INTERIM REPORT 2018/2019

順騰國際（控股）有限公司
Shunten International (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

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

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 4 to 62 which comprise the interim condensed consolidated statement of financial position of Shunten International (Holdings) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") as of 30 September 2018 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 are not prepared, in all material respects, in accordance with HKAS 34.

Elite Partners CPA Limited
Certified Public Accountants

Yip Kai Yin
Practising Certificate Number: P05131

Hong Kong
28 November 2018

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

For the six months ended 30 September 2018

	Note	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
		For the six months ended 30 September	
REVENUE	4	**158,380**	112,428
Cost of revenue		**(60,637)**	(34,792)
GROSS PROFIT		**97,743**	77,636
Other revenue and other net loss		**1,123**	(1)
Selling and distribution expenses		**(29,568)**	(21,422)
Administrative expenses		**(93,161)**	(60,583)
Equity-settled share-based payments		**(26,277)**	–
Share of profits of an associate	13	**2,223**	–
Fair value change of an investment property	10	**722**	–
Fair value change of contingent consideration payables	17	**(5,604)**	2,869
Fair value change of promissory notes payable	19	**4,460**	–
Fair value change of convertible bonds	18	**39,823**	–
LOSS FROM OPERATIONS		**(8,516)**	(1,501)
Finance costs	5(c)	**(8,853)**	(471)
LOSS BEFORE TAXATION	5	**(17,369)**	(1,972)
Taxation	6	**(1,958)**	(700)
LOSS FOR THE PERIOD		**(19,327)**	(2,672)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(382)**	382
Release of translation reserve upon deregistration of subsidiaries		**(151)**	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(19,860)**	(2,290)

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

For the six months ended 30 September 2018

	Note	For the six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(15,431)**	(1,181)
Non-controlling interests		**(3,896)**	(1,491)
		(19,327)	(2,672)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(15,764)**	(944)
Non-controlling interests		**(4,096)**	(1,346)
		(19,860)	(2,290)
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD (EXPRESSED IN HK CENTS PER SHARE)			
– Basic	8(a)	**(0.73)**	(0.06)
– Diluted	8(b)	**(0.73)**	(0.06)

Note: The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 10 to 62 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 2018

	Note	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**95,330**	121,672
Investment property	10	**8,100**	–
Intangible assets	11	**202,797**	206,166
Goodwill	12	**177,496**	177,496
Interests in an associate	13	**72,223**	–
Prepayments and deposits	14	**5,526**	2,932
		561,472	508,266
Current assets			
Inventories		**23,878**	22,091
Trade and other receivables	14	**70,540**	80,000
Cash and cash equivalents		**96,077**	158,913
Right of return assets		**207**	–
Tax recoverable		**152**	508
		190,854	261,512
Assets associated with disposal group classified as held for sale	23	**26,192**	–
		217,046	261,512
Current liabilities			
Trade and other payables	15	**107,097**	34,026
Bank borrowings	16	**26,576**	28,119
Contingent consideration payables	17	**57,404**	59,169
Promissory notes payable	19	**–**	1,491
Contract liabilities		**2,616**	–
Refund liabilities		**1,314**	–
Provisions		**–**	1,007
Tax payable		**2,470**	327
		197,477	124,139

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2018

	Note	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Non-current liabilities			
Contract liabilities		**5**	–
Other borrowings	16	**26,500**	5,500
Contingent consideration payables	17	**57,066**	118,350
Convertible bonds	18	**270,687**	310,510
Promissory notes payable	19	**18,513**	9,087
Amounts due to non-controlling interests		**1,223**	1,242
Deferred tax liabilities		**33,671**	34,215
		407,665	478,904
Net assets		**173,376**	166,735
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	**5,308**	5,308
Reserves		**120,220**	109,483
		125,528	114,791
Non-controlling interests		**47,848**	51,944
TOTAL EQUITY		**173,376**	166,735

Note: The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 10 to 62 form part of this interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	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	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total Equity HK$'000
At 31 March 2018 (audited)	**5,308**	**161,116**	**(10)**	**462**	**(272)**	**29,290**	**(81,103)**	**114,791**	**51,944**	**166,735**
Impact on initial application of HKFRS 15	–	–	–	–	–	–	224	224	–	224
Adjusted balance at 1 April 2018	**5,308**	**161,116**	**(10)**	**462**	**(272)**	**29,290**	**(80,879)**	**115,015**	**51,944**	**166,959**
Changes in equity for the six months ended 30 September 2018:										
Loss for the period	–	–	–	–	–	–	(15,431)	(15,431)	(3,896)	(19,327)
Other comprehensive loss:										
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	(182)	–	–	(182)	(200)	(382)
Release of translation reserve upon deregistration of subsidiaries	–	–	–	–	(151)	–	–	(151)	–	(151)
Total comprehensive loss for the period	–	–	–	–	(333)	–	(15,431)	(15,764)	(4,096)	(19,860)
Equity-settled share-based payments	–	–	–	–	–	26,277	–	26,277	–	26,277
Share options lapsed	–	–	–	–	–	(9,040)	9,040	–	–	–
At 30 September 2018 (unaudited)	**5,308**	**161,116**	**(10)**	**462**	**(605)**	**46,527**	**(87,270)**	**125,528**	**47,848**	**173,376**
At 1 April 2017 (audited)	5,286	148,884	(10)	462	(692)	–	58,114	212,044	1,580	213,624
Changes in equity for the six months ended 30 September 2017:										
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

