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## **Shunten International (Holdings) Limited**

**順騰國際(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 932)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

#### **FINANCIAL HIGHLIGHTS**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited and re-presented)</b>
Continuing operations:		
Revenue	<b>112,294</b>	91,047
Gross profit	<b>86,111</b>	61,306
Profit/(loss) for the period attributable to owners of the Company	<b>18,735</b>	(57,868)
Earnings/(loss) per share <i>(expressed in HK cents per share)</i>		
From continuing and discontinued operations		
— Basic	<b>0.60</b>	(2.18)
— Diluted	<b>0.60</b>	(2.18)
From continuing operations		
— Basic	<b>0.61</b>	(2.11)
— Diluted	<b>0.61</b>	(2.11)

The board (the “**Board**”) of directors (the “**Directors**”) of Shunten International (Holdings) Limited (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”) announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2022 (the “**Reporting Period**”) are as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2022*

		<b>For the six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited and re-presented)
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	3	<b>112,294</b>	91,047
Cost of sales		<b>(26,183)</b>	(29,741)
<b>GROSS PROFIT</b>		<b>86,111</b>	61,306
Other income, gains or losses		<b>3,462</b>	5,325
Selling and distribution expenses		<b>(18,917)</b>	(16,505)
Administrative expenses		<b>(39,367)</b>	(40,618)
Share of profit of associates		<b>6</b>	18
Loss on disposal of a subsidiary		<b>(237)</b>	—
Fair value change of equity instruments at fair value through profit or loss (“ <b>FVTPL</b> ”)		<b>(3,473)</b>	—
Loss on disposal of associates	10	<b>(1,042)</b>	—
Impairment loss on intangible assets		—	(4,231)
Fair value change of the Company’s shares issued in relation to acquisition of an associate	10	—	(55,402)
Reversal of impairment loss on promissory note receivable		—	4,000
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>		<b>26,543</b>	(46,107)
Finance costs	5(c)	<b>(3,105)</b>	(8,778)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	5	<b>23,438</b>	(54,885)
Taxation	6	<b>(4,506)</b>	(1,121)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>18,932</b>	(56,006)
<b>DISCONTINUED OPERATIONS</b>			
Loss for the period from discontinued operations	7	<b>(423)</b>	(2,078)

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and re-presented)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>18,509</b>	(58,084)
<b>OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD</b>		
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of financial statements of foreign operations	<u>(285)</u>	<u>(155)</u>
<b>TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD</b>	<b><u>18,224</u></b>	<b><u>(58,239)</u></b>
<b>PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
— from continuing operations	<b>18,995</b>	(56,072)
— from discontinued operations	<u>(260)</u>	<u>(1,796)</u>
	<b><u>18,735</u></b>	<b><u>(57,868)</u></b>
<b>(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>		
— from continuing operations	<b>(63)</b>	66
— from discontinued operations	<u>(163)</u>	<u>(282)</u>
	<b><u>(226)</u></b>	<b><u>(216)</u></b>

		<b>For the six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited and re-presented)
<b>TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>18,357</b>	(58,086)
Non-controlling interests		<b>(133)</b>	(153)
		<u><b>18,224</b></u>	<u>(58,239)</u>
<b>EARNINGS/(LOSS) PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS</b>			
— Basic ( <i>HK cents</i> )	<i>9</i>	<b>0.60</b>	(2.18)
— Diluted ( <i>HK cents</i> )	<i>9</i>	<b>0.60</b>	(2.18)
		<u><b>0.60</b></u>	<u>(2.18)</u>
<b>EARNINGS/(LOSS) PER SHARE FROM CONTINUING OPERATIONS</b>			
— Basic ( <i>HK cents</i> )	<i>9</i>	<b>0.61</b>	(2.11)
— Diluted ( <i>HK cents</i> )	<i>9</i>	<b>0.61</b>	(2.11)
		<u><b>0.61</b></u>	<u>(2.11)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2022*

		As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		68,705	70,450
Right-of-use assets		1,244	2,403
Intangible assets		2,200	2,210
Interests in associates	10	—	67,036
Prepayments and deposits		<u>27,167</u>	<u>26,691</u>
		<u>99,316</u>	<u>168,790</u>
<b>CURRENT ASSETS</b>			
Inventories		19,030	19,835
Trade and other receivables, prepayments and deposits	11	40,278	20,720
Tax recoverable		246	2,152
Equity instruments at FVTPL		8,874	—
Cash and cash equivalents		<u>61,680</u>	<u>35,276</u>
		<u>130,108</u>	<u>77,983</u>
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	12	15,962	19,819
Contract liabilities		35	255
Bank and other borrowings		88,008	99,993
Bank overdrafts		—	18,964
Lease liabilities		1,356	2,371
Refund liabilities		1,230	1,395
Tax payable		<u>1,716</u>	<u>1,018</u>
		<u>108,307</u>	<u>143,815</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>21,801</u>	<u>(65,832)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>121,117</u>	<u>102,958</u>

