



Shunten International (Holdings) Limited 順騰國際(控股)有限公司

incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限公司
Stock Code 股份代號: 932

2021/2022 Interim Report



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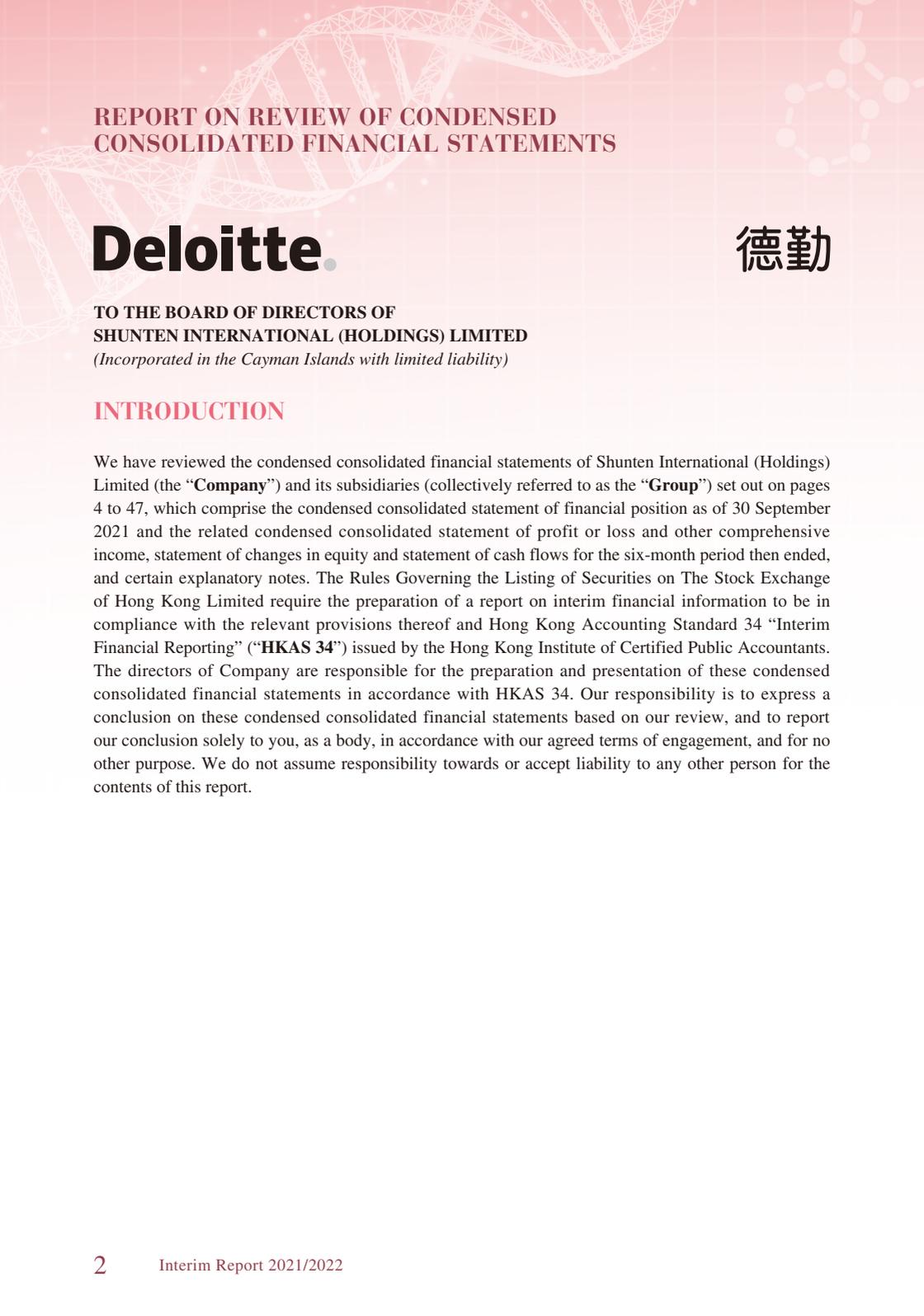


中大 藥家 LEGEND

Contents

Report on Review of Condensed Consolidated Financial Statements	2
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	10
Notes to the Condensed Consolidated Financial Statements	12
Management Discussion and Analysis	48
Other Information	57





REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
SHUNTEN INTERNATIONAL (HOLDINGS) LIMITED**
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shunten International (Holdings) Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 4 to 47, which comprise the condensed consolidated statement of financial position as of 30 September 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 November 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Notes	For the six months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited and restated)
CONTINUING OPERATIONS			
REVENUE	3	95,746	117,355
Cost of revenue		(31,059)	(32,527)
GROSS PROFIT			
		64,687	84,828
Other income, gains or losses		5,233	12,551
Selling and distribution expenses		(16,505)	(21,871)
Administrative expenses		(45,341)	(64,907)
Share of profit/(loss) of an associate		18	(11,689)
Reversal of impairment loss on promissory note receivable	13B	4,000	–
Fair value change of derivative financial instrument	12	(55,402)	–
Impairment loss on intangible assets	11	(4,907)	–
Impairment loss on interests in an associate		–	(35,594)
Impairment loss on goodwill		–	(10,222)
Fair value change of an investment property		–	(2,000)
Loss on modification of promissory note receivable		–	(2,275)
LOSS FROM OPERATIONS			
		(48,217)	(51,179)
Finance costs	5(c)	(8,780)	(8,471)
LOSS BEFORE TAXATION			
	5	(56,997)	(59,650)
Taxation	6	(1,087)	(5,418)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS			
		(58,084)	(65,068)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	7	–	(3,259)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 September 2021