Note: The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 10 to 62 form part of this interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	For the six months ended 30 September	
	2018 **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)
Operating activities		
Cash (used in)/generated from operations	**(11)**	2,106
People's Republic of China (the "**PRC**") Enterprise Income Tax paid	**–**	(198)
PRC Enterprise Income Tax refunded	**–**	7
Hong Kong Profits Tax paid	**(5)**	(6)
Net cash (used in)/generated from operating activities	**(16)**	1,909
Investing activities		
Purchase of property, plant and equipment	**(5,391)**	(907)
Proceeds from sale of property, plant and equipment	**47**	–
Investment in an associate	**(70,000)**	–
Deposits received for potential disposal of a subsidiary	**2,000**	–
Acquisition of subsidiaries, net of cash acquired	**(7,465)**	(110,015)
Bank interest received	**7**	6
Net cash used in investing activities	**(80,802)**	(110,916)
Financing activities		
Proceeds from bank borrowings	**–**	24,567
Repayment of bank borrowings	**(1,543)**	(6,282)
Proceeds from other borrowings	**21,000**	5,500
Interest paid	**(995)**	(471)
Net cash generated from financing activities	**18,462**	23,314
Net decrease in cash and cash equivalents	**(62,356)**	(85,693)
Cash and cash equivalents at beginning of the period	**158,913**	110,218
Effect of foreign exchange rate changes	**(480)**	389
Cash and cash equivalents at end of the period	**96,077**	24,914

Note: The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 10 to 62 form part of this interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. CORPORATE INFORMATION

Shunten International (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 Unit A, 12/F, Guangdong Investment Tower, 148 Connaught Road Central, 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 issued shares have been listed on the 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 and the PRC, provision of online advertising agency business, online payment business, e-commerce promotion business and game distribution business.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 September 2018 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 interim condensed consolidated financial statements have been prepared on the historical cost basis except for investment property, contingent consideration payables, promissory notes payable and convertible bonds, which are measured at fair value, as appropriate.

Disposal group held for sale is stated at the lower of carrying amount and fair value less costs to sell.

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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018. Details of any changes in accounting policies are set out in note 3.

2. BASIS OF PREPARATION (CONTINUED)

Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

2. BASIS OF PREPARATION (CONTINUED)

Associates (Continued)

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

2. BASIS OF PREPARATION (CONTINUED)

Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2. BASIS OF PREPARATION (CONTINUED)

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 2018. 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 Elite Partners 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.

3. CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK(IFRIC)-Int 22, Foreign Currency Transactions and Advance Consideration
- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to HKFRS 4, Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
- Amendments to HKAS 28, As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
- Amendments to HKAS 40, Transfers of Investment Property

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Overview (Continued)

Except as disclosed in note 3(b) and 3(c) below, 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 this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 15:

	At 31 March 2018 HK$'000	Impact on initial application of HKFRS 15 HK$'000 *(Note 3(c))*	At 1 April 2018 HK$'000
Right of return assets	–	224	224
Total current assets	261,512	224	261,736
Trade and other payables	34,026	(608)	33,418
Contract liabilities	–	608	608
Refund liabilities	–	1,007	1,007
Provisions	1,007	(1,007)	–
Total current liabilities	124,139	–	124,139
Net assets	166,735	224	166,959
Reserves	109,483	224	109,707
Total equity	166,735	224	166,959

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Except for trade and other receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's financial assets is as follows:

– Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

The assessment of the Group's business models was made as of the date of initial application, 1 April 2018, and applied to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial Instruments* (Continued)

(i) Classification and measurement (Continued)

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The adoption of HKFRS 9 has had no significant impact on the Group's interim financial information on classification and measurement of its financial assets.

(ii) Impairment

HKFRS 9 requires an impairment on trade and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables with no significant financing component. The Group applied general approach and recorded twelve month expected losses on its remaining receivables and deposits other than those mentioned above. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption.

The Group is principally engaged in the sale, marketing and distribution of health and beauty supplements and products in Hong Kong and the PRC, provision of online advertising agency business, online payment business, e-commerce promotion business and game distribution business. The products are sold and the services are rendered on their own in separately identified contracts with customers.

The adoption of HKFRS 15 does not have a significant impact on the Group's revenue recognition policy, except for sales of health and beauty supplements and products as detailed below.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, Revenue from Contracts with Customers (Continued)

– *Sale of health and beauty supplements and products*

The Group's contracts with customers for the sale of health and beauty supplements and products generally include one performance obligation. The Group has concluded that revenue from the sale of products should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition. However, the new classification and measurement are summarised as below.

Some contracts for the sale of health and beauty supplements and products provide customers with a right of return. Prior to the adoption of HKFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns. If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved.

Under HKFRS 15, rights of return give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using an approach similar to the expected value method under HKFRS 15. Prior to the adoption of HKFRS 15, the amount of revenue related to the expected returns was deferred and recognised in the statement of financial position within provisions with a corresponding adjustment to cost of sales. The initial carrying amount of goods expected to be returned was included in "provisions".

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, Revenue from Contracts with Customers (Continued)

– *Sale of health and beauty supplements and products (Continued)*

Under HKFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements in HKFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group presents a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position. Upon adoption of HKFRS 15, the Group reclassified the provision for the right of return from "provisions" to "refund liabilities" and recognised the related return asset as "right of return assets".

The Group recognised "right of return assets" and "refund liabilities" amounting to HK$207,000 and HK$1,314,000 respectively in the interim condensed consolidated statement of financial position as at 30 September 2018.

The Group received short-term advances from customers. Prior to the adoption of HKFRS 15, the Group represented these advances as "receipt in advance" in "trade and other payables" in the consolidated statement of financial position. Upon the adoption of HKFRS 15, the Group reclassified the advances to "contract liabilities". As at 1 April 2018, the Group had short-term advances from customers amounting to HK$608,000, which were reclassified to "contract liabilities" at the initial application of HKFRS 15.

4. REVENUE

The Group's revenue represents the income from sales of health and beauty supplements and products, provision of online advertising agency business, online payment business, e-commerce promotion business and game distribution business, net of returns, discounts, value-added tax and other sales taxes for the six months ended 30 September 2018 and 2017.