	As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	—	208
Amounts due to non-controlling interests	—	60
Deferred tax liabilities	<u>26</u>	<u>35</u>
	<u>26</u>	<u>303</u>
<b>NET ASSETS</b>	<u><b>121,091</b></u>	<u>102,655</u>
<b>EQUITY</b>		
Share capital	7,770	7,770
Reserves	<u>115,836</u>	<u>97,389</u>
Equity attributable to owners of the Company	<b>123,606</b>	105,159
Non-controlling interests	<u>(2,515)</u>	<u>(2,504)</u>
<b>TOTAL EQUITY</b>	<u><b>121,091</b></u>	<u>102,655</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 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 2022 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.

## 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 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2022.

### 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 2022 for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the amendments to HKFRSs in the current 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.

### 3. REVENUE

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

### 4. SEGMENT REPORTING

During the six months ended 30 September 2022, the Group completed the disposal of the operation for E-commerce promotion business through disposal of Advance Rider. As a result, the operation for E-commerce promotion business through Advance Rider was discontinued with effective from 30 August 2022, this is described in more details in Note 7. The comparative figures in this note have been re-presented to conform to the current period’s presentation.

Upon disposal of Advance Rider, all revenue represents the net amount received and receivable for goods sold arising from the sales of health and beauty supplements and products in Hong Kong. The Chief Operating Decision Maker (“**CODM**”), for the purposes of resource allocation and performance assessment focuses mainly on revenue analysis by business line. As no other discrete financial information other than the consolidated revenue and consolidated profit of the Group are provided to CODM, no segment information is presented other than entity-wide disclosures.

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



## 5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging the following items:

	For the six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and re-presented)
<b>CONTINUING OPERATIONS</b>		
<b>(a) Staff costs:</b>		
Salaries, allowances, and other benefits (including directors' emoluments)	32,717	28,716
Contributions to defined contribution retirement plans	1,034	1,059
Equity-settled share-based payments	—	100
	33,751	29,875
<b>(b) Other items:</b>		
Auditors' remuneration	900	1,200
Cost of inventories	19,966	23,125
Depreciation of		
— property, plant and equipment	1,920	2,183
— right-of-use assets	1,157	1,163
Amortisation of intangible assets	10	972
Exchange loss, net	92	48
Loss on disposal of property, plant and equipment, net	—	38
Rent for special designated counters	7,686	8,089
	7,686	8,089
<b>(c) Finance costs:</b>		
Interest on bank borrowings	1,953	365
Interest on other borrowings	1,100	6,461
Interest on liability component of convertible bonds measured at amortised cost	—	1,833
	—	1,833
Total interest expenses from financial liabilities	3,053	8,659
Interest on lease liabilities	52	119
	52	119
	3,105	8,778

## 6. TAXATION

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and re-presented)
<b>CONTINUING OPERATIONS</b>		
<b>Current taxation</b>		
Hong Kong Profits Tax	4,512	2,102
<b>Deferred tax</b>	<u>(6)</u>	<u>(981)</u>
	<u><b>4,506</b></u>	<u><b>1,121</b></u>

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.

## 7. DISCONTINUED OPERATIONS

### **Disposal of Advance Rider and its subsidiaries (collectively, “Advance Rider Group”)**

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

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

	<i>HK\$'000</i> (unaudited)
Consideration:	
Cash consideration receivable	<u>5</u>
	<b>As at</b> <b>30 August 2022</b> <i>HK\$'000</i> (unaudited)
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	51
Trade and other receivables, prepayments and deposits	715
Inventories	362
Cash and cash equivalents	213
Trade payables, other payables and accruals	(1,551)
Contract liabilities	(95)
Tax payable	<u>(31)</u>
Net liabilities disposed of	<u>(336)</u>
Gain on disposal of subsidiaries:	
Consideration	5
Non-controlling interests	(122)
Net liabilities disposed of	336
Reclassification of cumulative exchange reserve to profit or loss upon disposal	<u>178</u>
Gain on disposal	<u>397</u>
The loss for the period from the discontinued E-commerce promotion business is set out below:	
	<b>Period ended</b> <b>30 August 2022</b> <i>HK\$'000</i> (unaudited)
Loss for the period	(820)
Gain on disposal of Advance Rider Group	<u>397</u>
	<u>(423)</u>