	For the six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited and restated)
LOSS FOR THE PERIOD	(58,084)	(68,327)
OTHER COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	(155)	266
OTHER COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD	(155)	266
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(58,239)	(68,061)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		
– from continuing operations	(57,868)	(64,899)
– from discontinued operations	–	(2,284)
	(57,868)	(67,183)
LOSS FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		
– from continuing operations	(216)	(169)
– from discontinued operations	–	(975)
	(216)	(1,144)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 September 2021

	Note	For the six months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited and restated)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(58,086)	(66,765)
Non-controlling interests		(153)	(1,296)
		(58,239)	(68,061)
LOSS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS			
– Basic (HK cents)	9	(2.18)	(2.62)
– Diluted (HK cents)	9	(2.18)	(2.62)
LOSS PER SHARE FROM CONTINUING OPERATIONS			
– Basic (HK cents)	9	(2.18)	(2.53)
– Diluted (HK cents)	9	(2.18)	(2.53)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	72,453	74,738
Right-of-use assets	10	3,480	2,876
Interests in associates	12	66,705	–
Intangible assets	11	2,224	8,380
Prepayments and deposits	13A	450	459
		145,312	86,453
CURRENT ASSETS			
Inventories		19,213	25,465
Trade and other receivables	13A	52,332	57,717
Promissory note receivable	13B	551	1,430
Tax recoverable		265	611
Cash and cash equivalents		31,307	36,652
		103,668	121,875
CURRENT LIABILITIES			
Trade and other payables	14	18,777	28,254
Tax payable		3,194	3,419
Bank and other borrowings	15	33,527	92,281
Convertible bonds	16	5,242	52,587
Lease liabilities		2,323	1,511
Contract liabilities		375	407
Refund liabilities		1,547	1,145
		64,985	179,604
NET CURRENT ASSETS/(LIABILITIES)		38,683	(57,729)
TOTAL ASSETS LESS CURRENT LIABILITIES		183,995	28,724

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2021

	Notes	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Other borrowings	15	100,000	7,000
Lease liabilities		1,336	1,527
Amounts due to non-controlling interests		60	60
Deferred tax liabilities		74	1,100
		101,470	9,687
NET ASSETS			
		82,525	19,037
EQUITY			
Share capital	17	7,695	6,413
Reserves		77,000	14,641
Equity attributable to owners of the Company		84,695	21,054
Non-controlling interests		(2,170)	(2,017)
TOTAL EQUITY			
		82,525	19,037

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Convertible			Total HK\$'000	Non-controlling interests HK\$'000	Total Equity HK\$'000
						bonds equity reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000			
At 1 April 2021 (audited)	6,413	296,603	(10)	462	290	2,653	19,040	(304,397)	21,054	(2,017)	19,037
Loss for the period	-	-	-	-	-	-	-	(57,868)	(57,868)	(216)	(58,084)
Other comprehensive (expense)/ income for the period											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(218)	-	-	-	(218)	63	(155)
Total comprehensive expense for the period	-	-	-	-	(218)	-	-	(57,868)	(58,086)	(153)	(58,239)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	100	-	100	-	100
Share options lapsed	-	-	-	-	-	-	(10,175)	10,175	-	-	-
Redemption of convertible bonds	-	-	-	-	-	(2,393)	-	1,931	(462)	-	(462)
Shares issued upon acquisition of an associate	1,282	120,807	-	-	-	-	-	-	122,089	-	122,089
At 30 September 2021 (unaudited)	7,695	417,410	(10)	462	72	260	8,965	(350,159)	84,695	(2,170)	82,525
At 1 April 2020 (audited)	6,388	293,022	(10)	462	(330)	4,942	16,299	(178,060)	142,713	(9,900)	132,813
Loss for the period	-	-	-	-	-	-	-	(67,183)	(67,183)	(1,144)	(68,327)
Other comprehensive income/ (expense) for the period											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	418	-	-	-	418	(152)	266
Total comprehensive income/ (expense) for the period	-	-	-	-	418	-	-	(67,183)	(66,765)	(1,296)	(68,061)
Share options lapsed	-	-	-	-	-	-	(1,265)	1,265	-	-	-
Shares issued upon exercise of share options	25	3,581	-	-	-	-	(906)	-	2,700	-	2,700
Redemption of convertible bonds	-	-	-	-	-	(2,029)	-	317	(1,712)	-	(1,712)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	6,331	6,331
At 30 September 2020 (unaudited)	6,413	296,603	(10)	462	88	2,913	14,128	(243,661)	76,936	(4,865)	72,071

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Note	For the six months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Operating activities			
Operating cash flows before movements in working capital		15,224	19,186
Decrease/(increase) in inventories		3,682	(2,891)
Decrease/(increase) in trade and other receivables		5,536	(2,037)
Decrease in contract liabilities		(32)	(235)
Increase in refund liabilities		402	452
(Decrease)/increase in trade and other payables		(12,980)	3,283
Cash generated from operations		11,832	17,758
Hong Kong Profits Tax paid		(1,992)	(1,873)
Net cash from operating activities		9,840	15,885
Investing activities			
Purchase of property, plant and equipment		(5)	(89)
Direct costs attributable to the purchase of right-of-use assets		(2)	–
Proceeds from disposal of property, plant and equipment		51	–
Proceeds from disposal of subsidiaries	7	–	888
Proceeds from settlement of promissory note receivable		4,892	1,400
Bank interest received		6	3
Net cash from investing activities		4,942	2,202

