



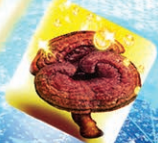
# INTERIM REPORT 2017/2018

御藥堂集團控股有限公司  
RM Group Holdings Limited

Stock Code 股份代號: 932



incorporated in the Cayman Islands with limited liability  
於開曼群島註冊成立之有限公司



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# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



國富浩華 (香港) 會計師事務所有限公司  
Crowe Horwath (HK) CPA Limited  
Member Crowe Horwath International

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9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

## TO THE BOARD OF DIRECTORS OF RM GROUP HOLDINGS LIMITED

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

## INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 4 to 47 which comprise the interim condensed consolidated statement of financial position of RM Group Holdings Limited (the “**Company**”) as of 30 September 2017 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and 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*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on these interim condensed consolidated financial statements 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 INTERIM 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 interim condensed consolidated financial statements consists of making enquiries, 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 interim condensed consolidated financial statements as at 30 September 2017 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

**Crowe Horwath (HK) CPA Limited**  
*Certified Public Accountants*  
Hong Kong, 30 November 2017

**Kwok Cheuk Yuen**  
Practising Certificate Number P02412

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

For the six months ended 30 September 2017

	Note	For the six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<b>REVENUE</b>	4	<b>112,428</b>	96,174
Cost of revenue		(34,792)	(22,174)
<b>GROSS PROFIT</b>		<b>77,636</b>	74,000
Other revenue and other net loss		(1)	219
Selling and distribution expenses		(21,422)	(18,735)
Administrative expenses		(60,583)	(45,775)
Fair value change of contingent consideration payable	15	2,869	–
<b>(LOSS)/PROFIT FROM OPERATIONS</b>		<b>(1,501)</b>	9,709
Finance costs	5(c)	(471)	(367)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>	5	<b>(1,972)</b>	9,342
Taxation	6	(700)	(1,910)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(2,672)</b>	7,432
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of foreign operations		382	(282)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<b>(2,290)</b>	7,150
<b>(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		(1,181)	7,432
Non-controlling interests		(1,491)	–
		<b>(2,672)</b>	7,432

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

For the six months ended 30 September 2017

	Note	For the six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		(944)	7,150
Non-controlling interests		(1,346)	–
		<b>(2,290)</b>	<b>7,150</b>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD (EXPRESSED IN HK CENTS PER SHARE)</b>			
– BASIC	8(a)	<b>(0.22)</b>	1.44
– DILUTED	8(b)	<b>(0.22)</b>	1.44

The notes on pages 9 to 47 form part of this interim condensed consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 7.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Note	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	121,802	54,314
Intangible assets	10	188,592	2,752
Prepayments and deposits	11	1,361	707
Goodwill	12	154,375	–
		466,130	57,773
<b>Current assets</b>			
Inventories		30,813	27,183
Trade and other receivables	11	62,193	70,146
Cash and cash equivalents		24,914	110,218
Tax recoverable		760	764
		118,680	208,311
<b>Current liabilities</b>			
Trade and other payables	13	79,999	16,632
Borrowings	14	48,850	30,565
Tax payable		3,100	2,129
Provisions		1,333	1,345
		133,282	50,671
<b>Non-current liabilities</b>			
Deferred tax liabilities		31,264	589
Contingent consideration payable	15	153,311	–
Unsecured notes	16	5,500	–
Amount due to a non-controlling interest		1,200	1,200
		191,275	1,789
<b>Net assets</b>		<b>260,253</b>	<b>213,624</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	17	5,286	5,286
Reserves		205,814	206,758
		211,100	212,044
Non-controlling interests		49,153	1,580
<b>TOTAL EQUITY</b>		<b>260,253</b>	<b>213,624</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	PRC statutory reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total Equity HK\$'000
At 1 April 2017 (audited)	5,286	148,884	(10)	462	(692)	-	58,114	212,044	1,580	213,624
<b>Changes in equity for the six months ended 30 September 2017:</b>										
Loss for the period	-	-	-	-	-	-	(1,181)	(1,181)	(1,491)	(2,672)
Other comprehensive income:										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	237	-	-	237	145	382
Total comprehensive loss for the period	-	-	-	-	237	-	(1,181)	(944)	(1,346)	(2,290)
Non-controlling interests arising on business combinations	-	-	-	-	-	-	-	-	48,919	48,919
At 30 September 2017 (unaudited)	5,286	148,884	(10)	462	(455)	-	56,933	211,100	49,153	260,253
At 1 April 2016 (audited)	5,163	125,416	(10)	770	(519)	6,864	41,696	179,380	-	179,380
<b>Changes in equity for the six months ended 30 September 2016:</b>										
Profit for the period	-	-	-	-	-	-	7,432	7,432	-	7,432
Other comprehensive loss:										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(282)	-	-	(282)	-	(282)
Total comprehensive income for the period	-	-	-	-	(282)	-	7,432	7,150	-	7,150
Share options lapsed	-	-	-	-	-	(1,390)	1,390	-	-	-
At 30 September 2016 (unaudited)	5,163	125,416	(10)	770	(801)	5,474	50,518	186,530	-	186,530



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	For the six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<b>Operating activities</b>		
Cash generated from operations	2,106	17,344
People's Republic of China (the "PRC")		
Enterprise Income Tax paid	(198)	(219)
PRC Enterprise Income Tax refunded	7	–
Hong Kong Tax paid	(6)	–
Net cash generated from operating activities	1,909	17,125
<b>Investing activities</b>		
Purchase of property, plant and equipment	(907)	(1,267)
Proceeds from sales of property, plant and equipment	–	1
Release of bank deposits with maturity greater than three months	–	10,156
Acquisition of subsidiaries, net of cash acquired	(110,015)	–
Bank interest received	6	33
Net cash (used in)/generated from investing activities	(110,916)	8,923
<b>Financing activities</b>		
Proceeds from borrowings	24,567	–
Repayment of borrowings	(6,282)	(4,532)
Proceeds from unsecured notes	5,500	–
Interest paid	(471)	(367)
Net cash generated from/(used in) financing activities	23,314	(4,899)
Net (decrease)/increase in cash and cash equivalents	(85,693)	21,149
Cash and cash equivalents at beginning of the period	110,218	90,321
Effect of foreign exchange rate changes	389	(282)
Cash and cash equivalents at end of the period	24,914	111,188

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 1. CORPORATE INFORMATION

RM Group Holdings Limited (the “**Company**”) was incorporated and domiciled in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 5 December 2011. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company has established a principal place of business in Hong Kong at 27/F., The Galaxy, 313 Castle Peak Road, Kwai Chung, Hong Kong and has been registered as a non-Hong Kong company under the Hong Kong Companies Ordinance on 5 April 2012. The Company’s shares have been listed on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 11 October 2013. On 20 November 2015, the listing of the shares of the Company has been transferred from the GEM to the Main Board of the Stock Exchange.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the sale, marketing and distribution of health and beauty supplements and products in Hong Kong, Taiwan and the PRC and provision of online advertising agency and online payment services. The Group’s health and beauty supplements and products are mainly sold and distributed under its proprietary brand names of the companies within the Group and the private label brands specifically developed for and owned by a renowned chain of health and beauty products in Hong Kong and Macau (the “**Distribution Facilitator**”).

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 September 2017 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 with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for contingent consideration payable, which is measured at fair value, as appropriate.

Except as described below and note 3, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

## 2. BASIS OF PREPARATION (CONTINUED)

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

## 2. BASIS OF PREPARATION (CONTINUED)

### **Business combinations** (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

## 2. BASIS OF PREPARATION (CONTINUED)

### **Business combinations** (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

## 2. BASIS OF PREPARATION (CONTINUED)

### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

The preparation of interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim condensed consolidated financial statements contain selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2017. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim condensed consolidated financial statements are unaudited, but have been reviewed by Crowe Horwath (HK) CPA Limited 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 HKICPA.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these interim condensed consolidated financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 4. REVENUE

The Group is principally engaged in the sale, marketing and distribution of health and beauty supplements and products in Hong Kong, Taiwan and the PRC and provision of online advertising agency and online payment services.

