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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 2023

FINANCIAL HIGHLIGHTS

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations:		
Revenue	128,012	112,294
Gross profit	98,164	86,111
Profit for the period attributable to owners of the Company	10,846	18,735
Earnings per share <i>(expressed in HK cents per share)</i>		
From continuing and discontinued operations		
— Basic	0.35	0.60
— Diluted	0.35	0.60
From continuing operations		
— Basic	0.35	0.61
— Diluted	0.35	0.61

The board (the “**Board**”) of directors (the “**Director(s)**”) 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 2023 (the “**Reporting Period**”) are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		For the six months ended 30 September	
		2023	2022
	<i>Notes</i>	HK\$’000	HK\$’000
		(unaudited)	(unaudited)
CONTINUING OPERATIONS			
REVENUE	3	128,012	112,294
Cost of sales		<u>(29,848)</u>	<u>(26,183)</u>
GROSS PROFIT		98,164	86,111
Other income, gains or losses		(3,611)	3,462
Selling and distribution expenses		(26,191)	(18,917)
Administrative expenses		(50,863)	(39,367)
Share of profit of associates		—	6
Loss on disposal of a subsidiary		(50)	(237)
Fair value change of equity instruments at fair value through profit or loss		—	(3,473)
Loss on disposal of associates		<u>—</u>	<u>(1,042)</u>
PROFIT FROM CONTINUING OPERATIONS		17,449	26,543
Finance costs	5(c)	<u>(3,893)</u>	<u>(3,105)</u>
PROFIT BEFORE TAXATION	5	13,556	23,438
Taxation	6	<u>(2,757)</u>	<u>(4,506)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		<u>10,799</u>	<u>18,932</u>
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	7	<u>—</u>	<u>(423)</u>

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

For the six months ended 30 September 2023

	For the six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	10,799	18,509
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		
Item that will not be reclassified to profit and loss:		
Change in fair value upon transfer from property, plant and equipment to investment property	19,612	—
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	<u>(209)</u>	<u>(285)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>30,202</u>	<u>18,224</u>
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		
— from continuing operations	10,846	18,995
— from discontinued operations	<u>—</u>	<u>(260)</u>
	<u>10,846</u>	<u>18,735</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		
— from continuing operations	(47)	(63)
— from discontinued operations	<u>—</u>	<u>(163)</u>
	<u>(47)</u>	<u>(226)</u>

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

For the six months ended 30 September 2023

	<i>Notes</i>	For the six months ended	
		2023	2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		30,199	18,357
Non-controlling interests		3	(133)
		<u>30,202</u>	<u>18,224</u>
EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS			
— Basic (<i>HK cents</i>)	<i>9</i>	0.35	0.60
— Diluted (<i>HK cents</i>)	<i>9</i>	0.35	0.60
		<u>0.35</u>	<u>0.60</u>
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
— Basic (<i>HK cents</i>)	<i>9</i>	0.35	0.61
— Diluted (<i>HK cents</i>)	<i>9</i>	0.35	0.61
		<u>0.35</u>	<u>0.61</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	<i>Notes</i>	As at 30 September 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Investment properties		154,000	136,900
Property, plant and equipment		68,841	68,401
Right-of-use assets		12,683	6,722
Intangible assets		6,875	7,425
Prepayments and deposits		22,092	22,918
		264,491	242,366
CURRENT ASSETS			
Inventories		25,844	23,817
Trade and other receivables, prepayments and deposits	<i>10</i>	47,386	58,780
Tax recoverable		9	1,375
Cash and cash equivalents		21,195	13,108
		94,434	97,080
CURRENT LIABILITIES			
Trade payables, other payables and accruals	<i>11</i>	22,988	24,602
Contract liabilities		50	84
Amount due to a shareholder		30,909	79,909
Bank and other borrowings		110,912	79,737
Lease liabilities		4,537	2,692
Refund liabilities		1,274	1,274
Tax payable		6,207	3,657
		176,877	191,955
NET CURRENT LIABILITIES		(82,443)	(94,875)
TOTAL ASSETS LESS CURRENT LIABILITIES		182,048	147,491

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

As at 30 September 2023

	As at 30 September 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
NON-CURRENT LIABILITIES		
Lease liabilities	8,385	4,076
Deferred tax liabilities	—	5
	<u>8,385</u>	<u>4,081</u>
NET ASSETS	<u>173,663</u>	<u>143,410</u>
EQUITY		
Share capital	7,770	7,770
Reserves	<u>168,487</u>	<u>138,237</u>
Equity attributable to owners of the Company	176,257	146,007
Non-controlling interests	<u>(2,594)</u>	<u>(2,597)</u>
TOTAL EQUITY	<u>173,663</u>	<u>143,410</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 2023 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 and investment properties, 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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2023.