4. REVENUE (CONTINUED)

Disaggregation of revenue

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

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15:		
Health and beauty supplements and products	**124,791**	109,169
Online advertising agency business	**4,554**	3,249
Online payment business	**5,817**	10
E-commerce promotion business	**3,304**	–
Game distribution business	**19,914**	–
	158,380	112,428
Disaggregated by geographical locations of customers:		
Hong Kong (place of domicile)	**154,902**	112,216
The PRC	**1,403**	153
Singapore	**2,060**	–
Taiwan	**2**	59
Others	**13**	–
	158,380	112,428
Timing of revenue recognition:		
Point in time	**153,934**	109,179
Over time	**4,446**	3,249
	158,380	112,428

5. LOSS BEFORE TAXATION

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

		For the six months ended 30 September	
		2018	2017
		HK$'000	HK$'000
		(unaudited)	(unaudited)
(a)	**Staff costs:**		
	Salaries, allowances, and other benefits (including directors' emoluments)	**56,055**	33,711
	Contributions to defined contribution retirement plans	**1,923**	1,267
	Equity-settled share-based payments	**26,277**	–
		84,255	34,978
(b)	**Other items:**		
	Auditors' remuneration	**800**	975
	Cost of inventories	**51,224**	31,977
	Depreciation of property, plant and equipment	**4,572**	2,615
	Amortisation of intangible assets	**3,369**	2,883
	Exchange loss, net	**22**	139
	Operating lease charges: minimum lease payments	**4,597**	1,608
	Net loss on disposal of property, plant and equipment	**1,158**	115
	Research and development costs	**1,582**	1,446
	Rent for special designated counters	**23,085**	17,449
	Rentals receivable from an investment property less direct outgoings of HK$8,000 (2017: Nil)	**(72)**	–
(c)	**Finance costs:**		
	Interest on bank borrowings	**382**	328
	Interest on other borrowings	**297**	143
	Total interest expenses on financial liabilities not at fair value through profit or loss	**679**	471
	Interest on convertible bonds	**8,174**	–
		8,853	471

6. TAXATION

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current taxation		
Hong Kong Profits Tax	**2,213**	1,269
Underprovision/(overprovision) in respect of prior years		
PRC Enterprise Income Tax	**289**	(105)
Deferred tax		
Reversal of temporary differences	**(544)**	(464)
	1,958	700

The provision of Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2018 and 2017.

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 2018 and 2017.

No provision for profits tax in the Cayman Islands, the British Virgin Islands ("**BVI**"), Malaysia, Macau and Taiwan have been made as the Group has no income or profit assessable for tax in these jurisdictions for the six months ended 30 September 2018 and 2017.

7. DIVIDENDS

The board of directors does not recommend any payment of interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the following data:

	For the six months ended 30 September	
	2018	2017 (Restated)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share (HK$'000)	**(15,431)**	(1,181)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share *(Note)*	**2,123,002,150**	2,114,400,000

Note:

For the six months ended 30 September 2017, the weighted average number of ordinary shares for the purpose of basic loss per share have been adjusted to reflect the share subdivision which became effective on 5 December 2017 (the "**Share Subdivision**").

(b) Diluted loss per share

For the six months ended 30 September 2018, the calculation of diluted loss per share did not assume the conversion of the Company's outstanding convertible bonds and share options since their exercises would result in a decrease in loss per share.

For the six months ended 30 September 2017, diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary share outstanding.

9. PROPERTY, PLANT AND EQUIPMENT

	As at 30 September 2018 HK$'000 (unaudited)	As at 30 September 2017 HK$'000 (unaudited)
Carrying amount at the beginning of the period	**121,672**	54,314
Additions during the period	**5,391**	907
Additions through acquisition of subsidiaries during the period *(notes 24 and 25)*	**121**	69,310
Depreciation provided during the period	**(4,572)**	(2,615)
Disposals during the period	**(1,205)**	(115)
Reclassification as held for sale *(note 23)*	**(26,026)**	–
Exchange adjustments	**(51)**	1
Carrying amount at the end of the period	**95,330**	121,802

10. INVESTMENT PROPERTY

	As at 30 September 2018 HK$'000 (unaudited)
Carrying amount at the beginning of the period	**–**
Additions through acquisition of a subsidiary during the period *(note 24)*	**7,378**
Fair value change	**722**
Carrying amount at the end of the period	**8,100**

The valuation of investment property carried at fair value were updated at 30 September 2018 by an independent professional valuer engaged by the Group, who has among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the property being valued. The management of the Group has discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

10. INVESTMENT PROPERTY (CONTINUED)

The fair value measurement information for the investment property in accordance with HKFRS 13 is given below.

Fair value hierarchy

	Fair value measurement as at 30 September 2018 categorised into		
	Quoted prices in active markets for identical assets Level 1 HK$'000 (unaudited)	Significant other observable inputs Level 2 HK$'000 (unaudited)	Significant unobservable inputs Level 3 HK$'000 (unaudited)
Recurring fair value measurements:			
Investment property – shop premise			
– Hong Kong	–	–	8,100

During the six months ended 30 September 2018, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. 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.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	As at 30 September 2018 HK$'000 (unaudited)
At the beginning of the period	–
Additions through acquisition of a subsidiary	7,378
Fair value change	722
At the end of the period	8,100

10. INVESTMENT PROPERTY (CONTINUED)

The fair value of investment property located in Hong Kong is determined by direct comparison approach with reference to recent sales price of comparable properties on a price per square feet basis, adjusted for a premium or discount specific to the quality of the Group's property compared to recent sales on the comparable transaction. Higher discount for lower quality properties will result in a lower fair value measurement.

11. INTANGIBLE ASSETS

	As at 30 September 2018 HK$'000 (unaudited)	As at 30 September 2017 HK$'000 (unaudited and restated)
Carrying amount at the beginning of the period	**206,166**	2,752
Additions through acquisition of subsidiaries during the period *(note 25)*	**–**	206,758
Amortisation provided during the period	**(3,369)**	(2,883)
Carrying amount at the end of the period	**202,797**	206,627

Intangible assets represent the licensing agreements, customer relationship, product development rights and a club membership.