Revenue represents the invoiced value of sales of health and beauty supplements and products, and provision of online advertising agency and online payment services, net of returns, discounts, value-added tax and other sales taxes for the period. An analysis of revenue is as follows:

	For the six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Health and beauty supplements and products	109,169	96,174
Online advertising agency business	3,249	–
Online payment business	10	–
	<b>112,428</b>	96,174

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging/(crediting) the following:

		For the six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
(a)	<b>Staff costs:</b>		
	Salaries, allowances, and other benefits (including directors' emoluments)	33,711	27,522
	Contributions to defined contribution retirement plans	1,267	1,052
		<b>34,978</b>	<b>28,574</b>
(b)	<b>Other items:</b>		
	Auditors' remuneration	975	655
	Cost of inventories ( <i>note</i> )	31,977	22,174
	Depreciation of property, plant and equipment	2,615	2,184
	Amortisation of intangible assets	2,883	71
	Provision for goods returns	627	380
	Exchange loss/(gain), net	139	(97)
	Operating lease charges:		
	minimum lease payments	1,608	698
	Net loss on disposal of property, plant and equipment	115	86
	Research and development costs	1,446	1,207
	Rent for special designated counters	17,449	15,168
(c)	<b>Finance costs:</b>		
	Bank overdraft interest	–	3
	Interest on bank loans	328	364
	Interest on unsecured notes	28	–
	Interest on other borrowings	115	–
	Total interest expenses on financial liabilities not at fair value through profit or loss	<b>471</b>	<b>367</b>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 5. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

Note:

For the six months ended 30 September 2017, cost of inventories includes HK\$2,953,000 (six months ended 30 September 2016: HK\$2,310,000) relating to staff costs, depreciation and provision for goods returns, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

### 6. TAXATION

	For the six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<b>Current taxation</b>		
Hong Kong Profits Tax	1,269	1,909
<b>(Overprovision)/underprovision in respect of prior years</b>		
PRC Enterprise Income Tax	(105)	1
<b>Deferred taxation</b>		
Reversal of temporary differences	(464)	–
	<b>700</b>	<b>1,910</b>

The provision of Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2017 and 2016.

No provision for PRC Enterprise Income Tax (the “EIT”) has been made as the Group has no assessable profit under EIT for the six months ended 30 September 2017 and 2016.

No provision for profits tax in the Cayman Islands, the British Virgin Island (“BVI”), Malaysia, Macau and Taiwan have been made as the Group has no income or profit assessable for tax in these jurisdictions for the six months ended 30 September 2017 and 2016.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 7. DIVIDENDS

The board of directors does not recommend any payment of interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

### 8. (LOSS)/EARNINGS PER SHARE

#### (a) Basic (loss)/earnings per share

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

##### (i) (Loss)/profit for the period attributable to owners of the Company

	For the six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
(Loss)/profit attributable to owners of the Company for the period	(1,181)	7,432

##### (ii) Weighted average number of ordinary shares in issue (basic)

	For the six months ended 30 September	
	2017 Number of shares (unaudited)	2016 Number of shares (unaudited)
Weighted average number of ordinary shares in issue for the purpose of basic (loss)/earnings per share	528,600,000	516,300,000

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 8. (LOSS)/EARNINGS PER SHARE (CONTINUED)

#### (b) Diluted (loss)/earnings per share

Diluted loss per share for the six months ended 30 September 2017 equals to basic loss per share as there were no potential dilutive ordinary share outstanding during the six months ended 30 September 2017.

Diluted earnings per share for the six months ended 30 September 2016 was the same as the basic earnings per share because the computation of diluted earnings per share did not assume the exercises of the Company's outstanding share options as the exercise price of the share options exceeded the average market price of ordinary shares during the period.

### 9. PROPERTY, PLANT AND EQUIPMENT

	As at 30 September 2017 HK\$'000 (unaudited)	As at 30 September 2016 HK\$'000 (unaudited)
Carrying amount at the beginning of the period	54,314	54,382
Additions during the period	907	1,267
Additions through acquisition of subsidiaries during the period ( <i>notes 20 and 21</i> )	69,310	–
Depreciation provided during the period	(2,615)	(2,184)
Disposals during the period	(115)	(87)
Exchange adjustments	1	–
Carrying amount at the end of the period	121,802	53,378

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 10. INTANGIBLE ASSETS

	As at 30 September 2017 HK\$'000 (unaudited)	As at 30 September 2016 HK\$'000 (unaudited)
Carrying amount at the beginning of the period	2,752	695
Acquisition of subsidiaries ( <i>note 21</i> )	188,723	–
Amortisation provided during the period	(2,883)	(71)
Carrying amount at the end of the period	188,592	624

Intangible assets represent the licensing agreements arising from acquisition of Star Root Limited (“**Star Root**”) and Empire Access Limited (“**Empire Access**”), product development rights and club membership acquired by the Group.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Trade receivables	38,297	41,810
Less: Allowance for doubtful debts	(162)	(162)
	<b>38,135</b>	41,648
Other receivables	<b>3,084</b>	4,324
Loans and receivables	<b>41,219</b>	45,972
Prepayments	7,351	5,154
Utility, trade and other deposit	14,984	14,727
Deposits paid for potential acquisition	–	5,000
	<b>22,335</b>	24,881
	<b>63,554</b>	70,853
	<b>63,554</b>	70,853

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Analysis of trade and other receivables:		
Non-current portion	1,361	707
Current portion	62,193	70,146
	<b>63,554</b>	70,853
	<b>63,554</b>	70,853

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
0-30 days	7,077	28,758
31-60 days	17,551	8,036
61-90 days	13,128	4,842
91-180 days	253	12
181-365 days	126	–
	<b>38,135</b>	41,648

Trade receivables are normally due within 0-90 days from the date of billing. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted.

### 12. GOODWILL

	As at 30 September 2017 HK\$'000 (unaudited)
Carrying amount at the beginning of the period	–
Acquisition of Star Root ( <i>note 21(a)</i> )	41,002
Acquisition of Empire Access ( <i>note 21(b)</i> )	113,373
Carrying amount at the end of the period	<b>154,375</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 13. TRADE AND OTHER PAYABLES

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Trade payables	2,233	3,142
Salary and welfare payables	6,315	5,671
Accrued advertising expenses	3,050	3,533
Other payables and accruals	8,401	4,286
Consideration payable for acquisition of subsidiaries (note 20(a) and 21(b))	60,000	–
Financial liabilities measured at amortised cost	79,999	16,632

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

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
0-30 days	1,184	2,442
31-60 days	649	603
61-90 days	172	26
181-365 days	157	–
Over 365 days	71	71
	2,233	3,142

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 14. BORROWINGS

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
<b>Bank borrowings:</b>		
Bank loans, secured	29,650	30,565
<b>Other borrowings:</b>		
Other borrowings, secured	19,200	–
	<b>48,850</b>	30,565

The bank borrowings and other borrowings are repayable as follows:

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
<b>Bank borrowings:</b>		
On demand	29,650	30,565
<b>Other borrowings:</b>		
Within 1 year or on demand	19,200	–
	<b>48,850</b>	30,565



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 14. BORROWINGS (CONTINUED)

The Group's interest-bearing bank loans are secured by the leasehold land and buildings held for own use with carrying amount of HK\$42,496,000 as at 30 September 2017 (as at 31 March 2017: HK\$43,211,000).

The Group's interest-bearing other borrowings are secured by the leasehold land and buildings held for own use with carrying amount of HK\$26,790,000 as at 30 September 2017 (as at 31 March 2017: Nil).

### 15. CONTINGENT CONSIDERATION PAYABLE

The contingent consideration payable of the Group represented the contingent consideration to be settled following the acquisition of Empire Access (as detailed in note 21(b)) in the form of promissory notes to be issued by the Company depending on the achievement of the target revenue and/or net profit of the subsidiaries of Empire Access, N Dimension Limited (“**N Dimension**”) and Hoi On Technology Limited (“**Hoi On**”) (collectively referred to as the “**ND Target Group**”) for each performance year from 22 September 2017 to 21 September 2021 as defined by the supplemental sale and purchase agreement dated 15 September 2017 in relation to the acquisition of Empire Access by the Company. The formula in respect of the adjustments to the consideration from the acquisition of Empire Access are detailed in note (a) below. The movement of the fair value of contingent consideration payable is as follows:

	As at 30 September 2017 HK\$'000 (Unaudited)
<b>At fair value:</b>	
At the beginning of the period	–
Arising from acquisition of Empire Access ( <i>note 21(b)</i> )	156,180
Fair value change	(2,869)
At the end of the period	153,311

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

## 15. CONTINGENT CONSIDERATION PAYABLE (CONTINUED)

Note:

### (a) Adjustment to the consideration

Pursuant to the supplemental sale and purchase agreement in relation to the acquisition of Empire Access, the consideration is stated as follows:

- (i) HK\$5,000,000 as refundable cash deposit (“**First Instalment**”);
- (ii) HK\$55,000,000 cash consideration (“**Second Instalment**”);
- (iii) a maximum of HK\$60,000,000 or such adjusted amount (the “**Third Instalment**”) by the issue of the promissory notes provided that the revenue in the ND Target Group for the First Period is more than or equal to HK\$8,000,000 (the “**First Target**”);
- (iv) a maximum of HK\$60,000,000 or such adjusted amount (the “**Fourth Instalment**”) by the issue of the promissory notes provided that the revenue in ND Target Group for the Second Period is more than or equal to HK\$43,000,000 (the “**Second Target**”); and
- (v) a maximum of HK\$60,000,000 or such adjusted amount (the “**Fifth Instalment**”) by the issue of the promissory notes provided that the net profit in ND Target Group for the Third Period is more than or equal to HK\$23,000,000 (the “**Third Target**”).