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 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

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 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Application of amendments to HKFRSs (Continued)

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will eventually abolish the statutory right of an employer to reduce its long service payment (“LSP”) and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund (“MPF”) scheme (also known as the “offsetting mechanism”). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the “Transition Date”). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time the interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance.

3. REVENUE

	For the six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Revenue from contracts with customers (<i>note</i>)	126,004	112,294
Leasing of investment properties	2,008	—
	128,012	112,294
	128,012	112,294

Note:

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

4. SEGMENT REPORTING

The Group only has one operating and reportable segment. Management determines the operating segment based on the information reported to the Group's chief operating decision makers ("CODMs") (i.e. the executive directors of the Company).

The CODMs assess the operating performance and allocate the resources of the Group as a whole as the Group is primarily engaged in the business of sales of health and beauty supplements and products and leasing of investment properties. Accordingly, only entity-wide disclosures are presented.

No analysis of segment assets and liabilities is presented because the CODMs do not base on such analysis for resource allocation and performance assessment.

5. PROFIT BEFORE TAXATION

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

	For the six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
CONTINUING OPERATIONS		
(a) Staff costs:		
Salaries, allowances, and other benefits (including directors' emoluments)	37,076	32,717
Contributions to defined contribution retirement plans	1,192	1,034
	<u>38,268</u>	<u>33,751</u>
(b) Other items:		
Auditors' remuneration	757	900
Cost of inventories	22,480	19,966
Depreciation of		
— property, plant and equipment	2,094	1,920
— right-of-use assets	2,294	1,157
Amortisation of intangible assets	550	10
Exchange loss, net	212	92
Rent for special designated counters	16,476	7,686
	<u>16,476</u>	<u>7,686</u>
(c) Finance costs:		
Interest on bank borrowings	2,738	1,953
Interest on other borrowings	189	1,100
Interest on amount due to a shareholder	716	—
	<u>716</u>	<u>—</u>
Total interest expenses from financial liabilities	3,643	3,053
Interest on lease liabilities	250	52
	<u>250</u>	<u>52</u>
	<u>3,893</u>	<u>3,105</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

For the six months ended 30 September 2023

6. TAXATION

	For the six months ended 30 September	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
CONTINUING OPERATIONS		
Current taxation		
Hong Kong Profits Tax	2,762	4,512
Deferred tax	<u>(5)</u>	<u>(6)</u>
	<u>2,757</u>	<u>4,506</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><u>5</u></u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

For the six months ended 30 September 2023

7. DISCONTINUED OPERATIONS (CONTINUED)

	As at 30 August 2022 <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	(31)
	<hr/>
Net liabilities disposed of	(336)
	<hr/> <hr/>
Gain on disposal of subsidiaries:	
Consideration	5
Non-controlling interests	(122)
Net liabilities disposed of	336
Reclassification of cumulative exchange reserve to profit or loss upon disposal	178
	<hr/>
Gain on disposal	397
	<hr/> <hr/>
The loss for the period from the discontinued e-commerce promotion business is set out below:	
	Period ended 30 August 2022 <i>HK\$'000</i> (unaudited)
Loss for the period	(820)
Gain on disposal of Advance Rider Group	397
	<hr/>
	(423)
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

7. DISCONTINUED OPERATIONS (CONTINUED)

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:

	Period ended 30 August 2022 <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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

For the six months ended 30 September 2023

9. EARNINGS PER SHARE

From Continuing Operations

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

	For the six months ended 30 September	
	2023	2022
	(unaudited)	(unaudited)
Profit (HK\$'000)		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	10,846	18,735
Less: Loss for the period from discontinued operations	<u>—</u>	<u>260</u>
Profit for the purpose of basic earnings per share from continuing operations	<u>10,846</u>	<u>18,995</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>3,107,893,440</u>	<u>3,107,893,440</u>

From Continuing and Discontinued Operations

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

	For the six months ended 30 September	
	2023	2022
	(unaudited)	(unaudited)
Profit (HK\$'000)		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>10,846</u>	<u>18,735</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

9. EARNINGS PER SHARE (CONTINUED)

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, based on the loss for the period from the discontinued operations of approximately HK\$260,000 and the denominators used is the same as those detailed above for basic earnings 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.