12. GOODWILL

	As at 30 September 2018 HK$'000 (unaudited)	As at 30 September 2017 HK$'000 (unaudited and restated)
Carrying amount at the beginning of the period	**177,496**	–
Additions through acquisition of subsidiaries *(note 25)*	**–**	144,587
Carrying amount at the end of the period	**177,496**	144,587

13. INTERESTS IN AN ASSOCIATE

	As at 30 September 2018 HK$'000 (unaudited)
Cost of investment in an associate, unlisted	**70,000**
Share of post-acquisition profits	**2,223**
	72,223

On 10 May 2018, Shunten Entertainment (Asia) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party vendor, pursuant to which the Group acquired 45% equity interest in Leader Shine International Limited ("**Leader Shine**"), a company incorporated in BVI with limited liability, at a cash consideration of HK$70,000,000. The transaction was completed on 23 May 2018.

According to the sale and purchase agreement, the vendor has provided a profit guarantee (the "**Profit Guarantee**") that the audited consolidated net profit before taxation of Leader Shine and its subsidiary (collectively referred to as the "**Leader Shine Group**") for each of the years ending 31 March 2019 and 31 March 2020 (each a "**Guaranteed Period**") shall not be less than HK$10,000,000 (each a "**Guaranteed Amount**").

If the audited consolidated net profit before taxation of Leader Shine Group of each Guaranteed Period is less than the amount of HK$10,000,000, the vendor is required to pay 45% of the shortfall between the relevant Guaranteed Amount and the actual audited consolidated net profit before taxation of Leader Shine Group of each of the Guaranteed Period to Shunten Entertainment (Asia) Limited.

Based on the projection of the financial performance performed by the management of Leader Shine, the directors of the Company assessed that the Profit Guarantee will be unlikely to be exercised and the fair value of the Profit Guarantee is considered to be insignificant.

14. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Trade receivables	**40,575**	56,379
Less: Allowance for doubtful debts	**(162)**	(162)
	40,413	56,217
Other receivables	**3,019**	3,280
Financial assets measured at amortised cost	**43,432**	59,497
Prepayments	**9,812**	7,535
Utility, trade and other deposits	**22,822**	15,900
	32,634	23,435
	76,066	82,932

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Analysis of trade and other receivables:		
Non-current portion	**5,526**	2,932
Current portion	**70,540**	80,000
	76,066	82,932

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
0-30 days	**34,165**	38,957
31-60 days	**2,027**	11,648
61-90 days	**1,338**	4,261
91-180 days	**2,039**	1,351
181-365 days	**844**	–
	40,413	56,217

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.

15. TRADE AND OTHER PAYABLES

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Trade payables	**8,249**	6,288
Salary and welfare payables	**8,644**	8,728
Accrued advertising expenses	**2,432**	3,922
Other payables and accruals	**21,656**	7,189
Consideration payable *(note 17(b))*	**56,258**	–
Deposits received for potential disposal of a subsidiary	**2,000**	–
Interests payable on other borrowings	**187**	165
Interests payable on convertible bonds	**7,671**	7,126
Receipt in advance	**–**	608
	107,097	34,026

15. TRADE AND OTHER PAYABLES (CONTINUED)

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

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
0-30 days	**4,550**	5,394
31-60 days	**728**	506
61-90 days	**312**	17
91-180 days	**2,293**	2
181-365 days	**–**	154
Over 365 days	**366**	215
	8,249	6,288

16. BANK AND OTHER BORROWINGS

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Bank borrowings:		
Bank loans, secured *(note a)*	**26,576**	28,119
	26,576	28,119
Other borrowings:		
Unsecured notes *(note b)*	**26,500**	5,500
	26,500	5,500
Total bank and other borrowings	**53,076**	33,619

16. BANK AND OTHER BORROWINGS (CONTINUED)

The bank borrowings and other borrowings are repayable as follows:

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Bank borrowings:		
Within 1 year or on demand	**26,576**	28,119
	26,576	28,119
Other borrowings:		
After 1 year but within 2 years	**26,500**	–
After 2 years but within 5 years	**–**	5,500
	26,500	5,500
Total bank and other borrowings	**53,076**	33,619
Less: Amounts shown under current liabilities	**(26,576)**	(28,119)
Amounts shown under non-current liabilities	**26,500**	5,500

Notes:

(a) As at 30 September 2018, the bank borrowings of the Group are secured by the leasehold land and buildings with carrying amount of HK$41,069,000 (as at 31 March 2018: HK$41,785,000).

(b) During the six months ended 30 September 2018 and 2017, the Company had issued the following unsecured notes:

(i) 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 notes is repayable in August 2020.

(ii) In August 2018, the Company issued unsecured notes of HK$11,000,000. The unsecured notes carry coupon rate of 10% per annum, payable annually in arrears. The principal amount of the unsecured notes is repayable in August 2020.

(iii) In September 2018, the Company issued unsecured notes of HK$10,000,000. The unsecured notes carry coupon rate of 10% per annum, payable annually in arrears. The principal amount of the unsecured notes is repayable in September 2020.

17. CONTINGENT CONSIDERATION PAYABLES

	As at 30 September 2018 HK$'000 (unaudited)	As at 30 September 2017 HK$'000 (unaudited)
At fair value:		
At the beginning of the period	**177,519**	–
Arising from acquisition of subsidiaries *(note 25)*	**–**	156,180
Transferred to promissory notes payable *(note 19 and note (c) below)*	**(12,395)**	–
Transferred to consideration payable *(note 15 and note (b) below)*	**(56,258)**	–
Fair value change	**5,604**	(2,869)
At the end of the period	**114,470**	153,311
Less: Amounts shown under current liabilities	**(57,404)**	–
Amounts shown under non-current liabilities	**57,066**	153,311

The contingent consideration payables of the Group represented the contingent consideration arrangement arising from the acquisition of Empire Access Limited ("**Empire Access**") (as detailed in note 25) to be settled 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.