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 September 2021

	For the six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Financing activities		
New bank loans raised	5,760	15,000
Proceeds from other borrowings	100,000	11,250
Repayment of bank loans	(62,514)	(1,852)
Repayment of other borrowings	(9,000)	(20,000)
Repayment of early redemption of convertible bonds	(46,000)	(39,000)
Repayment of lease liabilities	(1,253)	(2,697)
Proceeds from shares issued under share options scheme	–	2,700
Interest paid	(6,963)	(13,933)
<hr/>		
Net cash used in financing activities	(19,970)	(48,532)
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Net decrease in cash and cash equivalents	(5,188)	(30,445)
Cash and cash equivalents at beginning of the period	36,652	57,157
Effect of foreign exchange rate changes	(157)	261
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Cash and cash equivalents at end of the period	31,307	26,973

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Shunten International (Holdings) Limited (the “**Company**”) and its subsidiaries (collectively referred to as, the “**Group**”) for the six months ended 30 September 2021 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than the additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

2.1 Application of amendments to HKFRSs

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

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

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

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

2.3 Accounting policies newly applied by the Group

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

Derivative financial instruments

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

3. REVENUE

Continuing operations

Disaggregation of revenue from contracts with customers

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

	For the six months ended 30 September 2021 (unaudited)		
	Health and beauty supplements and products business HK\$'000	E-commerce promotion business HK\$'000	Total HK\$'000
Disaggregated by geographical locations of customers:			
Hong Kong (place of domicile)	91,047	4,396	95,443
Taiwan	–	299	299
Others	–	4	4
	91,047	4,699	95,746
Timing of revenue recognition:			
Point in time	91,047	3,111	94,158
Over time	–	1,588	1,588
	91,047	4,699	95,746

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

3. REVENUE (Continued)

Continuing operations (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	For the six months ended 30 September 2020 (unaudited and restated)		
	Health and beauty supplements and products business HK\$'000	E-commerce promotion business HK\$'000	Total HK\$'000
Disaggregated by geographical locations of customers:			
Hong Kong (place of domicile)	111,372	5,841	117,213
Taiwan	–	127	127
Others	–	15	15
	111,372	5,983	117,355
Timing of revenue recognition:			
Point in time	111,372	4,632	116,004
Over time	–	1,351	1,351
	111,372	5,983	117,355

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

4. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the board of directors, being the Group's Chief Operating Decision Maker ("CODM"), for the purposes of resources allocation and performance assessment, the Group has presented the following reportable segments.

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

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

During the six months ended 30 September 2020, its operation in game distribution business and online advertising agency business were disposed of and are presented as discontinued operations for the six months ended 30 September 2020.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

4. SEGMENT REPORTING (Continued)

(i) Segment revenue and results

Continuing operations

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

4. SEGMENT REPORTING (Continued)

(i) Segment revenue and results (Continued)

Continuing operations (Continued)

	For the six months ended 30 September 2020 (unaudited and restated)		
	Health and beauty supplements and products business HK\$'000	E-commerce promotion business HK\$'000	Total HK\$'000
Segment revenue:			
Revenue from external customers	111,372	5,983	117,355
Segment results	18,261	(3,357)	14,904
Unallocated other income, gains or losses			4,534
Share of loss of an associate			(11,689)
Impairment loss on interest in an associate			(35,594)
Fair value change of an investment property			(2,000)
Loss on modification of promissory note receivable			(2,275)
Unallocated finance costs			(8,359)
Unallocated corporate expenses			(19,171)
Loss before taxation from continuing operations			(59,650)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

4. SEGMENT REPORTING (Continued)

(ii) Segment assets and liabilities

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

5. LOSS BEFORE TAXATION

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

6. TAXATION

	For the six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited and restated)
CONTINUING OPERATIONS		
Current taxation		
Hong Kong Profits Tax	2,113	3,461
Underprovision in respect of prior years		
Hong Kong Profits Tax	–	2,330
Deferred tax	(1,026)	(373)
	1,087	5,418

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying group entity will be taxed at 8.25%, and the assessable profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessment profits above HK\$2,000,000.

No provision for profits tax in the Cayman Islands, the British Virgin Islands (“BVI”), Malaysia, Macau and Taiwan have been made as the Group has no income or profit assessable for tax in these jurisdictions for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

7. DISCONTINUED OPERATIONS

Disposal of Star Root Limited (“Star Root”) and its subsidiary (collectively, “Star Root Group”)

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

7. DISCONTINUED OPERATIONS (Continued)

Disposal of Star Root Limited (“Star Root”) and its subsidiary (collectively, “Star Root Group”) (Continued)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

7. DISCONTINUED OPERATIONS (Continued)

Disposal of Star Root Limited (“Star Root”) and its subsidiary (collectively, “Star Root Group”) (Continued)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

7. DISCONTINUED OPERATIONS (Continued)

Disposal of IAHGames Hong Kong Limited (“IAHGames”)

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

The net liabilities of IAHGames at the date of disposal and the effect of disposal were as follows:

	HK\$'000 (unaudited)
Fair value of consideration:	
Consideration received	3,200
Promissory note receivable	1,451
	<hr/>
	4,651
	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

7. DISCONTINUED OPERATIONS (Continued)

Disposal of IAHGames Hong Kong Limited (“IAHGames”) (Continued)