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

As at 30 September 2023, included in trade and other receivables, prepayments and deposits are trade receivables of approximately HK\$26,962,000 (as at 31 March 2023: HK\$40,000,000).

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 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
0–30 days	25,664	34,379
31–60 days	1,202	5,491
61–90 days	—	5
91–180 days	2	8
181–365 days	33	5
Over 365 days	61	112
	<u>26,962</u>	<u>40,000</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

As at 30 September 2023, included in trade payables, other payables and accruals are trade payables of approximately HK\$3,466,000 (as at 31 March 2023: HK\$3,040,000).

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 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
0–30 days	1,675	1,525
31–60 days	1,226	548
61–90 days	176	134
91–180 days	168	496
181–365 days	—	20
Over 365 days	221	317
	<u>3,466</u>	<u>3,040</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the six months period ended 30 September 2023 (the “**Reporting Period**”), our healthcare business in Hong Kong has witnessed a steady growth in revenue, driven by increased demand for our products since the gradual easing of the travel restrictions in the first quarter of 2023 and brought by the implementation of the 2023 Consumption Voucher Scheme by the Hong Kong Government.

Despite continuing strong rebound in our sales performance during the Reporting Period, we have faced several challenges including global inflation and new market competitors which have put pressure on our pricing strategies and profit margins. To cope with these challenges, the Group has stayed focused on our core business with strengthened operation and cost discipline. The Group continued to enhance customer loyalty and satisfaction by dedicating resources to promoting our brand image, products quality and reliability.

The Group recorded a profit attributable to owners of the Company during the Reporting Period of approximately HK\$10.8 million (period of six months ended 30 September 2022: HK\$18.7 million). The decrease in profit attributable to owners of the Company during the Reporting Period was mainly because of the net effect of (i) increase in the revenue and gross profit due to the continuing recovery on Hong Kong economy and customer demands for our products; (ii) decrease in fair value of the investment properties; (iii) absence of one-off subsidies under Employment Support Scheme of the Hong Kong Government; (iv) increase in marketing expenditure in relation to the 20th anniversary promotion campaigns of the Group launched; and (v) increase in commission expenses to promoters as a result of the Group’s progressive commission policy.

During the Reporting Period, the Group recorded the revenue from continuing operations of approximately HK\$128.0 million (period of six months ended 30 September 2022: HK\$112.3 million), representing an increase of approximately HK\$15.7 million or 14% 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 2022: 76.7%). The Group managed to maintain a stable gross profit margin during the six months periods ended 30 September 2023 and 2022.

Intangible assets

As at 30 September 2023, the intangible assets of the Group amounted to approximately HK\$6.9 million (as at 31 March 2023: HK\$7.4 million). Intangible assets mainly include computer softwares and club membership.

Financial position and liquidity

As at 30 September 2023, cash and bank balances of the Group amounted to approximately HK\$21.2 million (as at 31 March 2023: HK\$13.1 million). The current ratio (current assets divided by current liabilities) of the Group was approximately 0.5 times as at 30 September 2023 (as at 31 March 2023: 0.5 times). The Group's gearing ratio, representing amount due to a shareholder and bank and other borrowings divided by total equity, was approximately 81.7% as at 30 September 2023 (as at 31 March 2023: approximately 111.3%). The improvement of gearing ratio is mainly due to the repayment to a shareholder, improved accumulated losses arising from profit from operation and the increase in property revaluation reserve. 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 relate. 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 optimise 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 2023, the Group had 264 employees (as at 31 March 2023: 276). For the Reporting Period, staff costs including remuneration of the Directors from continuing operations were approximately HK\$38.3 million (period of six months ended 30 September 2022: HK\$33.8 million).

Material acquisitions or disposals

There were no material acquisitions or disposals of subsidiaries, associated companies and joint ventures during the Reporting Period. The disposal of subsidiaries during the period of six months ended 30 September 2022 was disclosed in note 7 to the unaudited condensed consolidated financial statements in this announcement.

Segment Information

Segment information of the Group is set out in note 4 to the unaudited condensed consolidated financial statements in this announcement.