17. CONTINGENT CONSIDERATION PAYABLES (CONTINUED)

Notes:

(a) Adjustment to the consideration arising from the acquisition of Empire Access

Pursuant to the supplemental sale and purchase agreement dated 15 September 2017 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:

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

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

17. CONTINGENT CONSIDERATION PAYABLES (CONTINUED)

Notes: (Continued)

(a) Adjustment to the consideration arising from the acquisition of Empire Access (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:

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

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

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:

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

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

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

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

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

17. CONTINGENT CONSIDERATION PAYABLES (CONTINUED)

Notes: (Continued)

(a) Adjustment to the consideration arising from the acquisition of Empire Access (Continued)

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:

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

(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:

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

(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:

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

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.

17. CONTINGENT CONSIDERATION PAYABLES (CONTINUED)

Notes: (Continued)

(a) Adjustment to the consideration arising from the acquisition of Empire Access (Continued)

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.

(b) As at 30 September 2018, based on the auditor's certificate issued in respect of the achievement of the First Target of the ND Target Group, the Third Instalment of the consideration for the acquisition of Empire Access as detailed in note (a) above was concluded to be approximately HK$56,258,000 and the balance was transferred from "contingent consideration payables" to "trade and other payables" in the interim condensed consolidated statement of financial position. On 5 October 2018, the Company issued promissory notes of total principal amount of HK$56,258,000 for the settlement of the consideration payable.

17. CONTINGENT CONSIDERATION PAYABLES (CONTINUED)

Notes: (Continued)

(c) On 4 May 2018, the contingent consideration payables in respect of the acquisition of IAHGames Hong Kong Limited ("**IAHGames**") at the fair value of HK$12,395,000 was transferred to "promissory notes payable" following the issuance of promissory notes as detailed in note 19.

The fair value of contingent consideration payables as at 30 September 2018 and 31 March 2018 is based on the valuation performed by an independent professional valuer not connected with the Group. Details of fair value measurement are set out in note 21.

18. CONVERTIBLE BONDS

On 12 October 2017, the Company issued 6% per annum unsecured convertible bonds with a principal amount of HK$265,000,000 to six independent third parties ("**Bondholders**") which will mature on their second anniversary on 12 October 2019 following the issue of convertible bonds ("**Convertible Bonds**"). The Bondholders have the right at any time during the conversion period to convert, the whole or any part of the outstanding principal amount of the Convertible Bonds into the ordinary shares of the Company at HK$4.65 per conversion share (adjusted to HK$1.1625 per conversion share due to Share Subdivision that took place at 5 December 2017) provided that, if the conversion price in force on the date falling on the first anniversary of the issue date of the Convertible Bonds is more than HK$4.00 per conversion share (adjusted to HK$1.00 per conversion share due to the abovementioned Share Subdivision), the conversion price of the Convertible Bonds shall be reset on that date so that it is equal to HK$4.00 per conversion share (adjusted to HK$1.00 per conversion share due to the abovementioned Share Subdivision). The conversion period commences from 45 days after the date of issue and ending on the maturity date. The Convertible Bonds bear interest from the date of issue at the rate of 6% per annum on the principal amount of the Convertible Bonds payable by the Company semi-annually in arrears on 12 April and 12 October in each year.

During the year ended 31 March 2018, the Bondholders converted the Convertible Bonds with aggregate principal amount of HK$10,000,000 at a conversion price of HK$1.1625 per share into 8,602,150 ordinary shares of the Company. As at 30 September 2018, the outstanding principal amount of Convertible Bonds was HK$255,000,000.

18. CONVERTIBLE BONDS (CONTINUED)

The movements of the Convertible Bonds during the six months ended 30 September 2018 are set out below:

	As at 30 September 2018 HK$'000 (unaudited)
At the beginning of the period	310,510
Fair value change recognised in profit or loss in respect of the Convertible Bonds outstanding as of the end of the period	(39,823)
At the end of the period	270,687

The fair value of the Convertible Bonds as at 30 September 2018 and 31 March 2018 are determined by using Monte-Carlo simulation method based on the valuation undertaken by an independent professional valuer. The inputs into the model as at 30 September 2018 and 31 March 2018 are as follows:

	As at 30 September 2018	As at 31 March 2018
Share price (HK$)	0.26	1.15*
Conversion price for the first anniversary year (HK$)	1.16	1.16*
Conversion price for the second anniversary year (HK$)	1.00	1.00*
Expected volatility (%)	58	47
Remaining life (years)	1.03	1.53
Risk-free rate (%)	1.92	1.28
Discount rate (%)	13.70	13.00

* After adjustments of the effect of the Share Subdivision

18. CONVERTIBLE BONDS (CONTINUED)

The fair value of the Convertible Bonds as at 30 September 2018 and 31 March 2018 is categorised as Level 3 under the fair value hierarchy set out in HKFRS 13 "Fair Value Measurement". A narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs to the fair value measurement is set out below:

Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity analysis
Discount rate (+/-1%)	The higher the discount rate, the lower the fair value of the Convertible Bonds, and vice versa	If the discount rate increases by 1%, the fair value of the Convertible Bonds would decrease to HK$268,415,000 (31 March 2018: HK$310,333,000). If the discount rate decreases by 1%, the fair value of the Convertible Bonds would increase to HK$273,024,000 (31 March 2018: HK$311,455,000).

19. PROMISSORY NOTES PAYABLE

	As at 30 September 2018 HK$'000 (unaudited)
At fair value:	
At the beginning of the period	**10,578**
Fair value of initial principal amount of promissory notes on issue date *(note 17(c))*	**12,395**
Fair value change	**(4,460)**
At the end of the period	**18,513**
Less: Amounts shown under current liabilities	**–**
Amounts shown under non-current liabilities	**18,513**

19. PROMISSORY NOTES PAYABLE (CONTINUED)

On 4 May 2018, the Company issued two promissory notes of total initial principal amount of HK$11,760,000 (subject to downward adjustments in accordance with the conditions as stipulated in the sale and purchase agreement and supplemental agreements) in respect of the acquisition of IAHGames which was completed on 28 February 2018. The promissory notes bear interest of 10% per annum and payable annually in arrears. These two promissory notes will mature on 28 February 2020.

