivable	<u><u>5</u></u>

As at
30 August 2022
HK\$'000

Analysis of assets and liabilities of subsidiaries over which control was lost:

Property, plant and equipment	51
Trade and other receivables, prepayments and deposits	715
Inventories	362
Cash and cash equivalents	213
Trade payables, other payables and accruals	(1,551)
Contract liabilities	(95)
Tax payable	(31)
	<hr/>
Net liabilities disposed of	(336)
	<hr/> <hr/>
Gain on disposal of subsidiaries:	
Consideration	5
Non-controlling interests	(122)
Net liabilities disposed of	336
Reclassification of cumulative exchange reserve to profit or loss upon disposal	178
	<hr/>
Gain on disposal	397
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The loss for the period from the discontinued e-commerce promotion business is set out below:

Period ended
30 August 2022
HK\$'000

Loss for the period	(820)
Gain on disposal of Advance Rider Group	397
	<hr/>
	(423)
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The results of Advance Rider Group for the period from 1 April 2022 to 30 August 2022, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 30 August 2022 <i>HK\$'000</i>	Year ended 31 March 2022 <i>HK\$'000</i>
Revenue	138	7,354
Cost of sales	<u>(132)</u>	<u>(2,117)</u>
Gross profit	6	5,237
Other income, gains or losses	58	(275)
Administrative expenses	(884)	(7,965)
Reversal of impairment loss under ECL model and trade and other receivables	—	531
Impairment loss on intangible assets	<u>—</u>	<u>(676)</u>
Loss from operations	(820)	(3,148)
Finance costs	<u>—</u>	<u>(2)</u>
Loss before taxation	(820)	(3,150)
Taxation	<u>—</u>	<u>14</u>
Loss for the period	<u><u>(820)</u></u>	<u><u>(3,136)</u></u>
Loss for the period from discontinued operations includes the following:		
Staff costs (including directors' emoluments):		
— Salaries, allowances and other benefits	315	3,526
— Retirement benefits	<u>11</u>	<u>152</u>
	<u><u>326</u></u>	<u><u>3,678</u></u>

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 March 2023 and 2022, nor has any dividend been proposed since the end of the reporting periods.

11. EARNINGS/(LOSS) PER SHARE

From continuing operations

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Re-presented)
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/(loss) per share	41,036	(43,888)
Less: Loss for the year from discontinued operations	<u>260</u>	<u>2,509</u>
Profit/(loss) for the purpose of basic earnings/(loss) per share from continuing operations	<u>41,296</u>	<u>(41,379)</u>
	2023 <i>'000</i>	2022 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>3,107,893</u>	<u>2,876,925</u>

From continuing and discontinued operations

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/(loss) per share	<u>41,036</u>	<u>(43,888)</u>

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

From discontinued operations

For the year ended 31 March 2023, basic loss per share for the discontinued operations is HK0.01 cents per share (2022: basic loss per share for the discontinued operation is HK0.09 cents per share), based on the loss for the period from the discontinued operations of approximately HK\$260,000 (2022: loss for the year of approximately HK\$2,509,000) and the denominators used is the same as those detailed above for basic earnings/(loss) per share from continuing operations.

For the year ended 31 March 2023, the computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price per share. All the Company's convertible bonds have been redeemed during the year ended 31 March 2022.

For the year ended 31 March 2022, the computation of diluted loss per share does not assume (1) the conversion of the Company's convertible bonds since their exercise and conversion would result in a decrease in loss per share from continuing operations; and (2) the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares.

12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	41,433	8,007
Less: Allowance for credit losses	<u>(1,433)</u>	<u>(828)</u>
	40,000	7,179
Other receivables	2,528	2,302
Prepayments (<i>note</i>)	27,684	31,379
Utility, trade and other deposits	11,327	7,385
Right-of-return assets	169	170
Less: Allowance for credit losses	<u>(10)</u>	<u>(1,004)</u>
	<u>81,698</u>	<u>47,411</u>
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Analysis of trade and other receivables:		
Non-current portion	22,918	26,691
Current portion	<u>58,780</u>	<u>20,720</u>
	<u>81,698</u>	<u>47,411</u>

Note: The amount mainly prepaid to the independent IT services providers for developing customised operating systems for the Group. During the year, the customised point of sales system and instant sales report system were completed and implemented, the relevant costs of HK\$5,500,000 were recognised as intangible assets and amortised to profit and loss over five years.