Charges on assets

As at 30 September 2023, the Group had secured bank loans of approximately HK\$105.9 million (as at 31 March 2023: HK\$61.7 million). The banking facilities were secured by the Group's leasehold land and buildings and investment properties, having a carrying amount of approximately HK\$63.3 million and HK\$154.0 million respectively as at 30 September 2023 (as at 31 March 2023: leasehold land and buildings and investment properties having a carrying amount of approximately HK\$66.1 million and nil respectively).

Contingent liabilities

The Group did not have material contingent liabilities as at 30 September 2023 (as at 31 March 2023: Nil).

Capital commitment

As at 30 September 2023, the Group was committed to acquire certain property, plant and equipment with a total amount of approximately HK\$1.2 million (as at 31 March 2023: HK\$2.4 million).

Interim dividend

The Board does not recommend any payment of an interim dividend for the Reporting Period (period of six months ended 30 September 2022: Nil).

OUTLOOK

In the wake of the Coronavirus Disease 2019 (“COVID-19”) pandemic and the complete reopening of the border of Mainland China and Hong Kong and lifting of COVID-19 related restrictions, the tourism and retail industries have seen rebounding with post COVID-19 normalisation of economic activity. Although the tourist arrivals and the consumption spending of tourists have not fully recovered to the pre-pandemic levels, the management of the Group believes that with the series of promotion campaigns on the tourism and retail industries organized by the Hong Kong Government, the complete recovery of the retail industry is only a matter of time. On the other hand, considering the growing health consciousness of the general public for the post-pandemic period which accelerated the consumer to shift towards greater proactivity in managing their health and wellness, the management of the Group is optimistic about the growth momentum of the consumer healthcare market and the promising outlook for the healthcare industry.

With the ultimate goal to maximise value for shareholders and enhance its position in the competitive industry, the Group is dedicated to expanding its markets beyond Hong Kong. We are actively exploring new markets in other Asian regions including the Mainland China. The management of the Group believes the expansion plans of new markets can generate additional income and diversify our income stream in the near future.

In terms of research and development, the Royal Medic Research and Development Centre (the “**R&D Centre**”) which is located at the Hong Kong Science Park, has been established since 2017 and has been committed to improving the quality control standard of our existing products, assisting in the research and development of new products and promoting academic exchange between Royal Medic and local universities. The primary scope of business of the R&D Centre covers chemical analysis of product ingredients, which develops rapid and accurate ingredient testing methods utilising an advanced chemical analysis platform to improve product safety and reliability. The Group will leverage the extensive experience of the high calibre product development team to operate the R&D Centre in where new product reserve is built up so that the Group can launch new products from time to time.

Entering the post-pandemic era, the Group recognises that information technology has become the way forward to enhance the overall operational efficiency. The Group is enhancing internal management system for the purpose of further improving our cost effectiveness, logistics management and shortening the procurement cycle. As such, the management of the Group believes the internal management system will simplify the workflow and achieve more effective cost management of the Group.

In terms of marketing, the Group has invited Mr. Hins Cheung, a popular idol singer who has been famous in the Hong Kong’s entertainment business for more than 20 years, to be the spokesperson of newly launched nicotinamide mononucleotide (“**NMN**”) product of the Group. Mr. Hins Cheung is well-known for his positive image and pursuance of quality, which is in line with our mission of manufacturing and providing high quality healthcare products to the public. Mr. Hins Cheung also has a fanbase with wide age groups that range from 20 to 60 years old, which will undoubtedly help to attract customers from different ages. Besides, the Group will continue to strengthen its promotion plans to reshape the brand image of “Royal Medic” and capture the market of young consumers of healthcare products ahead of other competitors.

Looking forward, leveraging on the insights gained from years of operations, together with the experience during the difficult time of the pandemic in recent years, the Group is confident to overcome the challenges ahead. The Group is ready to grasp for new business opportunities arising from the gradual recovery of the retail market to facilitate the steady development of the Group and create higher and long-term value for our shareholders.

EVENTS AFTER REPORTING PERIOD

There are no material events occurred since 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.

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 2022: 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 (as amended from time to time, the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As far as the Code is concerned, during the six months ended 30 September 2023 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.

The Company has complied with the memorandum of association of the Company, the articles of association of the Company, the Companies Act of the Cayman Islands, the Securities and Futures Ordinance and the Listing Rules as well as other laws applicable to the Company.

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 "**2023/2024 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. 2023/2024 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 2023.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at www.shunten.com.hk and the Stock Exchange at www.hkexnews.hk. The 2023/2024 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 2023

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