The fair value of promissory notes payable as at 30 September 2018 and 31 March 2018 are based on the valuation performed by an independent professional valuer not connected with the Group. Details of fair value measurement are set out in note 21.

20. SHARE CAPITAL

	As at 30 September 2018 (unaudited)			As at 30 September 2017 (unaudited)		
	Nominal value per share HK$	**Number of shares**	**Share capital HK$'000**	Nominal value per share HK$	Number of shares	Share capital HK$'000
Authorised:						
At the beginning and the end of the period	**0.0025**	**4,000,000,000**	**10,000**	0.01	1,000,000,000	10,000
Issued and fully paid:						
At the beginning and the end of the period	**0.0025**	**2,123,002,150**	**5,308**	0.01	528,600,000	5,286

21. 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.

- 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 independent professional valuers to establish the appropriate valuation techniques and inputs to the model. The 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.

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Fair value hierarchy (Continued)

	Fair value measurements as at 30 September 2018 categorised into			Fair value as at 30 September 2018	Fair value measurements as at 31 March 2018 categorised into			Fair value as at 31 March 2018
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)	(audited)	(audited)
Recurring fair value measurements								
Financial liabilities:								
– Contingent consideration payables	–	–	114,470	114,470	–	–	177,519	177,519
– Promissory notes payable	–	–	18,513	18,513	–	–	10,578	10,578
– Convertible bonds	–	–	270,687	270,687	–	–	310,510	310,510
	–	–	403,670	403,670	–	–	498,607	498,607

During the six months ended 30 September 2018 and the year ended 31 March 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. 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.

21. 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

The valuation techniques and the quantitative information (except for the information of convertible bonds which are disclosed in note 18 to these interim condensed consolidated financial statements) about the significant unobservable inputs used in Level 3 fair value measurement at the end of the reporting period are as follows:

Description	Valuation techniques	Fair value as at 30 September 2018 HK$'000	Fair value as at 31 March 2018 HK$'000	Significant unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Contingent consideration payables arising from the acquisition of Empire Access	Income approach	114,470	165,123	Discount rate	7.6% (as at 31 March 2018: 7.5%)	The increase in discount rate used would result in decrease in the fair value of contingent consideration payables, and vice versa. As at 30 September 2018, 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 payables by HK$1,660,000 or HK$1,913,000 respectively. As at 31 March 2018, 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 payables by HK$3,479,000 or HK$3,122,000 respectively.

21. 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)

Description	Valuation techniques	Fair value as at 30 September 2018 HK$'000	Fair value as at 31 March 2018 HK$'000	Significant unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Contingent consideration payables arising from the acquisition of Empire Access (continued)	Income approach (continued)	114,470 (continued)	165,123 (continued)	Revenue for the period from 22 September 2017 to 21 September 2018 ("**Revenue for First Period**")	N/A (as at 31 March 2018: HK$10,666,000)	The increase in the Revenue for First Period, Revenue for Second Period and NP for Third Period used would result in increase in the fair value of contingent consideration payables, and vice versa.
				Revenue for the period from 22 September 2018 to 21 September 2019 ("**Revenue for Second Period**")	HK$44,653,000 (as at 31 March 2018: HK$47,319,000)	As at 30 September 2018, it is estimated that a 5% decrease in Revenue for Second Period and NP for Third Period while holding all other variables constant would decrease the carrying amount of contingent consideration payables by HK$202,000. The increase in the Revenue for Second Period and NP for Third Period would not have any impact on the fair value measurement of contingent consideration payables.
				Net profit for the period from 22 September 2019 to 21 September 2020 ("**NP for Third Period**")	HK$25,067,000 (as at 31 March 2018: HK$22,766,000)	As at 31 March 2018, it is estimated that a 5% increase or decrease in Revenue for First Period, Revenue for Second Period and NP for Third Period while holding all other variables constant would increase or decrease the carrying amount of contingent consideration payables by HK$300,000 or HK$2,754,000 respectively.

21. 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)

Description	Valuation techniques	Fair value as at 30 September 2018 HK$'000	Fair value as at 31 March 2018 HK$'000	Significant unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Contingent consideration payables arising from the acquisition of IAHGames	Income approach	–	12,396	Discount rate	N/A (as at 31 March 2018: 6.6%)	No sensitivity analysis is disclosed as the impact is not significant to the Group's profit or loss.
				Revenue for the period from 1 January 2018 to 31 December 2019	N/A (as at 31 March 2018: HK$188,128,000)	
				Gross profit for the period from 1 January 2018 to 31 December 2019	N/A (as at 31 March 2018: HK$27,137,000)	

21. 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)

Description	Valuation techniques	Fair value as at 30 September 2018 HK$'000	Fair value as at 31 March 2018 HK$'000	Significant unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Promissory notes payable arising from the acquisition of Soul Marketing Group Limited ("**Soul Marketing**")	Income approach	702	4,760	Discount rate	7.9% – 8.0% (as at 31 March 2018: 6.5% – 6.6%)	No sensitivity analysis is disclosed as the impact is not significant to the Group's profit or loss.
Promissory notes payable arising from the acquisition of IAHGames	Income approach	17,811	5,818	Discount rate	7.5% (as at 31 March 2018: 6.6%)	No sensitivity analysis is disclosed as the impact is not significant to the Group's profit or loss.