The results of Advance Rider Group for the period from 1 April 2022 to 30 August 2022, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	<b>Period ended 30 August 2022</b> <i>HK\$'000</i> (unaudited)
Revenue	138
Cost of sales	<u>(132)</u>
Gross profit	6
Other income, gains or losses	58
Administrative expenses	<u>(884)</u>
Loss before taxation	(820)
Taxation	<u>—</u>
Loss for the period	<u><u>(820)</u></u>
Loss for the period from discontinued operations includes the following:	
Staff costs (including directors' emoluments):	
— Salaries, allowances and other benefits	315
— Retirement benefits	<u>11</u>
	<u><u>326</u></u>

## 8. DIVIDENDS

The directors of the Company does not recommend the payment of an interim dividend for both interim periods.

## 9. EARNINGS/(LOSS) PER SHARE

### From Continuing Operations

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

	For the six months ended 30 September	
	2022	2021
	(unaudited)	(unaudited and re-presented)
<b>Profit/(loss) (HK\$'000)</b>		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	18,735	(57,868)
Less: Loss for the period from discontinued operations	<u>260</u>	<u>1,796</u>
Profit/(loss) for the purpose of basic earnings/(loss) per share from continuing operations	<u><u>18,995</u></u>	<u><u>(56,072)</u></u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u><u>3,107,893,440</u></u>	<u><u>2,651,809,831</u></u>

### From Continuing and Discontinued Operations

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

	For the six months ended 30 September	
	2022	2021
	(unaudited)	(unaudited)
<b>Profit/(loss) (HK\$'000)</b>		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	<u><u>18,735</u></u>	<u><u>(57,868)</u></u>

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

### **From Discontinued Operations**

For the six months ended 30 September 2022, basic loss per share for the discontinued operations is HK0.01 cents per share (for the six months ended 30 September 2021: basic loss per share for the discontinued operation is 0.07 cents per share), based on the loss for the period from the discontinued operations of approximately HK\$260,000 (for the six months ended 30 September 2021: loss for the period of approximately HK\$1,796,000) and the denominators used is the same as those detailed above for basic earnings/(loss) per share from continuing operations.

For the six months ended 30 September 2022, the computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price per share. All the Company's convertible bonds have been redeemed during the year ended 31 March 2022.

For the six months ended 30 September 2021, the computation of diluted loss per share does not assume (1) the conversion of the Company's convertible bonds since their exercise and conversion would result in a decrease in loss per share from continuing operations; and (2) the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares.

## **10. INTERESTS IN ASSOCIATES**

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 Limited ("**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.

Pursuant to the Agreement, the consideration was settled by issuing 512,982,240 shares of the Company at HK\$0.13 per share upon completion on 31 August 2021. The share price of the Company on 31 August 2021 was HK\$0.238. Hence, there was a loss incurred by the Group to acquire Aggressive Resources upon completion of the Agreement. The Group has recognised loss on acquisition of the associate of approximately HK\$55,402,000 as at the acquisition date measured at the excess of share price as at completion date (i.e. fair value of the consideration transferred) over the fair value of the interest in associate acquired.

During the current interim period, the Group disposed of the interest in Aggressive Resources to an independent third party for a total cash consideration of HK\$66,000,000. A loss on disposal of approximately HK\$1,042,000 has been recognised during the period. The cash consideration has been settled.

## 11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

As at 30 September 2022, included in trade and other receivables, prepayments and deposits are trade receivables of approximately HK\$21,765,000 (as at 31 March 2022: HK\$7,179,000).

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 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
0–30 days	21,172	3,182
31–60 days	186	3,675
61–90 days	11	—
91–180 days	1	56
181–365 days	—	28
Over 365 days	395	238
	<u>21,765</u>	<u>7,179</u>

## 12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

As at 30 September 2022, included in trade payables, other payables and accruals are trade payables of approximately HK\$4,520,000 (as at 31 March 2022: HK\$5,614,000).

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 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
0–30 days	874	1,591
31–60 days	716	1,347
61–90 days	1,584	1,007
91–180 days	795	1,326
181–365 days	329	5
Over 365 days	222	338
	<u>4,520</u>	<u>5,614</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND FINANCIAL REVIEW**

During the Reporting Period, the E-commerce promotion business was discontinued upon the disposal of certain subsidiaries of the Group. The Group is now principally engaged in formulating, marketing, sales and distribution of health and beauty supplements and products in Hong Kong Special Administrative Region (“**Hong Kong**”).