As at 31 March 2023, included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK\$5,621,000 (2022: HK\$3,997,000) which are past due. Out of the past due balances, approximately HK\$125,000 (2022: HK\$322,000) 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 2023, included in trade receivables of nil (2022: HK\$499,000) 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	34,379	3,182
31–60 days	5,491	3,675
61–90 days	5	—
91–180 days	8	56
181–365 days	5	28
Over 365 days	112	238
	<u>40,000</u>	<u>7,179</u>

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	3,040	5,614
Salary and welfare payables	13,957	5,609
Accrued advertising expenses	1,802	1,835
Other payables and accruals	5,019	5,144
Interest payable on bank and other borrowings	654	1,617
Receipt in advance for leasing of investment property	130	—
	<u>24,602</u>	<u>19,819</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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	1,525	1,591
31–60 days	548	1,347
61–90 days	134	1,007
91–180 days	496	1,326
181–365 days	20	5
Over 365 days	317	338
	<u>3,040</u>	<u>5,614</u>

14. ACQUISITION OF A SUBSIDIARY

On 13 March 2023, the Group acquired 100% interest in Daisyluck Industries Limited (“**Daisyluck**”) which is a property holding company with its investment property located in Hong Kong.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 “Business Combinations” and concluded that the investment property is the single identifiable asset. Consequently, the Group determined that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets and concluded that the acquired set of activities and assets is not a business. Details of the transaction are set out in an announcement of the Company dated 20 December 2022.

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. Although the Group's business has been severely hit by the fifth wave of the COVID-19 pandemic in Hong Kong during the fourth quarter of 2021/22, the Group's performance has recovered and improved significantly for the year ended 31 March 2023 (the "**Reporting Period**") owing to (i) improvement in cost efficiency through multiple cost control measures implementation; (ii) strong demands for the health products during COVID-19 epidemic; and (iii) the upgrading of the "Royal Medic" brand image. The Group recorded a profit attributable to owners of the Company during the Reporting Period of approximately HK\$41.0 million as compared to a loss attributable to owners of the Company of approximately HK\$43.9 million for the corresponding period of last year.

During the Reporting Period, the Group recorded revenue from continuing operations of approximately HK\$216.1 million (2022: HK\$155.6 million), representing an increase of approximately HK\$60.5 million or 38.9% when compared to the corresponding period of last year. During the Reporting Period, the Group disposed of the entire interest in Advance Rider Limited and its subsidiaries (the "**Advance Rider Group**") which is principally engaged in e-commerce promotion business. The Group believes that such disposal would allow the Company to focus on the health and beauty supplements and products business, and sharpen the Company's strategic focus on its core business.

The gross profit margin of the continuing operations of the Group for the Reporting Period was approximately 76.9% (2022: 68.9%), representing an increase of approximately 8% over the corresponding period of last year.

During the fourth quarter of 2021/22, Hong Kong was at the peak of fifth wave of COVID-19, the HKSAR Government has imposed the strictest social distancing measures, including more venues closures, banning on gatherings of over 2 people and dine-in services after 6:00 p.m. However, the demand for health products remains strong as COVID-19 has increased public health consciousness and their willingness to change their lifestyles to stay well.

With the lifting of most anti-epidemic and social distancing restrictions in Hong Kong and relaxation of travel restriction measures between Mainland China and Hong Kong, there is a significant recovery in visitor numbers and a social and economic recovery in the first quarter 2023. The Group expects the retail sector performance will continue to benefit from the recovery of private consumption and inbound tourism.

INTANGIBLE ASSETS

As at 31 March 2023, the intangible assets of the Group amounted to approximately HK\$7.4 million (2022: HK\$2.2 million). Intangible assets mainly include computer softwares and club membership.

FINANCIAL POSITION AND LIQUIDITY

As at 31 March 2023, cash and bank balances of the Group amounted to approximately HK\$13.1 million (2022: HK\$35.3 million) and the current ratio (current assets divided by current liabilities) of the Group was approximately 0.5 times as at 31 March 2023 (2022: 0.5 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 111.3% as at 31 March 2023 (2022: 115.9%). 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 2023, the Group had unutilised general banking facilities of approximately HK\$20 million (2022: HK\$1.0 million).

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 2023, the Group had 276 employees (2022: 207). For the Reporting Period, staff costs including directors' remuneration from continuing operations was approximately HK\$67.6 million (2022: HK\$56.2 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

End of COVID-related restrictions and reopening of international borders in Hong Kong, especially the boarder of Mainland China and Hong Kong, which boosts the economic and commercial activities and consumer spending. Considering the recovery of the world economic and the growing of health consciousness of the general public for the post-COVID period, the management is optimistic about the sales growth for the coming financial years.