21. 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 movements during the six months ended 30 September 2018 and 2017 in the balance of these Level 3 fair value measurements are as follows:

For the six months ended 30 September 2018

	Contingent consideration payables HK$'000	Promissory notes payable HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1 April 2018	177,519	10,578	310,510	498,607
Fair value of initial principal amount of promissory notes on issue date	–	12,395	–	12,395
Transferred to promissory notes payable	(12,395)	–	–	(12,395)
Transferred to consideration payable	(56,258)	–	–	(56,258)
Net fair value changes included in profit or loss	5,604	(4,460)	(39,823)	(38,679)
At 30 September 2018	114,470	18,513	270,687	403,670
Net fair value changes included in the profit or loss for liabilities held at the end of the reporting period	5,604	(4,460)	(39,823)	(38,679)

21. 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)

For the six months ended 30 September 2017

	Contingent consideration payables HK$'000 (unaudited)	Total HK$'000 (unaudited)
At 1 April 2017	–	–
Acquisition of subsidiaries	156,180	156,180
Net fair value changes included in profit or loss	(2,869)	(2,869)
At 30 September 2017	153,311	153,311
Net fair value changes included in the profit or loss for liabilities held at the end of the reporting period	(2,869)	(2,869)

(b) 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 30 September 2018 and 31 March 2018.

22. 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

– E-commerce promotion business

– Game distribution business

During the six months ended 30 September 2018, in consideration of the expansion of e-commerce promotion business and game distribution business, which were classified as one reportable operating segment under "other businesses" during the year ended 31 March 2018, the CODM considered that it would be more appropriate to present the e-commerce promotion business and game distribution business separately as two reportable operating segments. Accordingly, the comparative figures of the segment assets and liabilities as at 31 March 2018 have been reclassified.

Segment revenue, results, assets and liabilities

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 profit/(loss) before tax is measured consistently with the Group's loss before tax except for unallocated other revenue and other net loss, share of profits of an associate, fair value change of an investment property, fair value change of contingent consideration payables, fair value change of promissory notes payable, fair value change of convertible bonds, equity-settled share-based payments, finance costs and unallocated corporate expenses.

22. SEGMENT REPORTING (CONTINUED)

Segment revenue, results, assets and liabilities (Continued)

Segment assets exclude investment property, interests in an associate, tax recoverable, unallocated intangible assets, unallocated cash and cash equivalents, other unallocated corporate assets and assets associated with disposal group classified as held for sale as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities, contingent consideration payables, promissory notes payable, bank borrowings, other borrowings, convertible bonds, amounts due to non-controlling interests 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 is set out below:

(i) Segment revenue and results

	For the six months ended 30 September 2018 (unaudited)						
	Development, manufacturing and sales of health and beauty supplements and products HK$'000	Online advertising agency business HK$'000	Online payment business HK$'000	E-commerce promotion business HK$'000	Game distribution business HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue:							
Revenue from external customers	124,791	4,554	5,817	3,304	19,914	-	158,380
Inter-segment revenue	-	-	-	-	-	-	-
	124,791	4,554	5,817	3,304	19,914	-	158,380
Segment results	13,386	(4,783)	(3,351)	(3,059)	(1,132)	-	1,061
Unallocated other revenue and other net loss							339
Share of profits of an associate							2,223
Fair value change of an investment property							722
Fair value change of contingent consideration payables							(5,604)
Fair value change of promissory notes payable							4,460
Fair value change of convertible bonds							39,823
Equity-settled share-based payments							(26,277)
Finance costs							(8,853)
Unallocated corporate expenses							(25,263)
Loss before taxation							(17,369)

22. SEGMENT REPORTING (CONTINUED)

Segment revenue, results, assets and liabilities (Continued)

(i) Segment revenue and results (Continued)

	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
Segment revenue:					
Revenue from external customers	109,169	3,249	10	–	112,428
Inter-segment revenue	–	600	–	(600)	–
	109,169	3,849	10	(600)	112,428
Segment results	12,696	(3,694)	(214)	–	8,788
Unallocated other revenue and other net loss					(1)
Fair value change of contingent consideration payables					2,869
Finance costs					(471)
Unallocated corporate expenses					(13,157)
Loss before taxation					(1,972)

22. SEGMENT REPORTING (CONTINUED)

Segment revenue, results, assets and liabilities (Continued)

(ii) Segment assets and liabilities

	As at 30 September 2018 (unaudited)					
	Development, manufacturing and sales of health and beauty supplements and products HK$'000	Online advertising agency business HK$'000	Online payment business HK$'000	E-commerce promotion business HK$'000	Game distribution business HK$'000	Total HK$'000
Segment assets	92,502	63,605	296,830	13,981	39,454	506,372
Segment liabilities	15,171	6,733	32,632	1,770	4,369	60,675

	As at 31 March 2018 (restated)					
	Development, manufacturing and sales of health and beauty supplements and products HK$'000	Online advertising agency business HK$'000	Online payment business HK$'000	E-commerce promotion business HK$'000	Game distribution business HK$'000	Total HK$'000
Segment assets	178,386	66,648	294,260	22,196	28,164	589,654
Segment liabilities	15,345	431	4,322	611	1,345	22,054

23. DISPOSAL GROUP HELD FOR SALE

On 25 July 2018, the Group entered into a provisional sale and purchase agreement with an independent third party whereby the Group agreed to dispose of its entire equity interest in Super Value Sporting Goods Company Limited ("**Super Value**") for a consideration of HK$31,000,000. Super Value is principally engaged in property investment. The transaction is not yet completed up to the date of issue of this interim report and is expected to be completed during the second half of the year ending 31 March 2019. Accordingly, the assets and liabilities of Super Value as at 30 September 2018 were classified as a disposal group held for sale.