Although the Group’s business has been severely hit by the fifth wave of the COVID-19 pandemic in Hong Kong during the fourth quarter of 2021/22, the Group’s performance has recovered and improved significantly for the Reporting Period. The Group recorded a profit attributable to owners of the Company during the Reporting Period of approximately HK\$18.7 million as compared to loss attributable to owners of the Company of approximately HK\$57.8 million for the corresponding period of last year.

During the Reporting Period, the Group recorded the unaudited revenue from continuing operations of approximately HK\$112.3 million (period of six months ended 30 September 2021: HK\$91.0 million), representing an increase of approximately HK\$21.3 million or 23.4% when compared to the corresponding period of last year.

The gross profit margin of the Group for the Reporting Period was approximately 76.7% (period of six months ended 30 September 2021: 67.3%), representing an increase of approximately 9.4 percentage points over the corresponding period of last year.

#### **Intangible assets**

As at 30 September 2022, the intangible assets of the Group amounted to approximately HK\$2.2 million (as at 31 March 2022: HK\$2.2 million). Intangible assets mainly include club membership.



## **Financial position and liquidity**

As at 30 September 2022, cash and bank balances of the Group amounted to approximately HK\$61.7 million (as at 31 March 2022: HK\$35.3 million). The current ratio (current asset divided by current liabilities) of the Group was approximately 1.2 times as at 30 September 2022 (as at 31 March 2022: 0.5 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 72.7% as at 30 September 2022 (as at 31 March 2022: approximately 115.9%). 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. The Group currently does not have currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

## **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, issue of new share as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. The Group also monitors capital on the basis of the net gearing ratio. The Group's overall strategy remains unchanged throughout the Reporting Period.

## **Employee information**

As at 30 September 2022, the Group had 149 employees (as at 31 March 2022: 152). For the Reporting Period, staff costs including remuneration of the Directors from continuing operations was approximately HK\$33.8 million (period of six months ended 30 September 2021: HK\$29.9 million).

## **Material acquisitions or disposals**

Save as disclosed on notes 7 and 10 to the unaudited condensed consolidated financial statements in this announcement, there were no material acquisitions or disposals of subsidiaries, associated companies and joint ventures during the Reporting Period.

## **Charges on assets**

As at 30 September 2022, the Group had secured bank loans and other borrowings of approximately HK\$64.2 million (as at 31 March 2022: HK\$86.7 million). The banking facilities were secured by the Group's leasehold land and buildings, having carrying

amount of approximately HK\$67.5 million as at 30 September 2022 (as at 31 March 2022: leasehold land and buildings having carrying amount of approximately HK\$68.9 million).

### **Contingent liabilities**

The Group did not have material contingent liabilities as at 30 September 2022 (as at 31 March 2022: nil).

### **Capital commitment**

As at 30 September 2022, the Group was committed to acquire certain property, plant and equipment with a total amount of approximately HK\$1.6 million (as at 31 March 2022: nil).

### **Interim dividend**

The Board does not recommend any payment of an interim dividend for the Reporting Period (period of six months ended 30 September 2021: nil).

## **OUTLOOK**

Despite the retail industry continues to pose challenges since the outbreak of COVID-19 2 years ago, in terms of healthcare products, the outlook is becoming more stable and positive. During the Reporting Period, the Group has managed to implement sustainable cost cutting measures including dynamic and innovative marketing strategy to capture consumer sentiments.

In terms of cost control and improving operational efficiency, 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 the existing product lines with high popularity and good margin will also be re-established in a wider range of product offering. In our management's opinion, in terms of improving operating costs, adjusting the workforce structure is crucial. To this end, the number of new members who have solid operations management experience are appointed by the Company to raise the operational execution capability.

### **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 developed a series of new products that are popular in the market, covering the areas of reverse aging, weight management and comprehensive health care.

Besides, with our research and development (“R&D”) laboratory located in Hong Kong Science Park commencing operation at the 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 over 30 stock keeping units of product to uphold the highest standard in the territory. From 2016 onwards, the Hong Kong Government and the Hong Kong Science and Technology Park Corporation have 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 commercialized 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**

There are no material events occurred after the end of the Reporting Period and up to the date of this announcement.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Based on the Group’s risk management system, the Group has examined all of the possible risks and uncertainties that might affect the Group and considered that the most important risks and uncertainties would include:

#### **Regulatory risks**

The health supplement industry in Hong Kong generally believes that changes in regulatory policies and laws in respect of the monitoring and control of food and health supplement products which include Chinese medicinal ingredients may be proposed and implemented by the authorities concerned in the coming years. Significant effect may impact on the future development of health supplements as well as the food industry. If the Group fails to keep up and comply with these changes, such factors would affect the Group’s success.