Looking forward, with the ultimate aim to maximise value for shareholders and enhance its position in the competitive industry, the Group is dedicated to expanding our markets beyond Hong Kong. We are actively expanding our markets in other Asian regions including the Mainland China, Singapore and Malaysia, we believe additional income can be brought to the Group for the coming financial years.

In respect of research and development, Royal Medic Research and Development Centre (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. The Group will utilize the product development team who operated the R&D Centre to build up the new product reserve so that the Group can launch new products from time to time for the coming financial years.

Moreover, the Group continues to strengthen the information technology system to enhance overall operational efficiency. The Group is planning to invest and develop internal management system for the purpose of further improving its cost effectiveness, logistics management, shortening the procurement cycle, as such, we believe the internal management system will simplify the workflow and achieve more effective cost management of the Group.

This year marks the 20th anniversary since the establishment of the Group. Starting from November 2022, the Group has successfully launched a series of advertising and marketing campaigns to upgrade and promote the brand image of Royal Medic to customers with full range of ages. The Group will further strengthen its promotion plans to attract new customers from different customer groups to expand the market, not only in Hong Kong but also worldwide.

MATERIAL DISPOSALS OR ACQUISITIONS

Save as disclosed in notes 9 and 14 to the audited consolidated financial statements, the announcement dated 16 June 2022 in respect of the disposal of 43.05% equity interest in associate and elsewhere in this announcement, there was no other material disposal and acquisition 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 2023.

CAPITAL COMMITMENT

As at 31 March 2023, the Group was committed to acquire certain property, plant and equipment with a total amount of approximately HK\$2.4 million (as at 31 March 2022: Nil).

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 2023, the Group had secured bank borrowings of approximately HK\$61.7 million (2022: HK\$71.9 million). The banking facilities are secured by the Group's leasehold land and buildings, having carrying amount of approximately HK\$66.1 million as at 31 March 2023 (2022: HK\$68.9 million).

EVENTS AFTER REPORTING PERIOD

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2023.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 29 August 2023 to Friday, 1 September 2023, 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 Friday, 1 September 2023 (the "2023 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 1 September 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 28 August 2023.

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 2023 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 (as 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 for the period from 1 April 2022 to 18 May 2022.

According to Code provision C.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Wang Xihua, acting as both the former acting chairman of the Board (the "Chairman") and the acting chief executive officer (the "CEO") of the Company, was responsible for providing leadership to the Board in terms of establishing policies and business directions. He ensured that the Board discharged its responsibilities effectively and all key issues were discussed by the Board timely. Mr. Wang was 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 acting Chairman and acting CEO of the Company during the period from 1 April 2022 to 18 May 2022, which is a deviation from Code provision C.2.1, given Mr. Wang's extensive experience in

the business of the Group, the Board considered during the period in which Mr. Wang was performing both roles of acting Chairman and acting CEO, the efficiency of the Company's business development and management could be enhanced, 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 was not concentrated on any one individual.

Since the appointments of Mr. Lam Wai Tong and Mr. Chen Man Lung as the Co-CEOs of the Company with effective from 19 May 2022, the roles of Chairman and CEO have been separated and the Company has not deviated from Code provision C.2.1.

Mr. Chen Man Lung resigned from the position of executive Director with effect from 1 September 2022, and the position of co-CEO with effect from 3 September 2022. Mr. Lam Wai Tong was re-designated as the sole CEO of the Company with effect from 3 September 2022.

Mr. Wang Xihua resigned from the position of executive Director and acting Chairman with effect from 24 October 2022. Mr. Cheung Siu Fai was appointed as the Chairman with effect from 24 October 2022.

During the Reporting Period, there has been a clear division of responsibilities between the Chairman and the CEO that the Chairman provides leadership and is responsible for the effective functioning and leadership of the Board while the CEO focuses on the Group's business development, daily management and operations generally.

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 2023, 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 three members, namely Mr. Leung Winson Kwan Yau (*chairman of Audit Committee*), Mr. Liu Ying Shun and Ms. Dong Jian Mei, 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 2023. 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 profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 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 and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2022/2023 Annual Report and the Notice of 2023 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
CHEUNG Siu Fai
Chairman and Executive Director

Hong Kong, 27 June 2023

As at the date of this announcement, the executive directors of the Company are Mr. CHEUNG Siu Fai and Mr. LAM Wai Tong; and the independent non-executive directors of the Company are Mr. LEUNG Winson Kwan Yau, Mr. LIU Ying Shun and Ms. DONG Jian Mei.