The third instalment, fourth instalment and fifth instalment of the consideration to be settled in the form of promissory notes based on the performance of the ND Target Group are adjusted in the following manner:

#### A. Meeting the Targets for the First Three Periods

In the event that the revenue in the ND Target Group for the First Period is less than the First Target and the revenue in the ND Target Group for the Second Period is more than the Second Target:

$$\text{Third Instalment} = \frac{\text{Revenue in ND Target Group for the First Period}}{\text{HK\$8 million}} \times \text{HK\$60,000,000}$$

$$\text{Fourth Instalment} = \left( \frac{\text{HK\$43 million}}{\text{HK\$43 million}} \times \text{HK\$60,000,000} \right) + \left( \frac{\text{Revenue in the ND Target Group for the Second Period minus HK\$43 million}}{\text{HK\$8 million}} \times \text{HK\$60,000,000} \right)$$

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

## 15. CONTINGENT CONSIDERATION PAYABLE (CONTINUED)

Note: (Continued)

### (a) Adjustment to the consideration (Continued)

#### A. Meeting the Targets for the First Three Periods (Continued)

In the event that revenue in the ND Target Group for the First Period is more than the First Target and the revenue in the ND Target Group for the Second Period is less than the Second Target:

$$\text{Third Instalment} = \frac{\text{HK\$8 million}}{\text{HK\$8 million}} \times \text{HK\$60,000,000}$$

$$\text{Fourth Instalment} = \left( \frac{\text{Revenue in the ND Target Group for the Second Period}}{\text{HK\$43 million}} \times \text{HK\$60,000,000} \right) + \left( \frac{\text{Revenue in the ND Target Group for the First Period minus HK\$8 million}}{\text{HK\$43 million}} \times \text{HK\$60,000,000} \right)$$

In the event that the revenue in ND Target Group for the First Period is less than the First Target and the revenue in the ND Target Group for the Second Period is less than the Second Target:

$$\text{Third Instalment} = \frac{\text{Revenue in the ND Target Group for the First Period}}{\text{HK\$8 million}} \times \text{HK\$60,000,000}$$

$$\text{Fourth Instalment} = \frac{\text{Revenue in the ND Target Group for the Second Period}}{\text{HK\$43 million}} \times \text{HK\$60,000,000}$$

The aggregate sum of the Third Instalment and the Fourth Instalment shall be capped at HK\$120,000,000 in any event.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

## 15. CONTINGENT CONSIDERATION PAYABLE (CONTINUED)

Note: (Continued)

### (a) Adjustment to the consideration (Continued)

#### A. Meeting the Targets for the First Three Periods (Continued)

In the event that the net profit in the ND Target Group for the Third Period is less than HK\$23,000,000:

$$\text{Fifth Instalment} = \frac{\text{Net profit in the ND Target Group for the Third Period}}{\text{HK\$23 million}} \times \text{HK\$60,000,000}$$

#### B. Catching-up in the Fourth Period

(i) In the event that the sum of the revenue for the Third Period and the Fourth Period is more than HK\$231,000,000, the following portion of the Third Instalment and the Fourth Instalment which have been adjusted downward pursuant to point A above shall become payable in the following order:

(aa) the following portion of the Fourth Instalment which has been adjusted downward pursuant to point A above shall become payable first:

$$\frac{\text{Revenue in ND Target Group for the Third and Fourth Period minus HK\$231 million}}{\text{HK\$43 million}} \times \text{HK\$60,000,000}$$

(bb) if the sum of the revenue for the Third Period and the Fourth Period remains in excess of HK\$231,000,000 after allocating the surplus to meet the Second Target, the following portion of the Third Instalment which has been adjusted downward pursuant to point A above shall become payable:

$$\frac{\text{Revenue in the ND Target Group for the Third and Fourth Period minus HK\$231 million minus HK\$43 million}}{\text{HK\$8 million}} \times \text{HK\$60,000,000}$$

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

## 15. CONTINGENT CONSIDERATION PAYABLE (CONTINUED)

Note: (Continued)

### (a) Adjustment to the consideration (Continued)

#### B. Catching-up in the Fourth Period (Continued)

- (ii) In the event that the net profit for the Fourth Period is more than HK\$49,000,000, the following portion of the Fifth Instalment which has been adjusted downward pursuant to the point A above shall become payable:

$$\frac{\text{Net profit in the ND Target Group for the Fourth Period minus HK\$49 million}}{\text{HK\$23 million}} \times \text{HK\$60,000,000}$$

The aggregate sum of the Third Instalment, the Fourth Instalment and the Fifth Instalment shall be capped at HK\$180,000,000 in any event.

#### C. Early Achieving the Targets

In the event that the ND Target Group can fulfil the revenue of HK\$51,000,000 and the net profit of HK\$23,000,000 in a financial year subsequent to the acquisition date and before the end of the Third Period, any amount of the Third Instalment, the Fourth Instalment and the Fifth Instalment which has been reduced by adjustment will become payable by the Company to the vendors in proportion to their shareholding in Empire Access.

Where:

“First Period” means the period from 22 September 2017 to 21 September 2018;

“Second Period” means the period from 22 September 2018 to 21 September 2019;

“Third Period” means the period from 22 September 2019 to 21 September 2020;

“Fourth Period” means the period from 22 September 2020 to 21 September 2021;

“Revenue” means the amount of revenue (as defined under and calculated in accordance with the relevant HKFRSs) generated by the ND Target Group for the relevant period; and

“Net Profit” means the amount of net profit (as defined under and calculated in accordance with the relevant HKFRSs) generated by the ND Target Group for the relevant period.

The fair value of contingent consideration payable as at 30 September 2017 is based on the valuation performed by Colliers International (Hong Kong) Limited, an independent professional valuer not connected with the Group. Details of fair value measurement are set out in note 18.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 16. UNSECURED NOTES

In August 2017, the Company issued unsecured notes of HK\$5,500,000. The unsecured notes carry coupon rate of 5% per annum, payable annually in arrears. The principal amount of the unsecured note is repayable in August 2020.

### 17. SHARE CAPITAL

	As at 30 September 2017		As at 30 September 2016	
	Number of shares '000	Amount HK\$'000 (unaudited)	Number of shares '000	Amount HK\$'000 (unaudited)
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	1,000,000	10,000	1,000,000	10,000
<b>Issued and fully paid:</b>				
At the beginning and the end of the period	528,600	5,286	516,300	5,163

### 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### (a) Financial assets and liabilities measured at fair value

##### (i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Financial assets and liabilities measured at fair value (Continued)

##### (i) Fair value hierarchy (Continued)

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

##### Valuation process

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 qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Chief financial officer reports to the board of directors semi-annually to explain the cause of fluctuations in the fair value of the assets or liabilities.

##### As at 30 September 2017

	Fair value measurements as at 30 September 2017 categorised into			Fair value as at 30 September 2017
	Level 1	Level 2	Level 3	
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>Recurring fair value measurement</b>				
Financial liabilities:				
– Contingent consideration payable	–	–	(153,311)	(153,311)
	–	–	(153,311)	(153,311)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) **Financial assets and liabilities measured at fair value** (Continued)

(i) *Fair value hierarchy (Continued)*

During the six months ended 30 September 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) *Information about Level 3 fair value measurements*

The valuation techniques and key inputs used for contingent consideration payable in Level 3 fair value measurement at the end of the reporting period are as follows:

	Valuation techniques	Significant Unobservable input
Contingent consideration payable	Income approach	Discount rate: 8.2%
		Revenue for the year from 22 September 2017 to 21 September 2018 (“ <b>Revenue for First Period</b> ”): HK\$8,395,000
		Revenue for the year from 22 September 2018 to 21 September 2019 (“ <b>Revenue for Second Period</b> ”): HK\$43,281,000
		Net Profit for the year from 22 September 2019 to 21 September 2020 (“ <b>NP for Third Period</b> ”): HK\$25,687,000



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Financial assets and liabilities measured at fair value (Continued)

##### (ii) Information about Level 3 fair value measurements (Continued)

The increase in discount rate used would result in decrease in fair value measurement of contingent consideration payable, and vice versa. The decrease in the Revenue for First Period, Revenue for Second Period and NP for Third Period used would result in decrease in fair value measurement of contingent consideration payable. However, the increase in the Revenue for First Period, Revenue for Second Period and NP for Third Period would not have any impact on the fair value measurement of contingent consideration payable.

As at 30 September 2017, it is estimated that a 5% increase or decrease in the discount rate used while holding all other variables constant would decrease or increase the carrying amount of contingent consideration payable by HK\$3,562,000 or HK\$3,665,000 respectively.

As at 30 September 2017, it is estimated that a 5% decrease in Revenue for First Period, Revenue for Second Period and NP for Third Period while holding all other variables constant would decrease the carrying amount of contingent consideration payable by HK\$2,406,000.