The Group has closely monitored the regulatory changes, strengthened its interpretation and analysis capability of regulatory policies and would adjust strategies in advance to cope with the ever-changing operating environment.

### **Prolonged economic downturn**

The Group's health and beauty supplements and products business is closely related to the economic conditions of Hong Kong. Slowing economic growth or a recession may affect consumers' preferences and spending which in turn could have a material adverse effect on the Group's business, operating results and financial conditions. In response to these challenges, the Group will closely monitor the changing economic conditions and also actively implement effective measures to control the administration and production costs. The Group will also continue to roll out more new products and open up more distribution channels, and diversify its business to improve the Group's overall performance.

### **Failure to introduce successful new products**

Owing to the rapid changing nature of the health and beauty supplements and products markets in Hong Kong, if the Group fails to anticipate market trends and develop new products to respond to such trends in a timely manner, it will adversely affect its business in the long term. In addition to the Group's own product development and collaboration with external research partners, such as with CUCAMed Company Limited ("CUCAMed") to promote and sell products developed by CUCAMed under the brand "LEGEND", the Group is also actively looking for opportunities to collaborate with different reputable universities to conduct researches for the purpose of developing new products. Besides researches, the Group will also continue to place strong emphasis on a multifaceted market strategy through utilising various media and channels to promote its brands and products.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Period (period of six months ended 30 September 2021: 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 Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As far as the Code is concerned, during the six months ended 30 September 2022 and up to the date of this announcement, the Company has complied with all applicable Code provisions as set out in the Code contained in the Appendix 14 to the Listing Rules except the deviation from Part 2 of the Code provision C.2.1 (former Code provision A.2.1) during the period

from 1 April 2021 to 18 May 2022, which stipulates that the roles of chairman of the Board (the “**Chairman**”) and chief executive officer (“**CEO**”) of the Company should be separated and should not be performed by the same individual. During the period from 1 April 2021 to 18 May 2022, Mr. Wang Xihua had been both the acting Chairman and acting CEO of the Company.

During the period from 1 April 2021 to 18 May 2022, Mr. Wang Xihua, the acting Chairman and the acting CEO of the Company at that time, was responsible for providing leadership to the Board in terms of establishing policies and business directions. He ensured that the Board discharges its responsibilities effectively and all key issues were discussed by the Board timely. Mr. Wang was also responsible for the overall operation and the executive responsibilities of the Group and the full implementation of the directions and policies established by the Board. Although Mr. Wang served as both the Chairman and CEO of the Company which is a deviation from Part 2 of the Code provision C.2.1 (former Code provision A.2.1), given Mr. Wang’s extensive experience in the business of the Group, the Board considered during the period in which Mr. Wang was performing both roles of acting Chairman and acting CEO, the efficiency of the Company’s business development and management could be enhanced, and would not impair the balance of power and authority between the Board and the management of the Company. Moreover, all other members of the Board have the experience and expertise to ensure balance of power and authority so that the power is not concentrated in any one individual.

Since the appointments of Mr. Lam Wai Tong and Mr. Chen Man Lung as the Co-CEOs of the Company with effect from 19 May 2022, the roles of Chairman and CEO are separated and the Company has not deviated from Part 2 of Code provision C.2.1 (former Code provision A.2.1). Following the resignation of Mr. Chen Man Lung as the Co-CEO and Mr. Wang Xihua as acting Chairman with effect from 3 September 2022 and 24 October 2022 respectively, Mr. Lam Wai Tong has been re-designated as the sole CEO of the Company and Mr. Cheung Siu Fai has been appointed as the Chairman of the Board with effect from 3 September 2022 and 24 October 2022 respectively.

## **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. Liu Ying Shun and Ms. Dong Jian Mei, 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 “**2022/2023 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. 2022/2023 Interim Financial Information has 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 29 November 2022.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Company at [www.shunten.com.hk](http://www.shunten.com.hk) and Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The 2022/2023 interim report will be published and despatched in the manner as required by the Listing Rules in due course.

By order of the Board  
**Shunten International (Holdings) Limited**  
**Cheung Siu Fai**  
*Chairman and Executive Director*

Hong Kong, 29 November 2022

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