	As at 30 June 2020 HK\$'000 (unaudited)
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	39
Goodwill	14,369
Trade and other receivables	38,886
Inventories	601
Cash and cash equivalents	312
Trade and other payables	(55,389)
Deferred tax liabilities	(7)
<hr/>	
Net liabilities disposed of	(1,189)
<hr/>	
Loss on disposal of subsidiary:	
Fair value of consideration	4,651
Non-controlling interests	(7,471)
Net liabilities disposed of	1,189
<hr/>	
Loss on disposal	(1,631)
<hr/>	
Net cash inflow arising on disposal:	
Cash consideration received*	1,200
Less: cash and cash equivalents disposed of	(312)
<hr/>	
	888
<hr/>	

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

7. DISCONTINUED OPERATIONS (Continued)

Disposal of IAHGames Hong Kong Limited (“IAHGames”) (Continued)

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

7. DISCONTINUED OPERATIONS (Continued)

Disposal of Junten

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

8. DIVIDENDS

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

9. LOSS PER SHARE

From Continuing Operations

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

	For the six months ended 30 September	
	2021 (unaudited)	2020 (unaudited and restated)
Loss (HK\$'000)		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(57,868)	(67,183)
Less: Loss for the period from discontinued operations	–	2,284
Loss for the purpose of basic loss per share from continuing operations	(57,868)	(64,899)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	2,651,809,831	2,562,998,632

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

9. LOSS PER SHARE (Continued)

From Continuing and Discontinued Operations

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

	For the six months ended 30 September	
	2021 (unaudited)	2020 (unaudited)
Loss (HK\$'000)		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(57,868)	(67,183)

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

From Discontinued Operations

For the six months ended 30 September 2020, basic loss per share for the discontinued operations is HK0.09 cents per share, based on the loss for the period from the discontinued operations of HK\$2,284,000 and the denominators used is the same as those detailed above for basic loss per share from continuing operations.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group has disposed of motor vehicle with a carrying amount of HK\$89,000 (for the six months ended 30 September 2020: certain leasehold improvement and furniture and office equipment with an aggregate carrying amount of HK\$856,000) for proceeds of HK\$51,000 (for the six months ended 30 September 2020: nil), resulting in a loss on disposal of HK\$38,000 (for the six months ended 30 September 2020: HK\$856,000).

During the current interim period, the Group entered into several new lease agreements with lease terms of 1 to 2 years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised right-of-use assets of HK\$1,813,000 (for the six months ended 30 September 2020: HK\$2,851,000) and lease liabilities of HK\$1,811,000 (for the six months ended 30 September 2020: HK\$2,851,000).

11. INTANGIBLE ASSETS

For the purposes of impairment testing, intangible assets are related to two individual cash-generating units (“CGUs”), each comprising a group of subsidiaries, namely H365 Health Products Limited (“**H365 Group**”) included in the health and beauty supplements and products business segment and Soul Marketing Group Limited (“**Soul Marketing**”) included in e-commerce promotion business segment.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

H365 Group

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projection based on financial budgets approved by management covering a five-year period, and a pre-tax discount rate of 15.9% (as at 31 March 2021: 15.9%). The cash flows of this CGU beyond the five-year period is extrapolated using a 1.4% (as at 31 March 2021: 2.4%) growth rate. This growth rate is based on the relevant industry growth forecasts. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows include budgeted sales, gross margin and related cash inflow and outflow patterns. The estimation is based on the CGU’s past performance and management’s expectations for the market development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

11. INTANGIBLE ASSETS (Continued)

H365 Group (Continued)

During the period ended 30 September 2021, there is decline in financial performance of H365 Group than expected, and the determination of scale down of the sales of the products of H365 Group to the sole distributor. Hence, the directors of the Company have performed impairment assessment on the brand name and sales distribution channel and considered to recognise impairment loss amounted to HK\$2,179,000 (for the six months ended 30 September 2020: nil) and HK\$2,052,000 (for the six months ended 30 September 2020: nil), respectively as the recoverable amount was lower than its carrying amount.

Soul Marketing

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projection based on financial budgets approved by management covering a five-year period, and a pre-tax discount rate of 17.9% (as at 31 March 2021: 17.9%). The cash flows of this CGU beyond the five-year period is extrapolated using a growth rate of 1.4% (as at 31 March 2021: 2.4%). Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows include budgeted sales, gross margin and related cash inflow and outflow patterns. The estimation is based on management's expectations for the market development.

During the year ended 30 September 2021, there is decline in financial performance of Soul Marketing than expected. Due to the change in key management during the current interim period, the business development of Soul Marketing has been slowed down. Hence, the directors of the Company have performed impairment assessment on the customer relationship and considered to recognise impairment loss amounted to HK\$676,000 (for the six months ended 30 September 2020: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

12. INTERESTS IN ASSOCIATES

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

12. INTERESTS IN ASSOCIATES (Continued)

Acquisition of an associate, Aggressive Resources

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

12. INTERESTS IN ASSOCIATES (Continued)

Acquisition of an associate, Aggressive Resources (Continued)

Aggressive Resources

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

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

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

Impairment assessment of an associate, Leader Shine

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

13A. TRADE AND OTHER RECEIVABLES (Continued)

As of the end of the reporting period, the ageing analysis of trade receivables based on the date of revenue recognition and net of allowance for credit losses were as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

13B. PROMISSORY NOTE RECEIVABLE

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

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

During the six months ended 30 September 2021, the Company has entered into a sale and purchase agreement with a purchaser, a company incorporated in Hong Kong with limited liability and is owned by a business relations consultant of a subsidiary of the Company and his son, pursuant to which the purchaser agreed to purchase the promissory note receivable in relation to the disposal of Empire Access at a consideration equals to the fair value of the promissory note receivable as at 30 September 2021 as shown on the valuation report to be obtained but not less than the sum of HK\$25,000,000. Up to the date of approval of these condensed consolidated financial statements for issuance, in the opinion of the directors of the Company, completion has not yet taken place since the parties require more time to arrange for the completion.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