The movement during the year in the balance of this Level 3 fair value measurement is as follows:

	As at 30 September 2017 HK\$'000 (unaudited)
<b>Contingent consideration payable:</b>	
At the beginning of the period	–
Additions	156,180
Total gain included in profit or loss	(2,869)
	<b>153,311</b>
Total gain included in profit or loss for liabilities held at the end of the reporting period	<b>(2,869)</b>

##### (iii) Financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2017 and 30 September 2017.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

## 19. 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 of the Company, 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.

- Development, manufacturing and sales of health and beauty supplements and products
- Online advertising agency business
- Online payment business

During the current period, in view of the significance of the newly acquired businesses, the CODM revised the organisation of segments based on revenue contribution from its products and service lines so as to enhance operational efficiency, and considered to group the reportable and operating segments in prior years, namely (i) proprietary brands comprising the development, manufacturing and sales of self-developed health supplements; (ii) proprietary brands comprising the development, manufacturing and sales of self-developed beauty supplements and products; (iii) private label brands comprising the development, manufacturing and sales of health supplements; (iv) private label brands comprising the development, manufacturing and sales of beauty supplements and products; (v) trading of goods comprising the trading and sales of health supplements; (vi) trading of goods comprising the trading and sales of beauty supplements and products and (vii) other items relating to the provision of Chinese medical consultation services and provision of health food processing services, into a single operating segment. The comparatives have been restated.

During the six months ended 30 September 2017, the Group introduced two new reportable and operating segments, online advertising agency business and online payment business, as a result of the acquisition of Star Root and Empire Access.

### Segment revenue, results, assets and liabilities

Before the introduction of the two new reportable and operating segments, no segment assets and liabilities information is presented as such information is not a key indicator for the purposes of allocating resources to segments and assessing their performance by the Group's CODM. After the introduction of the two new reportable and operating segments, the CODM also reviews assets and liabilities of each of the operating segment. As a result, the comparative figures of segment assets and liabilities have been restated for reviewing purpose of the CODM.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating segment profit/(loss). The segment (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except for other revenue and other net loss, fair value change of contingent consideration payable, finance costs and unallocated head office and corporate expenses.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 19. SEGMENT REPORTING (CONTINUED)

#### Segment revenue, results, assets and liabilities (Continued)

Segment assets exclude tax recoverable, unallocated cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, unsecured notes, deferred tax liabilities, contingent consideration payable, consideration payable and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance for the six months ended 30 September 2017 and 2016 is set out below:

	For the six months ended 30 September 2017 (unaudited)				
	Development, manufacturing and sales of health and beauty supplements and products HK\$'000	Online advertising agency business HK\$'000	Online payment business HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Segment revenue:</b>					
Revenue from external customers	109,169	3,249	10	-	112,428
Inter-segment revenue	-	600	-	(600)	-
	109,169	3,849	10	(600)	112,428
<b>Segment results</b>	12,696	(3,694)	(214)	-	8,788
Other revenue and other net loss					(1)
Fair value change of contingent consideration payable					2,869
Finance costs					(471)
Unallocated head office and corporate expenses					(13,157)
Loss before taxation					(1,972)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 19. SEGMENT REPORTING (CONTINUED)

#### Segment revenue, results, assets and liabilities (Continued)

	For the six months ended 30 September 2016 (unaudited)(restated)			
	Development, manufacturing and sales of health and beauty supplements and products HK\$'000	Online advertising agency business HK\$'000	Online payment business HK\$'000	Total HK\$'000
<b>Segment revenue:</b>				
Revenue from external customers	96,174	-	-	96,174
<b>Segment results</b>	<b>14,844</b>	<b>-</b>	<b>-</b>	<b>14,844</b>
Other revenue and other net income				219
Finance costs				(367)
Unallocated head office and corporate expenses				(5,354)
Profit before taxation				9,342

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 19. SEGMENT REPORTING (CONTINUED)

#### Segment revenue, results, assets and liabilities (Continued)

	As at 30 September 2017 (unaudited)			
	Development, manufacturing and sales of health and beauty supplements and products HK\$'000	Online advertising agency business HK\$'000	Online payment business HK\$'000	Total HK\$'000
Segment assets	154,139	57,814	289,992	501,945
Segment liabilities	51,432	43	1,521	52,996

	As at 31 March 2017 (restated)			
	Development, manufacturing and sales of health and beauty supplements and products HK\$'000	Online advertising agency business HK\$'000	Online payment business HK\$'000	Total HK\$'000
Segment assets	265,320	–	–	265,320
Segment liabilities	49,742	–	–	49,742

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 20. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

#### (a) Acquisition of Giant Bloom Holdings Limited

On 7 September 2017, the Group entered into a sale and purchase agreement with an independent third party vendor to acquire 100% equity interest in Giant Bloom Holdings Limited, for a total cash consideration of HK\$39,000,000. Giant Bloom Holdings Limited is principally engaged in property investment. The transaction was completed on 13 September 2017. This acquisition has been accounted for as an acquisition of assets through acquisition of a subsidiary.

	HK\$'000 (unaudited)
Total consideration:	
– Cash consideration paid	34,000
– Consideration payable ( <i>note 13</i> )	5,000
	<hr/>
	39,000

Assets acquired at the date of acquisition are as follows:

	HK\$'000 (unaudited)
Leasehold land and buildings held for own use	39,000
	<hr/>
Net cash outflow arising from the acquisition:	
Cash consideration paid	(34,000)
	<hr/>
	(34,000)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 20. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

#### (b) Acquisition of Super Value Sporting Goods Company Limited

On 7 September 2017, the Group entered into a sale and purchase agreement with three independent third party vendors to acquire 100% equity interest in Super Value Sporting Goods Company Limited, for a total cash consideration of HK\$27,000,000. Super Value Sporting Goods Company Limited is principally engaged in property investment. The transaction was completed on 13 September 2017. This acquisition has been accounted for as an acquisition of assets through acquisition of a subsidiary.

	HK\$'000 (unaudited)
Total consideration:	
– Cash consideration paid	27,000

Assets acquired at the date of acquisition are as follows:

	HK\$'000 (unaudited)
Leasehold land and buildings held for own use	26,834
Deposits and prepayments	166
	27,000
Net cash outflow arising from the acquisition:	
Cash consideration paid	(27,000)
	(27,000)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 21. BUSINESS COMBINATIONS

#### (a) Acquisition of Star Root

On 9 January 2017, the Company entered into a sale and purchase agreement with an independent third party vendor to acquire the entire equity interest of Star Root, a company incorporated in the BVI, at a cash consideration of HK\$50,000,000. Star Root and its subsidiary (65% equity interest held by Star Root) are principally engaged in the online advertising agency business. The management considers that such acquisition will enable the Group to partner with and access to an online information platform in Hong Kong and PRC to expand the sales and advertising channels for the Group's products, provide an additional income and cash flow stream for the Group and further diversify the Group's overall business. The acquisition was completed on 13 April 2017.

	HK\$' 000 (unaudited)
Purchase consideration:	
– Cash consideration paid	50,000



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 21. BUSINESS COMBINATIONS (CONTINUED)

#### (a) Acquisition of Star Root (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed:

	HK\$'000 (unaudited)
<b>NON-CURRENT ASSETS</b>	
Plant and equipment	196
Intangible assets	16,410
<b>CURRENT ASSETS</b>	
Trade and other receivables	274
Cash and cash equivalents	70
<b>CURRENT LIABILITIES</b>	
Trade and other payables	(400)
<b>NON-CURRENT LIABILITIES</b>	
Deferred tax liabilities	(2,708)
<b>TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE</b>	
Goodwill arising on acquisition	41,002
Non-controlling interests	(4,844)
<b>TOTAL CONSIDERATION</b>	
	50,000
<b>Net cash outflow on acquisition of Star Root:</b>	
Cash consideration paid	(50,000)
Deposit	5,000
Cash and cash equivalents acquired	70
<b>Net cash outflow on acquisition of the subsidiary</b>	
	(44,930)

The non-controlling interests in the subsidiary of Star Root recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the fair value of net assets of the subsidiary of Star Root at that date.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 21. BUSINESS COMBINATIONS (CONTINUED)

#### (a) Acquisition of Star Root (Continued)

The transaction costs of approximately HK\$66,000 have been excluded from the consideration transferred and included in ‘administrative expenses’ in the interim condensed consolidated statement of profit or loss and other comprehensive income.

The goodwill arising from the acquisition of Star Root is attributable to the future growth and profitability in relation to the online advertising agency business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Star Root and its subsidiary contributed HK\$3,249,000 to the Group’s total revenue and approximately HK\$3,217,000 loss to the Group’s loss after tax, for the period between the date of acquisition and the end of the reporting period.

If the acquisition of Star Root had been completed on 1 April 2017, the Group’s total revenue and loss after tax for the period would have been HK\$112,428,000 and HK\$3,228,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the total revenue and loss after tax of the Group that actually would have been achieved had the acquisition been completed on 1 April 2017, nor is intended to be a projection of future results.