14. TRADE AND OTHER PAYABLES

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Trade payables	4,354	4,767
Salary and welfare payables	5,435	7,291
Payables on advertising expenses	2,937	1,754
Other payables and accruals	5,609	12,961
Interests payables on other borrowings	442	1,481
	18,777	28,254

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

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
0–30 days	1,499	1,245
31–60 days	1,647	1,495
61–90 days	599	1,123
91–180 days	276	369
181–365 days	7	201
Over 365 days	326	334
	4,354	4,767

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

15. BANK AND OTHER BORROWINGS

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Bank borrowings:		
Bank loans, unsecured	5,527	–
Bank loans, secured	–	62,281
	5,527	62,281
Other borrowings:		
Unsecured notes	28,000	28,000
Other borrowings, secured	100,000	9,000
	128,000	37,000
Total bank and other borrowings	133,527	99,281
	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Analysis of bank and other borrowings:		
Non-current portion	100,000	7,000
Current portion	33,527	92,281
	133,527	99,281

During the current interim period, the Group repaid bank and other borrowings amounting to HK\$71,514,000 (for the six months ended 30 September 2020: HK\$21,852,000), obtained new bank loans which carried interest at variable rate amounting HK\$5,760,000 (for the six months ended 30 September 2020: HK\$15,000,000) and obtained new other borrowings amounting to HK\$100,000,000 (for the six months ended 30 September 2020: HK\$11,250,000) which carried interest at a fixed rate of 17.04% per annum. The new other borrowings of HK\$100,000,000 are secured by leasehold land and buildings and repayable in full on 25 January 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

16. CONVERTIBLE BONDS

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Liability component		
Convertible bonds issued on 4 October 2019 ("CB 2020") measured at amortised cost (note)	5,242	52,587
Equity component		
Convertible bonds issued on 4 October 2019 (note)	260	2,653

Note: During the current interim period, the Group partially redeemed CB 2020 in the principal amount of HK\$5,000,000, HK\$5,000,000, HK\$27,000,000, HK\$6,000,000 and HK\$3,000,000 on 1 April 2021, 10 June 2021, 30 June 2021, 3 August 2021 and 30 September 2021, respectively (for the six months ended 30 September 2020: HK\$23,000,000, HK\$8,000,000 and HK\$8,000,000 on 11 May 2020, 17 June 2020 and 17 July 2020, respectively).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

17. SHARE CAPITAL

	2021			2020		
	Nominal value per share HK\$	Number of shares	Share capital HK\$'000	Nominal value per share HK\$	Number of shares	Share capital HK\$'000
Authorised:						
At beginning and end of the period	0.0025	4,000,000,000	10,000	0.0025	4,000,000,000	10,000
Issued and fully paid:						
At beginning of the period (audited)	0.0025	2,564,911,200	6,413	0.0025	2,554,911,200	6,388
Shares issued upon acquisition of an associate (note (a))	0.0025	512,982,240	1,282	N/A	N/A	N/A
Shares issued upon exercise of share options under the share options scheme (note (b))	-	-	-	0.0025	10,000,000	25
At end of the period (unaudited)	0.0025	3,077,893,440	7,695	0.0025	2,564,911,200	6,413

Notes:

- (a) On 31 August 2021, 512,982,240 shares of HK\$0.0025 each in the capital of the Company were issued and allotted to the vendor for the acquisition of Aggressive Resources as set out in note 12.
- (b) During the six months ended 30 September 2020, share options were exercised to subscribe for 10,000,000 ordinary shares of the Company at a consideration of HK\$2,700,000, of which HK\$25,000 was credit to share capital and the balance of HK\$3,581,000 credit to the share premium account. HK\$906,000 has been transferred from the share option reserve to the share premium account.

All shares issued during the six months ended 30 September 2021 rank pari passu in all respects with the then existing shares of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value on a recurring basis

The Group's finance department, headed by the board of directors, is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged third party qualified valuers to perform the valuation. The finance department works closely with independent professionally qualified valuers not connected to the Group to establish the appropriate valuation techniques and inputs to the model. The Head of Finance reports to the board of directors semi-annually to explain the cause of fluctuations in the fair value of the assets or liabilities.

During the six months ended 30 September 2021, there were no significant financial assets nor liabilities of the Level 3 fair value measurements. The movements during the six months ended 30 September 2020 in the balances of the Level 3 fair value measurements are as follows:

For the six months ended 30 September 2020

	Contingent consideration receivable HK\$'000
At 1 April 2020 (audited) and 30 September 2020 (unaudited)	1,735

(b) Financial assets and liabilities carried at amortised cost other than fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

19. COMMITMENTS

As at the end of the current interim period, the Group was committed to acquire certain property, plant and equipment for its e-commerce promotion business with a total amount of HK\$139,000 (as at 31 March 2021: HK\$139,000).

20. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the six months ended 30 September 2021 and 2020:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and senior management, is as follows:

	For the six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Short-term employee benefits	4,812	7,243
Post-employment benefits	59	63
	4,871	7,306

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

20. RELATED PARTY TRANSACTIONS (Continued)

(b) Transaction with related parties

Name of related parties	Nature of balances/ transactions	As at/for the six months ended 30 September 2021 HK\$'000 (unaudited)	As at/for the six months ended 30 September 2020 HK\$'000 (unaudited)
Sunex Limited (“Sunex”)	Interest expenses on lease liabilities	7	11
	Lease liabilities (note i)	347	554
EC Star Trading Limited (“EC Star Trading”)	Interest expenses on lease liabilities	4	7
	Lease liabilities (note ii)	196	312
Galaxy Centre Limited (“Galaxy Centre”)	Interest expenses on lease liabilities	7	11
	Lease liabilities (note iii)	289	460
Excel Galaxy Limited (“Excel Galaxy”)	Interest expenses on lease liabilities	7	11
	Lease liabilities (note iv)	279	445

Notes:

- (i) During the six months ended 30 September 2020, the Group entered into a lease agreement for the use of warehouse with Sunex, a company wholly-owned by Mr. Chan Yan Tak, shareholder of the Company, for 3 years. The Group has recognised an additional right-of-use asset and lease liability of HK\$655,000 and HK\$655,000, respectively. No new lease agreement was entered between the Group and the related party during the six months ended 30 September 2021.
- (ii) During the six months ended 30 September 2020, the Group entered into a lease agreement for the use of warehouse with EC Star Trading, a company wholly-owned by Mr. Chan Yan Tak, for 3 years. The Group has recognised an additional right-of-use asset and lease liability of HK\$369,000 and HK\$369,000, respectively. No new lease agreement was entered between the Group and the related party during the six months ended 30 September 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

20. RELATED PARTY TRANSACTIONS (Continued)

(b) Transaction with related parties (Continued)

Notes: (Continued)

- (iii) During the six months ended 30 September 2020, the Group entered into a lease agreement for the use of warehouse with Galaxy Centre, a company wholly-owned by Mr. Chan Yan Tak, for 3 years. The Group has recognised an additional of right-of-use asset and lease liability of HK\$543,000 and HK\$543,000, respectively. No new lease agreement was entered between the Group and the related party during the six months ended 30 September 2021.
- (iv) During the six months ended 30 September 2020, the Group entered into a lease agreement for the use of warehouse with Excel Galaxy, a company wholly-owned by Mr. Chan Yan Tak, for 3 years. The Group has recognised an additional of right-of-use asset and lease liability of HK\$525,000 and HK\$525,000, respectively. No new lease agreement was entered between the Group and the related party during the six months ended 30 September 2021.

21. EVENTS AFTER THE END OF REPORTING PERIOD

On 4 October 2021, CB 2020 became mature and the entire outstanding balance of CB 2020 with principal amount of HK\$5,000,000 was fully settled in cash.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (Continued)

Health and beauty supplements and products segment

Revenue of health and beauty supplements and products segment

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (Continued)

Health and beauty supplements and products segment (Continued)

Results of health and beauty supplements and products segment

Owing to the decrease in turnover, the gross profit of this segment for the Reporting Period also experienced a decline to approximately HK\$61.3 million (2020: HK\$81.4 million). The gross margin ratio for the Reporting Period was approximately 67.3% (2020: 73.1%), representing a decrease of 5.8 percentage points from that of the corresponding period of last year.

The segment's selling and distribution expenses decreased in proportion to the decrease in segment's turnover for the Reporting Period. The selling and distribution expenses include, but not limited to, conducting digital marketing through bloggers and key opinion leaders in addition to the traditional marketing media.

The administrative expenses of this segment also decreased primarily due to continuous cost control measures, such as reduced in the number of staff headcount.

Segment reporting

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

Impairment losses

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (Continued)

Intangible assets

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

Promissory note receivable

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

Financial position and liquidity

As at 30 September 2021, cash and bank balances of the Group amounted to approximately HK\$31.3 million (as at 31 March 2021: HK\$36.7 million). The current ratio (current asset divided by current liabilities) of the Group was approximately 1.6 times as at 30 September 2021 (as at 31 March 2021: 0.7 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 168.2% as at 30 September 2021 (as at 31 March 2021: approximately 798.1%). The Group is exposed to foreign currency risk primarily through purchases that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily United States dollars and Renminbi. In order to manage and minimise the foreign currency risk, the management will continue to manage and monitor such currency exposure to ensure that appropriate measures are implemented in a timely and effective manner.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (Continued)

Financial position and liquidity (Continued)

Convertible bonds

Pursuant to a placing agreement dated 16 September 2019 entered between a placing agent and the Company, the Company issued unsecured redeemable convertible bonds in an aggregate principal amount of HK\$180.0 million which bear interest at 10% per annum with maturity on the second anniversary of date of issue (i.e. 4 October 2021), which could be converted into a total number of 416,666,666 fully paid up shares (the “**Conversion Share**”) at an initial conversion price of HK\$0.432 per Conversion Share commencing from 4 October 2019 to the second anniversary of date of issue (the “**2019 Convertible Bonds**”). Principal amounts of HK\$85.0 million, HK\$23.0 million, HK\$8.0 million, HK\$8.0 million, HK\$2.0 million, HK\$3.0 million, HK\$5.0 million, HK\$5.0 million, HK\$27.0 million, HK\$6.0 million and HK\$3.0 million of the 2019 Convertible Bonds were redeemed by the Company on 31 March 2020, 11 May 2020, 17 June 2020, 17 July 2020, 4 February 2021, 15 March 2021, 1 April 2021, 10 June 2021, 30 June 2021, 3 August 2021 and 30 September 2021 respectively. As at 30 September 2021, the outstanding principal amount of the 2019 Convertible Bonds is HK\$5.0 million, all of which were matured and fully repaid on 4 October 2021.