#### (b) Acquisition of Empire Access

At 30 June 2017, the Company entered into a sale and purchase agreement with four independent third party vendors (the “**Vendors**”) to acquire the entire equity interest of Empire Access for a total cash consideration of HK\$270,000,000. On 15 September 2017, the Company entered into a supplemental agreement with the Vendors pursuant to which the total consideration was revised and adjusted downward to not more than HK\$240,000,000, which comprises fixed cash consideration of HK\$60,000,000 and contingent consideration to be settled in the form of promissory note issued by the Company (as detailed in note 15). Empire Access and its subsidiary (70% equity interest held by Empire Access) are principally engaged in the business of provision of WeChat Pay cross border solutions to Tenpay Payment Technology Company Limited, an integrated online payment platform, and the retail merchants in Hong Kong. The management considers that such acquisition will enable the Group to enter into the mobile payment industry which will provide an additional income and cash flow stream to the Group and further diversify the Group’s overall business. The acquisition was completed on 21 September 2017.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 21. BUSINESS COMBINATIONS (CONTINUED)

#### (b) Acquisition of Empire Access (Continued)

In accordance with the cooperation agreements in relation to the option granted to N Dimension by the existing shareholders of Hoi On, it allows N Dimension to exercise a call option to acquire 100% equity interest in Hoi On at a fixed exercise price of HK\$10,526. As a result, for accounting purpose, it has been determined that the existence of the option has given the Group full access to the economic benefits and risks associated with the actual ownership of the non-controlling interests. Therefore, Hoi On has been accounted for as a wholly-owned subsidiary without non-controlling interests as at 21 September 2017.

The potential undiscounted amount of all future payments that the Group shall pay under this arrangement is between Nil and HK\$180,000,000.

As at 30 September 2017, there was fair value change of contingent consideration payable of HK\$2,869,000 (note 15) recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income for the contingent consideration payable due to the change in discount rate applied.

The fair value of the contingent consideration payable of HK\$156,180,000 as at 21 September 2017 was estimated by applying the income approach. The fair value estimates are based on a discount factor of 7.8% and revenue of HK\$8,395,000 for the year from 22 September 2017 to 21 September 2018, revenue of HK\$43,281,000 for the year from 22 September 2018 to 21 September 2019 and net profit of HK\$25,687,000 for the year from 22 September 2019 to 21 September 2020. This is a level 3 fair value measurement.

	HK\$'000 (unaudited)
Purchase consideration:	
– Cash consideration paid	5,000
– Consideration payable (note 13)	55,000
– Contingent consideration payable (note 15)	156,180
<b>Total consideration</b>	<b>216,180</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 21. BUSINESS COMBINATIONS (CONTINUED)

#### (b) Acquisition of Empire Access (Continued)

Recognised amounts of identified assets acquired and liabilities assumed:

	HK\$'000 (unaudited)
<b>NON-CURRENT ASSETS</b>	
Plant and equipment	3,280
Intangible assets	172,313
<b>CURRENT ASSETS</b>	
Trade and other receivables	169
Cash and cash equivalents	915
<b>CURRENT LIABILITIES</b>	
Trade and other payables	(1,363)
<b>NON-CURRENT LIABILITIES</b>	
Deferred tax liabilities	(28,432)
<b>TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE</b>	146,882
Goodwill arising on acquisition	113,373
Non-controlling interests	(44,075)
<b>TOTAL CONSIDERATION</b>	216,180
<b>Net cash outflow on acquisition of Empire Access:</b>	
Cash consideration paid	(5,000)
Cash and cash equivalents acquired	915
<b>Net cash outflow on acquisition of the subsidiary</b>	(4,085)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 21. BUSINESS COMBINATIONS (CONTINUED)

#### (b) Acquisition of Empire Access (Continued)

The non-controlling interests in the subsidiaries of Empire Access recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the fair value of net assets of the subsidiaries of Empire Access at that date.

The transaction costs of approximately HK\$3,225,000 have been excluded from the consideration transferred and included in 'administrative expenses' in the interim condensed consolidated statement of profit or loss and other comprehensive income.

The goodwill arising from the acquisition of Empire Access is attributable to the future growth and profitability in relation to the online payment business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Empire Access and its subsidiaries contributed HK\$10,000 to the Group's total revenue and approximately HK\$214,000 loss to the Group's loss after tax, for the period between the date of acquisition and the end of the reporting period.

If the acquisition of Empire Access had been completed on 1 April 2017, the Group's total revenue and loss after tax for the period would have been HK\$112,690,000 and HK\$6,161,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the total revenue and loss after tax of the Group that actually would have been achieved had the acquisition been completed on 1 April 2017, nor is intended to be a projection of future results.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 22. COMMITMENTS

#### (a) Capital commitments

At the end of the reporting period, the Group had capital commitments contracted but not provided for in the financial statements as follows:

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Contracted for – Property, plant and equipment	1,502	125

#### (b) Operating lease commitments

*As lessee*

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating lease falling due as follows:

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Within one year	5,232	2,197
In the second to fifth year, inclusive	6,433	1,474
	<b>11,665</b>	3,671

The Group leases warehouses, office premises and car parks under non-cancellable operating lease arrangements with lease terms of one to five years, with an option to renew the lease when all terms are renegotiated. None of the lease includes contingent rentals.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 23. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the interim condensed consolidated financial statements, the Group had the following material transactions with its related parties during the period:

#### Key management personnel remuneration

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

	For the six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term employee benefits	7,871	6,871
Post-employment benefits	107	93
	<b>7,978</b>	6,964

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

### 24. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

#### (a) Grant of share options

On 30 October 2017, 36,800,000 options were granted to certain eligible participants. 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 were HK\$6.80 and HK\$6.80 respectively.

#### (b) Placing of convertible bonds

On 12 October 2017, the Company completed the placing of the convertible bonds in the aggregate principal amount of HK\$265 million. The convertible bonds, which are convertible into 56,989,247 conversion shares at the conversion price of HK\$4.65 per conversion share if all the convertible bonds are being converted into conversion shares within the first anniversary of the date of their issuance or are convertible into 66,250,000 conversion shares at the conversion price of HK\$4.00 per conversion share if all the convertible bonds are being converted into conversion shares after the first anniversary of the date of their issuance, have been successfully placed by the placing agent to six placees.

#### (c) Proposed share subdivision

On 27 October 2017, the board of directors proposed that each of the existing issued and unissued shares of HK\$0.01 each in the share capital of the Company will be subdivided into four subdivided shares of HK\$0.0025. The proposed share subdivision will become effective on the business day immediately following the date in which the ordinary resolution in respect of the proposed share subdivision is passed in the extraordinary general meeting. The extraordinary general meeting will be held on 4 December 2017.

### 25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's presentation.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in the formulating, marketing, sales and distribution of health and beauty supplements and products mainly in Hong Kong, the People's Republic of China (the "PRC") and Taiwan. Due to the continuously weak performance of the retail sector in Hong Kong over the past two years, the Group actively expanded the sales and marketing channels of products in order to increase the market share and enlarge existing core business of the Group. For the sake of continuous business development, in April 2017, the Group started its participation in the operation of gd.qq.com in Hong Kong through its subsidiary Tenfok Asia to enter into the Hong Kong and PRC online advertising agency business. Furthermore, the Group commenced the operation of its WeChat cross-border payment business through completion of the acquisition of a 70% interest in N Dimension in September 2017. The Group believes that apart from the positive impact on the Company's future financial performance, the new businesses will also bring new opportunities to the Group amid the sluggish condition of retail sector in Hong Kong.

The Group recorded an unaudited revenue of approximately HK\$112.4 million for the six months ended 30 September 2017 (2016: HK\$96.2 million), representing an increase of approximately HK\$16.2 million or 16.9% over the corresponding period of last year. In addition to the core health and beauty supplements and products business of turnover of HK\$109.2 million, the Group has recorded a turnover of HK\$3.2 million from the newly acquired online advertising agency and online payment businesses during the period.

The gross profit margin of the Group for the six months ended 30 September 2017 was approximately 69.1% (2016: 76.9%), representing a decrease of approximately 7.8% over the corresponding period of last year. Such decrease was mainly due to the change in sales composition in the health and beauty supplements and products segment. In addition, an amount of HK\$2.8 million in relation to the amortization of intangible assets arising from acquisition of online advertising agency business was also included here.

Owing to the continuous business development, the Group has incurred a significant increase in (i) the one-off legal and professional fees mainly in relation to the new acquisitions and (ii) the number of headcounts including both senior management and general staff. Together with a decrease in gross profits margins in the health and beauty supplements and products business and the newly acquired online advertising agency and online payment businesses are at running-in period and incurred losses, the Group incurred a loss attributable to owners of the Company of approximately HK\$1.2 million for the six months ended 30 September 2017 as compared to the profit of HK\$7.4 million of the same period in 2016.