The net proceeds from the issue of 2019 Convertible Bonds amounted to approximately HK\$178.1 million of which (i) approximately HK\$89.1 million was used to redeem the outstanding principal amount of the convertible bonds issued on 12 October 2017; (ii) approximately HK\$71.2 million was used to enhance and further develop the formulation, marketing, sale and distribution of health and beauty supplements and products in Hong Kong and the PRC; and (iii) approximately HK\$17.8 million was used to replenish the Group’s general working capital. For details of the 2019 Convertible Bonds, please refer to the announcements of the Company on 16 September 2019, 17 September 2019, 4 October 2019, 31 March 2020, 11 May 2020, 17 June 2020, 17 July 2020, 4 February 2021, 17 March 2021, 1 April 2021, 10 June 2021, 2 July 2021, 3 August 2021 and 30 September 2021 respectively, together with note 16 to the unaudited condensed consolidated financial statements in this interim report.

Capital management

The Group’s objective in capital management is to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. The Group also monitors capital on the basis of the net gearing ratio. The Group’s overall strategy remains unchanged throughout the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (Continued)

Employee information

As at 30 September 2021, the Group had 171 employees (as at 31 March 2021: 188). For the Reporting Period, staff costs including remuneration of the Directors from continuing operations was approximately HK\$32.5 million (2020: HK\$45.3 million).

Material acquisitions or disposals

Save as disclosed on note 12 to the unaudited condensed consolidated financial statements in this interim report, there were no material acquisitions or disposals of subsidiaries, associated companies and joint ventures during the period of review.

Charges on assets

As at 30 September 2021, the Group had secured bank loans and other borrowings of approximately HK\$100.0 million (as at 31 March 2021: HK\$71.3 million). The banking facilities were secured by the Group's leasehold land and buildings, having carrying amount of approximately HK\$70.3 million as at 30 September 2021 (as at 31 March 2021: leasehold land and buildings and account receivable having carrying amount of approximately HK\$111.4 million).

Capital commitment

As at 30 September 2021, the Group was committed to acquire certain property, plant and equipment for its e-commerce promotion business with a total amount of approximately HK\$0.14 million (31 March 2021: HK\$0.14 million).

Interim dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OUTLOOK

Health and beauty supplements and products segment

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

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

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

Market and geographical diversification

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

Channel diversification in Hong Kong and Macau

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OUTLOOK (Continued)

Smart retail and logistics network

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

Research and development and product line diversification

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

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

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

EVENTS AFTER REPORTING PERIOD

Save for the events set out in note 21 to the unaudited condensed consolidated financial statements in this report, there is no significant event occurring after Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

OTHER INFORMATION

DISCLOSURE OF INTEREST

Directors' and chief executive's interests and short position in shares, underlying shares and debentures of the Company

As at 30 September 2021, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), which (i) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

As at 30 September 2021, none of the Directors or the chief executive of the Company or their associates had registered any interest or short positions in any shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

As at 30 September 2021, the number of outstanding share options granted by the Company under the share option scheme conditionally adopted by the Company on 24 September 2013, which has been taken effect on 11 October 2013 for the Directors to subscribe the shares of the Company, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out the sections head “SHARE OPTION” in this interim report.

Save as disclosed above, at no time during the period of six months ended 30 September 2021 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party to any arrangement to enable the Directors, their respective spouses and children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION (CONTINUED)

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES (Continued)

Substantial Shareholder's Interests in the Company

As at 30 September 2021, according to the register of interests kept by the Company under section 336 of the SFO, the interest of the persons, other than the Directors or the chief executive of the Company, in the shares and/or underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company were as follows:

Long positions in shares of the Company

Names of shareholder	Capacity	Nature of interest	Number of ordinary shares	Total	Approximate percentage of interest in the Company's issued share capital*
Chan Yan Tak ¹ ("Mr. Chan")	Interest of controlled corporation	Ordinary shares	733,568,000	733,568,000	23.83%
Able Island Group Limited ¹ ("Able Island")	Beneficial owner	Ordinary shares	723,242,000	723,242,000	23.50%
Hammer Capital Private Investments Limited ² ("Hammer Capital")	Person having a security interest in shares	Ordinary shares	723,242,000	723,242,000	23.50%
Symphony Holdings Limited ³ ("Symphony")	Interest of controlled corporation	Ordinary shares	512,982,240	512,982,240	16.67%
Cosmo Group Holdings Limited ³ ("Cosmo Group")	Beneficial owner	Ordinary shares	512,982,240	512,982,240	16.67%
Leung Lisa ⁴	Interest of controlled corporation	Ordinary shares	205,821,793	205,821,793	6.69%
Prosper Rich Investments Limited ⁴ ("Prosper Rich")	Beneficial owner	Ordinary shares	205,821,793	205,821,793	6.69%

OTHER INFORMATION (CONTINUED)

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES (Continued)

Long positions in shares of the Company (Continued)

Notes:

1. Based on the public information of disclosure of interest from the website of the Stock Exchange (<http://www.hkexnews.hk/di/di.htm>), 723,242,000 shares and 10,326,000 shares of the Company were held by Able Island and Nice Day Investment Company Limited respectively, both of which are wholly-owned by Mr. Chan. As such, Mr. Chan is deemed to be interested in the shares held by these companies by virtue of the SFO. With reference to the notice of disclosure of interests of Able Island and Mr. Chan filed with the Stock Exchange on 9 September 2021, the shares of the Company where Mr. Chan deemed to be interested in were pledged as security.
 2. Based on the public information of disclosure of interest from the website of the Stock Exchange (<http://www.hkexnews.hk/di/di.htm>), with reference to the notice of the disclosure of interests of Hammer Capital filed with the Stock Exchange on 13 May 2021, 723,242,000 shares of the Company have been secured in favour of Hammer Capital.
 3. Based on the public information of disclosure of interest from the website of the Stock Exchange (<http://www.hkexnews.hk/di/di.htm>), with reference to the notices of disclosure of interests of Cosmo Group and Symphony filed with the Stock Exchange on 2 September 2021, 512,982,240 shares of the Company were held by Cosmo Group, a wholly-owned subsidiary of Symphony. As such, Symphony is deemed to be interested in the shares held by Cosmo Group by virtue of the SFO.
 4. Based on the public information of disclosure of interest from the website of the Stock Exchange (<http://www.hkexnews.hk/di/di.htm>), with reference to the notices of disclosure of interests of Prosper Rich and Leung Lisa filed with the Stock Exchange on 16 August 2019, 205,821,793 shares of the Company were held by Prosper Rich, a wholly-owned subsidiary of Leung Lisa. As such, Leung Lisa is deemed to be interested in the shares held by Prosper Rich by virtue of the SFO.
- * The percentage has been adjusted, if any, based on the total number of shares of the Company in issue as at 30 September 2021 (i.e. 3,077,893,440 shares).

Save as disclosed above, as at 30 September 2021, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION (CONTINUED)

SHARE OPTION

Pursuant to a written resolution of the Company passed on 24 September 2013, the Company has conditionally adopted a share option scheme, which has been taken effect on 11 October 2013 (the “Share Option Scheme”).

As at 30 September 2021 and up to the date of this interim report, a total of 138,000,000 and 22,000,000 share options were outstanding respectively, under the Share Option Scheme. Movement of the share options during the six months ended 30 September 2021 are listed below in accordance with Rule 17.07 of the Listing Rules:

Categories	During the period			As at 30 September 2021	Notes
	As at 1 April 2021	Exercised	Lapsed		
Employees (continuous contracts)	148,000,000	–	(10,000,000)	138,000,000	1,2,3,4
Total	148,000,000	–	(10,000,000)	138,000,000	

Notes:

1. The validity period is from 26 April 2018 to 25 April 2023 (both days inclusive). All of the share options were immediately vested. The exercise price of the share options and the closing price of the shares of the Company immediately before the date on which these share options were granted was HK\$1.15 and HK\$1.12 respectively. As at 30 September 2021, there were 12,000,000 share options outstanding.
2. The validity period of the share options is from 29 October 2020 to 28 October 2021 (both days inclusive). All the share options were vested on 28 January 2021. The exercise price of the share options and the closing price of the shares of the Company immediately before the date on which these share options were granted was HK\$0.20 and HK\$0.191 respectively. As at 30 September 2021, there were 116,000,000 share options outstanding. Subsequent to the end of the Reporting Period, all the share options granted on 29 October 2020 had been fully lapsed.
3. The validity period of the share options is from 10 March 2021 to 9 March 2022 (both days inclusive). All the share options were vested on 9 June 2021. The exercise price of the share options and the closing price of the shares of the Company immediately before the date on which these share options were granted was HK\$0.20 and HK\$0.137 respectively. As at 30 September 2021, there were 10,000,000 share options outstanding.
4. 10,000,000 share options were lapsed following the resignation of an employee during the six months ended 30 September 2021.
5. The exercise price of the share options is subject to adjustments in the case of rights or bonus issues, or other similar changes in the Company’s share capital.

Save as disclosed above, no share option granted under Share Option Scheme was exercised, forfeited, lapsed or cancelled during the six months ended 30 September 2021.

OTHER INFORMATION (CONTINUED)

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Period (Period of six months ended 30 September 2020: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to the Company's growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. The Company has adopted the code provisions set out in the Corporate Governance Code (amended from time to time, the "Code") contained in the Appendix 14 of the Listing Rules. Throughout the Reporting Period, the Company has fully complied with all code provisions of the Code except the deviation from the Code provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the Reporting Period and up to the date of this interim report, Mr. Wang Xihua, an executive Director, is the acting chairman of the Board and the acting chief executive officer of the Company since 1 April 2019.

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

OTHER INFORMATION (CONTINUED)

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (amended from time to time) as set out in Appendix 10 of Listing Rules as the code of conduct regarding directors' transactions in the securities of the Company. Upon the Company's specific enquiry, each Director has confirmed that they fully complied the required standards set out in the Model Code under the Listing Rules throughout the Reporting Period, and there is no event of non-compliance. Senior managers, other nominated managers and staff who, because of their offices in the Group, are likely to be in possession of inside information of the Company, have also been requested to comply with the provisions of the Model Code.

AUDIT COMMITTEE

The audit committee of the Company (“**Audit Committee**”), is currently composed of the three independent non-executive Directors, namely Mr. LEUNG Winson Kwan Yau (Chairman), Mr. TAM Kin Yip and Mr. LEUNG Man Loon, for the purpose of reviewing and providing, inter alia, supervision over the Group's financial reporting, internal control and risk management system with written terms of reference in compliance with the Listing Rules.

At the request of the Audit Committee, the Company's external auditor had carried out a review of the condensed consolidated financial statements of the Group for the Reporting Period (the “**2021/2022 Interim Financial Information**”) in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. 2021/2022 Interim Financial Information has also been reviewed by the Audit Committee.

APPROVAL OF INTERIM REPORT

The interim report and the unaudited interim condensed consolidated results of the Group for the Reporting Period were approved and authorised for issue by the Board on 30 November 2021.

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