## 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*

During the first half of the financial year, the retail sector though not significant, has been slowly recovered. Coupled with utilizing more digital marketing platform, this segment recorded an aggregate segment revenue of approximately HK\$109.2 million for the six months ended 30 September 2017 (2016: HK\$96.2 million), representing an increase of approximately HK\$13.0 million or 13.5% over the corresponding period of last year.

Revenue attributable to proprietary brands maintained at a similar level at approximately HK\$59.6 million for the six months ended 30 September 2017 (2016: HK\$59.0 million). Of which the revenue attributable to the health supplements decreased by approximately HK\$3.2 million or 7.3% to HK\$40.8 million (2016: HK\$44.0 million), while the revenue attributable to beauty supplements and products increased by approximately HK\$3.8 million or 25.3% to HK\$18.8 million (2016: HK\$15.0 million), for the six months ended 30 September 2017.

Revenue attributable to private label brands increased by approximately HK\$4.2 million or 14.0% to HK\$34.2 million for the six months ended 30 September 2017 (2016: HK\$30.0 million). The increase in revenue attributable to private label brands was primarily due to the expansion of the products range and engagement of a brand ambassador to promote the private brand health supplements in Hong Kong.

Revenue attributable to the trading of health supplements amounted to approximately HK\$13.1 million for the six months ended 30 September 2017 (2016: HK\$6.4 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 increase in the segment turnover, the gross profits for the six months ended 30 September 2017 was also increased to HK\$77.2 million (2016: HK\$74.0 million). However, the gross margin ratio was decreased from approximately 76.9% in the same period of last year to this period of 70.7% because of the change in sales composition.

The segment's selling and distribution expenses was also increased in line with increase in segment turnover for the six months ended 30 September 2017. It was mainly due to additional resources has been employed by the Group to conduct digital marketing through bloggers and KOLs (key opinion leaders) in addition to the traditional marketing media so as to broaden the customer base. The administrative expenses of this segment also increased as well primarily due to the increase in special designated counter rental expense.

As a result, the segment profits decreased by HK\$2.1 million to approximately HK\$12.7 million (2016: HK\$14.8 million), representing a decrease of approximately 14.2% over the corresponding period of last year.

#### Online Advertising Agency and Online Payment Business segments

Two new business lines are still at the running-in period and have incurred losses during the period since the completion of acquisition for online advertising agency business and online payment business took place on 13 April 2017 and 21 September 2017 respectively. But the performances are already on the right track recently and we are positive towards a better result in the coming second half of the financial year.

During the first half of the financial year, the revenue attributable to the online advertising agency business and online payment business are approximately HK\$3.2 million and HK\$0.01 million respectively, with segment losses of approximately HK\$3.7 million and HK\$0.2 million respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL POSITION AND LIQUIDITY

As at 30 September 2017, cash and bank balances of the Group amounted to approximately HK\$24.9 million (As at 31 March 2017: HK\$110.2 million). The current ratio (current asset divided by current liabilities) of the Group was approximately 0.9 times as at 30 September 2017 (As at 31 March 2017: 4.1 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 21.3% as at 30 September 2017 (As at 31 March 2017: approximately 14.9%). On 12 October 2017, the Group completed the placing of the convertible bonds in the aggregate principal amount of HK\$265.0 million. The net proceeds from the placing of the convertible bonds are approximately HK\$250.0 million and intended to be applied in any potential acquisitions by the Company relating to (i) its principal business or (ii) any online or e-commerce technology businesses including but not limited to the acquisition under the acquisition agreement dated 30 June 2017 in relation to the WeChat cross-border payment business and (iii) for general working capital of the Company. In view of the Group's current level of cash and bank balances, funds generated internally from our operations and the unutilized banking facilities available, the Board is confident that the Group will have sufficient resources to meet its financial needs for its operations. 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 minimize the foreign currency risk, the management will continue to manage and monitor such currency exposure to ensure appropriate measures are implemented in a timely and effective manner.

### CAPITAL MANAGEMENT

The Group's objectives in managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to the shareholders through the optimization 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 period of review.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### EMPLOYEE INFORMATION

As at 30 September 2017, the Group had 188 employees (As at 31 March 2017: 169). For the six months ended 30 September 2017, staff costs including directors' emoluments was approximately HK\$35.0 million (six months ended 30 September 2016: HK\$28.6 million).

### MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in note 20 and 21 to the interim condensed consolidated financial statements, there was no other material acquisition and disposal of subsidiaries, associated companies and joint ventures during the period of review.

### CONTINGENT LIABILITIES

Save as disclosed in note 15, as at 30 September 2017 and 31 March 2017, the Group had no material contingent liabilities.

### CHARGES ON ASSETS

As at 30 September 2017, the Group had secured bank loans and other borrowings of approximately HK\$29.7 million (As at 31 March 2017: HK\$30.6 million) and HK\$19.2 million (As at 31 March 2017: Nil) respectively. The banking facilities are secured by the Group's leasehold land and buildings, having carrying amount of approximately HK\$42.5 million as at 30 September 2017 (As at 31 March 2017: HK\$43.2 million). The other borrowings are secured by the Group's leasehold land and buildings, having carrying amount of approximately HK\$26.8 million as at 30 September 2017 (As at 31 March 2017: Nil).

### CAPITAL COMMITMENT

Save as disclosed in note 22, as at 30 September 2017, the Group did not have significant capital commitment.

### INTERIM DIVIDEND

The Board does not recommend any payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### OUTLOOK

#### Health and Beauty Supplements and Products segment

##### *Hong Kong Market*

In order to recruit new generation customers and increase the market share in today's digital world, the Group will continue to shift more resources from the traditional marketing platform to digital marketing. In addition, more online live events that can attract interactive communications will also be engaged to advertise and promote our products.

The quality management accreditation for the existing food factory is on scheduled and estimated to be obtained in the first quarter of 2018. Nevertheless, for the Chinese medicine factory, instead of just upgraded to full production only, the Group would like to achieve a higher standard in order to provide better quality products to the customers, therefore, the completion date is delayed to the end of 2018.

##### *Overseas markets*

The Group has contracted a non-exclusive distributor with extensive network in drug chain stores in Taiwan and simultaneously started its e-commerce sales network in April 2017. However, the performance is still not satisfactory and the Group is rethinking the next step for the development of this market. For the Southeast Asia regions, various applications in registration and licensing are still in progress.

##### *Collaboration with CUCAMed Company Limited*

The laboratory collaborated with CUCAMed Company Limited (“CUCAMed”) in Hong Kong to research and develop new Chinese medicines and health products has commenced operation in September of 2017. During the period, no new product under the “LEGEND” brand was launched. However, one new product is scheduled to be launched in early 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### OUTLOOK (CONTINUED)

#### Online Advertising Agency and Online Payment Business segments

*Getting Well-positioned for the Development of Online Advertising Agency and Online Payment Businesses in Hong Kong and China from Diversified Aspects*

An era of internet and mobile commerce has come for the global economy. In order to grasp the opportunities in the market, the Group has always been in earnest pursuit of various business opportunities for developing and diversifying our business. In 2017, the Group engaged in the operation of gd.qq.com in Hong Kong through its subsidiary Tenfok Asia and became its exclusive advertising business partner and content operator, thereby successfully marching into the online advertising agency business in Hong Kong and China, with an aim to set a foothold in China and Hong Kong while having a global perspective on the market among Chinese in overseas.

By leveraging the platform of gd.qq.com, the Group can, on the one hand, further introduce our health and beauty supplements and products into Mainland market via the enormous advertising marketing network; on the other hand, it can also expand its online business and develop other income sources by operating Hong Kong station of gd.qq.com, so as to diversify its business and achieve sustainable growth.

At its initial period, Hong Kong station of gd.qq.com mainly comprises six business modules, i.e. entertainment, property and finance, sports, tourism, pets and education. Since the launch, the Hong Kong station has been rapidly expanded to 10 modules, including health, fashion, infant care and E-sports. The Group will continue to invest resources to enrich the website content, and aim to expand the website into 30 business modules. By absorbing a huge number of users from extensive user facets, which in turn benefiting the development of the platform, we believe our advertising revenues will be increased greatly.

Being the one and only inter-network information website in Mainland China, the Hong Kong station of gd.qq.com can directly attract the tremendous domestic website traffic of Tencent news group, facilitating advertising clients in Hong Kong to access to Tencent's advertising platform, and thereby distributing the advertising messages more easily to customers across the nation. Hong Kong station of gd.qq.com further introduces the live streaming of hit events, such as large-scale boxing matches and singing contests with higher audience rating in Mainland China, and develops more diversified online promotion methods to address the need of the current market and help to better catering for the demands and consumption pattern of consumers.

The Group expects that the monthly view rates of Hong Kong station of gd.qq.com will continue to increase, which will help to attract more advertising clients outside Hong Kong and explore the market in the Southeast Asia, thereby further boosting the increase of our advertising revenues.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### OUTLOOK (CONTINUED)

#### **Online Advertising Agency and Online Payment Business segments** (Continued)

*Getting Well-positioned for the Development of Online Advertising Agency and Online Payment Businesses in Hong Kong and China from Diversified Aspects (Continued)*

As announced by the Company on 21 September 2017, the Group has completed the acquisition of a 70% interest in N Dimension which is principally engaged in the WeChat cross-border payment business in Hong Kong. As per statistics released by the Hong Kong Monetary Authority, the total value of Stored Value Facilities (SVF) transactions was HK\$31.8 billion for Q2 2017, up 6.2% from the previous quarter. In view of rapid growth of mobile commerce, the rising popularity of mobile payment among the PRC population, the stable number of visitors from the PRC and their consumption expenditure, the Group believes that there will be potential growth in demand in its WeChat cross-border payment service. Subsequent to the completion of the acquisition, the Group endeavors to continue growing this new business by way of expanding its sales efforts, forming collaboration with other market players or further acquisition(s) of suitable target company(ies) that complement the Group's direction of development. In addition to the existing cross-border payment solution, the Group is expected to actively participate in WeChat Pay's "Hong Kong Wallet" upon its launch.

By leveraging the rising popularity of gd.qq.com in both Mainland China and Macau, together with the fast-developing of internet economy nowadays, the Group is highly optimistic about the business prospect of Hong Kong station of gd.qq.com, and WeChat cross-border payment business in Hong Kong. The Group will continue to explore a more profound cooperation with Tencent in future, such as participation in WeChat cross-border payment business in Southeast Asia, WeChat Pay's "Hong Kong Wallet", and the like. Capitalizing on the brand awareness, we will be able to enhance our competitiveness. The Group will stay align with the market development of online advertising agency and online payment businesses, and at the same time, it will keep alert on the opportunity of business development and expansion so as to further increase the market share.

#### **Diversification of business operations**

The sluggish retail market in Hong Kong is leading to a difficult operating environment for the Group's business over the past two years. In view of the above, the Board has been actively exploring business opportunities outside of the Group's principal business in health and beauty supplements and products with an aim to improve the Group's financial performance and enhance shareholders' return. Leveraging on the completion of acquisition of businesses in the Hong Kong station of gd.qq.com and WeChat payment during the period under review, the Group shall explore other opportunities, with particular focus on e-commerce, offline and online payment that may create synergies with the Group's principal business in health and beauty supplements and products.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS OBJECTIVES AND USE OF PROCEEDS

#### Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the period from 1 April 2015 onwards is set out as below:

**Business objectives for the period from 1 April 2015 onwards  
as stated in the Prospectus**

**Actual business progress up to  
30 September 2017**

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**Expansion of distribution network**

Set up about 2-3 new SDCs

The Group continues to identify suitable stores of the Distribution Facilitator to set up SDCs, 2 Royal Medic SDCs and 3 Health Proof SDCs were set up during the six months ended 30 September 2017. The Group had 42 SDCs including 19 Royal Medic SDCs and 23 Health Proof SDCs as at 30 September 2017.

Employ more promoters

The Group continues to employ promoters and employed 93 promoters as at 30 September 2017 (As at 31 March 2017: 93).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS OBJECTIVES AND USE OF PROCEEDS (CONTINUED)

#### Comparison of Business Objectives with Actual Business Progress (Continued)

Business objectives for the period from 1 April 2015 onwards as stated in the Prospectus		Actual business progress up to 30 September 2017
Collaboration with CUCAMed to develop products	Launch more new health supplements under the brand of “LEGEND”	No new product under “LEGEND” brand was launched during the six months period ended 30 September 2017.
	Engaging brand ambassadors to promote the products	After the contract of a brand ambassador expired in May 2016, no new ambassador was engaged to promote the products under “LEGEND”.
	Strengthen the Group’s branding and marketing strategies through various media and channels	<p>The Group continues to promote its products launched under “LEGEND” through various media and channels, such as digital and printed media in Hong Kong.</p> <p>The laboratory collaborated with CUCAMed in Hong Kong to research and develop new Chinese medicines and health products has commenced operation in September of 2017.</p>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS OBJECTIVES AND USE OF PROCEEDS (CONTINUED)

#### Comparison of Business Objectives with Actual Business Progress (Continued)

Business objectives for the period from 1 April 2015 onwards  
as stated in the Prospectus

Actual business progress up to  
30 September 2017

Expanding overseas markets

Engaging brand ambassadors  
in Taiwan

After the expiry of the contract of a brand ambassador in Taiwan, the Group began to promote the Group's products in Taiwan using the same brand ambassadors as used in Hong Kong.

Recruiting more promoters and  
strengthen the Group's branding  
and marketing strategies  
through various media and  
channels in Taiwan

The Group has contracted a non-exclusive distributor with extensive network in drug chain stores in Taiwan and simultaneously started its e-commerce sales network in April 2017. However, the performance is still not satisfactory and the Group is rethinking the next step for the development of this market.

Continue to explore the  
opportunities in other  
overseas markets

For the Southeast Asia regions, various applications in registration and licensing are still in progress.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS OBJECTIVES AND USE OF PROCEEDS (CONTINUED)

The planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions and development made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from 1 April 2017 to 30 September 2017, the net proceeds from issuance of new shares of the Company by way of placing had been applied as follows:

	Planned use of proceeds			Actual use of proceeds			
	As stated in the Prospectus	Change in use of proceeds		Use of proceeds after change	11 October 2013 to 31 March 2017	1 April 2017 to 30 September 2017	Total amount utilised up to 30 September 2017
		Change in use of proceeds during the year ended	Change in use of proceeds during the period ended				
		31 March 2017	30 September 2017				
Total							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Expansion of distribution network	5,950			5,950	5,225	725	5,950
Collaboration with CUCAMed to develop products	47,600	(25,000)	(13,285)	9,315	8,370	945	9,315
Expanding overseas markets	41,650	(25,000)	(13,196)	3,454	2,773	681	3,454
Enhancing the Group's marketing and promotion activities in Hong Kong	13,090			13,090	13,090		13,090
Acquisition of Star Root Limited		50,000		50,000	5,000	45,000	50,000
Acquisition of Giant Bloom Holdings Limited			26,481	26,481		26,481	26,481
General working capital	10,710			10,710	10,710		10,710
	119,000	-	-	119,000	45,168	73,832	119,000

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### CHANGE IN USE OF PROCEEDS AND USE OF PROCEEDS

Reference to the announcements dated 9 January 2017 and 18 April 2017. As at 30 September, 2017, the Company utilized HK\$45.0 million out of the unutilized proceeds concerning product development and expansion of overseas market as part of the consideration of the acquisition of 100% equity interest of Star Root Limited.

Reference to the announcements dated 31 August 2017, 7 September 2017, 11 September 2017 and 13 September 2017. As at 30 September 2017, the Company utilized HK\$26.5 million out of the unutilized proceeds concerning product development and expansion of overseas market as part of the consideration of acquisition of 100% equity interest of Giant Bloom Holdings Limited.

Up to 30 September 2017, the net proceeds from the placing of the Company's shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 11 October 2013 has been fully utilized.

### 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 maybe 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

#### **Prolonged economic downturn**

The Group's business is closely related to the economic conditions of Hong Kong. Slow economic growth or a recession may affect consumer preferences and spending which in turn could have a material adverse effect on the Group's business, operational 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 also will continue to place strong emphasis on a multifaceted market strategy through utilizing various media and channels to promote its brands and products.

#### **Macro-economic condition, PRC tourist spending and payment habits**

The health of the Group's WeChat cross-border payment business relies significantly on the number of PRC tourists visiting Hong Kong and their ensuing spending habit using WeChat Pay as the payment gateway. Should there be any adverse change in macro-economic condition, the number of PRC tourists visiting Hong Kong or their spending or a change in habit using WeChat Pay, the Group's business may be adversely affected. Also, regulatory or other changes in the PRC such as a major outbreak of disease that affects the number of inbound PRC tourists to Hong Kong will have similar adverse impact. However, the Group believes that this online payment business is still at a start-up stage with growth potential so the Group will closely monitor the development in this business sector.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

#### Competition

At present, there are various WeChat Pay service providers and agents operating in Hong Kong. With number of available merchant shops in Hong Kong being a relatively stable figure, there is intense competition between these service providers and agents. Should these service providers and agents actively engage in price competition, the Group may be forced to follow suit and its business, operational results and financial conditions may accordingly be adversely affected. However, the Group believes that this online payment business is still at a start-up stage with growth potential so the Group will closely monitor the development in this business sector.

#### Operational risk

The Group's online payment business is heavily dependent on the stable operation of its IT systems including system software, processing systems, telecommunications networks, cloud servers as well as systems provided by third parties. Such mission critical services are susceptible to risks attributable to system outage, data loss or breach in security. Should such a situation occur, payments made to the merchant shops may not be properly processed and may expose the Group to liability to third parties. The Group shall closely monitor such risks, and periodically consider and implement measures such as system/software updates, redundancy, and subcontracting suitable and competent third party vendors.

#### Industry and technological changes

The Group's online advertising agency and online payment businesses are characterised by rapid technological changes, frequent and numerous product introductions and enhancements, continually evolving industry security standards and rapidly changing customers' requirements. The success of the Group in these business segments depends to a large extent upon the Group's continued ability to offer its online advertising agency and payment businesses within this environment and to meet changing market requirements, including conformity with applicable standards.

## 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 2017, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and/or 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and 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 for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

#### Long positions in the shares of the Company

Name of Director	Number of shares		Approximate percentage of interest in the Company's issued share capital*
	Personal interests	Corporate interests	
Mr. Chan Yan Tak ("Mr. Chan")	–	183,392,000 <i>(Note)</i>	34.69%

Note:

This represents the shares of the Company held by Able Island Group Limited ("Able Island"), a company is beneficially and wholly owned by Mr. Chan and he is the sole director of Able Island, therefore, he is deemed to be interested in 183,392,000 shares of the Company under 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 2017 (i.e. 528,600,000 shares).

Save as disclosed above, as at 30 September 2017, 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.



## OTHER INFORMATION (CONTINUED)

### DISCLOSURE OF INTEREST (CONTINUED)

At no time during the period of six months ended 30 September 2017, the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party to any arrangement to enable the directors of the Company, 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.

#### Substantial Shareholders' Interests in the Company

As at 30 September 2017, 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 (L) and short (S) positions in shares of the Company

Names of shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of interest in the Company's issued share capital*
Able Island <i>(Note 1)</i>	Beneficial owner	183,392,000(L)	34.69%
Merrill Lynch, Pierce, Fenner & Smith Incorporated <i>(Note 2)</i>	Beneficial owner	64,800(L)	0.01%
		64,800(S)	0.01%
BAC North America Holding Company <i>(Note 2)</i>	Interest of controlled corporation	64,800(L)	0.01%
		64,800(S)	0.01%
NB Holdings Corporation <i>(Note 2)</i>	Interest of controlled corporation	27,388,840(L)	5.18%
		27,388,840(S)	5.18%
Bank of America Corporation <i>(Note 2)</i>	Interest of controlled corporation	27,388,840(L)	5.18%
		27,388,840(S)	5.18%
		<i>(Note 3)</i>	
Merrill Lynch International <i>(Note 4)</i>	Beneficial owner	27,324,040(L)	5.17%
		27,324,040(S)	5.17%
ML UK Capital Holdings <i>(Note 4)</i>	Interest of controlled corporation	27,324,040(L)	5.17%
		27,324,040(S)	5.17%
BofAML EMEA Holdings 2 Limited <i>(Note 4)</i>	Interest of controlled corporation	27,324,040(L)	5.17%
		27,324,040(S)	5.17%
BofAML EMEA Holdings 1 Limited <i>(Note 4)</i>	Interest of controlled corporation	27,324,040(L)	5.17%
		27,324,040(S)	5.17%
BofAML Jersey Holdings Limited <i>(Note 4)</i>	Interest of controlled corporation	27,324,040(L)	5.17%
		27,324,040(S)	5.17%
Merrill Lynch Group Holdings I. LLC <i>(Note 4)</i>	Interest of controlled corporation	27,324,040(L)	5.17%
		27,324,040(S)	5.17%
Merrill Lynch International Incorporated <i>(Note 4)</i>	Interest of controlled corporation	27,324,040(L)	5.17%
		27,324,040(S)	5.17%

## OTHER INFORMATION (CONTINUED)

### DISCLOSURE OF INTEREST (CONTINUED)

#### Substantial Shareholders' Interests in the Company (Continued)

Notes:

1. The entire issued share capital of Able Island is beneficially and wholly owned by Mr. Chan.
  2. The entire issued share capital of Merrill Lynch, Pierce, Fenner & Smith Incorporated is owned by BAC North America Holding Company, whereas the entire issued share capital of BAC North America Holding Company is owned by NB Holdings Corporation, whereas the entire issued share capital of NB Holdings Corporation is owned by Bank of America Corporation, information was derived from the website of the Stock Exchange ([www.hkexnews.hk/di/di.htm](http://www.hkexnews.hk/di/di.htm)).
  3. Which included 936,000 unlisted derivatives – cash settled, information was derived from the website of the Stock Exchange ([www.hkexnews.hk/di/di.htm](http://www.hkexnews.hk/di/di.htm)).
  4. The entire issued share capital of Merrill Lynch International is owned by ML UK Capital Holdings, whereas 38.48% interest in the issued share capital of ML UK Capital Holdings is owned by BofAML EMEA Holdings 2 Limited, whereas the entire issued share capital of BofAML EMEA Holdings 2 Limited is owned by BofAML EMEA Holdings 1 Limited, whereas the entire issued share capital of BofAML EMEA Holdings 1 Limited is owned by BofAML Jersey Holdings Limited, whereas 61.25% interest in the issued share capital of BofAML Jersey Holdings Limited is owned by Merrill Lynch Group Holdings I, LLC, whereas the entire share capital of Merrill Lynch Group Holdings I, LLC is owned by Merrill Lynch International Incorporated, whereas the entire share capital of Merrill Lynch International Incorporated is owned by NB Holdings Corporation, whereas the entire issued share capital of NB Holdings Corporation is owned by Bank of America Corporation, information was derived from the website of the Stock Exchange ([www.hkexnews.hk/di/di.htm](http://www.hkexnews.hk/di/di.htm)).
- \* The percentage has been adjusted, if any, based on the total number of shares of the Company in issue as at 30 September 2017 (i.e. 528,600,000 shares).

Save as disclosed above, as at 30 September 2017, 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 or any of its associated corporation 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 or as otherwise notified to the Company and the Stock Exchange.

## 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**”). On 4 August 2014, the shareholders of the Company approved resolution for refreshment of 10% limit on the grant of options in accordance with the terms of the Share Option Scheme.

For the six months period from 1 April 2017 to 30 September 2017 there was no share option granted, outstanding, exercised, lapsed and cancelled under the Share Option Scheme.

On 30 October 2017, the Company granted share options (“**Share Options**”) to eligible persons of the Group to subscribe for a total of 36,800,000 ordinary share(s) of the Company in total at the exercise price of HK\$6.80 per share of the Company under the Share Option Scheme and all the grantees accepted the Share Options on the same date.

As at the date of this report, 36,800,000 Share Option were outstanding under the Share Option Scheme, which are exercisable from 30 October 2018 to 29 October 2019 (both days inclusive) at the exercise price of HK\$6.80 per option and the vesting period is from 30 October 2017 to 29 October 2018.

### 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 period of six months ended 30 September 2017 (Period of six months ended 30 September 2016: Nil).

## **OTHER INFORMATION (CONTINUED)**

### **CORPORATE GOVERNANCE PRACTICES**

The Company recognises the importance of good corporate governance to the Company's growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. Throughout the period of six months ended 30 September 2017, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code", amended from time to time) contained in Appendix 14 of the Listing Rules except the deviation from the Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Yan Tak is currently the chairman of the Board and the chief executive officer of the Company. Mr. Chan has been responsible for the overall management and strategic development of the Group since 2005. His expert knowledge in the Group's principal business of development, manufacturing and sales of health and beauty supplements and products has assisted the Group to grow substantially over the past ten years. The Board therefore considers that it is beneficial to and in the interest of the Group for Mr. Chan to continue with his roles as the chairman of the Board and chief executive officer of the Company.

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS ("MODEL CODE")**

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' securities transactions in the securities of the Company. Upon the Company's specific enquiry, each director of the Company has confirmed that they fully complied the required standards set out in the Model Code under the Listing Rules throughout the period of six months ended 30 September 2017, 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 been requested to comply with the provisions of the Model Code under the Appendix 10 to the Listing Rules.

## OTHER INFORMATION (CONTINUED)

### AUDIT COMMITTEE

The audit committee of the Company (“**Audit Committee**”), is currently comprised of the four independent non-executive Directors, namely Mr. LEUNG Winson Kwan Yau (Chairman), Ms. SZETO Wai Ling, Virginia, Mr. TAM Kin Yip and Mr. LEUNG Man Loon (appointed on 11 September 2017), 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 auditor, Crowe Horwath (HK) CPA Limited, had carried out a review of the unaudited interim financial information of the Group for the six months period ended 30 September 2017 (the “**2017/2018 Interim Results**”) 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. The 2017/2018 Interim Results 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 six months ended 30 September 2017 were approved and authorised for issue by the Board on 30 November 2017.

*As at the date of this report, the executive directors of the Company are Mr. CHAN Yan Tak, Mr. LEE Chi Hang, Sidney, Mr. WONG Ping Yiu, Mr. WANG Xihua, Mr. LAI Wei Lam, William, Mr. SO Kevin Hoi Chak and Mr. LIAO Zhe; and the independent non-executive directors of the Company are Ms. SZETO Wai Ling, Virginia, Mr. LEUNG Winson Kwan Yau, Mr. TAM Kin Yip and Mr. LEUNG Man Loon.*