The major classes of assets of Super Value classified as held for sale as at 30 September 2018 were as follows:

	HK$'000
Assets	
Leasehold land and building held for own use	**26,026**
Deposits and prepayments	**166**
Assets associated with disposal group classified as held for sale	**26,192**
Net assets directly associated with the disposal group	**26,192**

24. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

The fair values of the assets and liabilities acquired through acquisition of subsidiaries during the six months ended 30 September 2018 and 2017 as at their respective dates of acquisition are set out below:

	For the six months ended 30 September			
	2018	2017		
	Able One Limited ("Able One")	Giant Bloom Holdings Limited ("Giant Bloom")	Super Value	Total
	HK$'000 (unaudited) (Note (a))	HK$'000 (unaudited) (Note (b))	HK$'000 (unaudited) (Note (c))	HK$'000 (unaudited)
Non-current assets				
Investment property *(note 10)*	**7,378**	–	–	–
Properties, plant and equipment	**121**	39,000	26,834	65,834
Current assets				
Deposits and prepayments	**6**	–	166	166
Cash and cash equivalents	**36**	–	–	–
Current liabilities				
Shareholder's loan	**(461)**	–	–	–
Deposits received	**(40)**	–	–	–
Bank overdrafts	**(1)**	–	–	–
Total identifiable net assets at fair value	**7,039**	39,000	27,000	66,000
Assignment of shareholder's loan to the Group	**461**	–	–	–
Total consideration	**7,500**	39,000	27,000	66,000
Consideration satisfied by:				
Cash consideration paid	**7,500**	34,000	27,000	61,000
Consideration payable	**–**	5,000	–	5,000
	7,500	39,000	27,000	66,000
Net cash outflow arising from the acquisitions:				
Cash consideration paid	**(7,500)**	(34,000)	(27,000)	(61,000)
Cash and cash equivalents acquired	**36**	–	–	–
Bank overdrafts	**(1)**	–	–	–
	(7,465)	(34,000)	(27,000)	(61,000)

24. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Notes:

(a) On 4 May 2018, the Group entered into a sale and purchase agreement with an independent third party vendor to acquire the entire equity interest in and the shareholder's loan of Able One for a total cash consideration of HK$7,500,000. Able One is principally engaged in property investment. The transaction was completed on 10 May 2018. This acquisition has been accounted for as an acquisition of assets and liabilities through acquisition of a subsidiary.

(b) On 7 September 2017, the Group entered into a sale and purchase agreement with an independent third party vendor to acquire the entire equity interest in Giant Bloom for a total cash consideration of HK$39,000,000. Giant Bloom 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.

(c) On 7 September 2017, the Group entered into a sale and purchase agreement with three independent third party vendors to acquire the entire equity interest in Super Value, for a total cash consideration of HK$27,000,000. Super Value 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.

25. BUSINESS COMBINATIONS

For the six months ended 30 September 2017

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the six months ended 30 September 2017 as at their respective dates of acquisition are set out below:

	Star Root Limited ("**Star Root**") HK$'000 (unaudited and restated) (Note (a))	Empire Access HK$'000 (unaudited) (Note (b))	Total HK$'000 (unaudited)
Non-current assets			
Plant and equipment	196	3,280	3,476
Intangible assets	34,445	172,313	206,758
Current assets			
Trade and other receivables	274	169	443
Cash and cash equivalents	70	915	985
Current liabilities			
Trade and other payables	(400)	(1,363)	(1,763)
Non-current assets			
Deferred tax liabilities	(5,683)	(28,432)	(34,115)
Total identifiable net assets at fair value	28,902	146,882	175,784
Goodwill arising on acquisitions	31,214	113,373	144,587
Non-controlling interests	(10,116)	(44,075)	(54,191)
Total consideration	50,000	216,180	266,180
Consideration satisfied by:			
Cash consideration paid	50,000	5,000	55,000
Cash consideration payable	–	55,000	55,000
Fair value of contingent consideration payables	–	156,180	156,180
	50,000	216,180	266,180
Net cash outflow arising from the acquisitions:			
Cash consideration paid	(50,000)	(5,000)	(55,000)
Deposits paid during the year ended 31 March 2017	5,000	–	5,000
Cash and cash equivalents acquired	70	915	985
	(44,930)	(4,085)	(49,015)

25. BUSINESS COMBINATIONS (CONTINUED)

For the six months ended 30 September 2017 (Continued)

Notes:

(a) 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.

The purchase price allocation of the acquisition of Star Root at 13 April 2017 was completed in March 2018. The Group revised the provisional amounts recognised at the acquisition date to reflect new information obtained during the second half of the year ended 31 March 2018 about the facts and circumstances that existed as of the acquisition date. This resulted in an adjustment to certain assets and liabilities due to the completion of the valuation of the fair values as at the date of acquisition, along with a corresponding decline in goodwill, increase in intangible assets, increase in deferred tax liabilities and increase in non-controlling interests. The changes in purchase price allocation is shown below:

	Before finalisation of purchase price allocation HK$'000	Adjustment in purchase price allocation HK$'000	After finalisation of purchase price allocation HK$'000
Non-current assets			
Plant and equipment	196	–	196
Intangible assets	16,410	18,035	34,445
Current assets			
Trade and other receivables	274	–	274
Cash and cash equivalents	70	–	70
Current liabilities			
Trade and other payables	(400)	–	(400)
Non-current liabilities			
Deferred tax liabilities	(2,708)	(2,975)	(5,683)
Total identifiable net assets at fair value	13,842	15,060	28,902
Goodwill arising on acquisition	41,002	(9,788)	31,214
Non-controlling interests	(4,844)	(5,272)	(10,116)
Total consideration	50,000	–	50,000

Since there was no financial impact on the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2017 in relation to the above adjustments, no restated interim condensed consolidated statement of profit or loss and other comprehensive income was presented.

25. BUSINESS COMBINATIONS (CONTINUED)

For the six months ended 30 September 2017 (Continued)

Notes: (Continued)

(a) (Continued)

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.

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 for the six months ended 30 September 2017.

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 purpose.

(b) On 30 June 2017, the Company entered into a sale and purchase agreement with four independent third party vendors to acquire the entire equity interest of Empire Access, a company incorporated in the BVI, 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 notes issued by the Company (as detailed in note 17). 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.

In accordance with the cooperation agreements in relation to the option granted to the subsidiary of Empire Access, 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. On 5 March 2018, the Group exercised the call option and the acquisition of Hoi On was completed.

25. BUSINESS COMBINATIONS (CONTINUED)

For the six months ended 30 September 2017 (Continued)

Notes: (Continued)

(b) (Continued)

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

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.

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.

For the six months ended 30 September 2017, these acquired entities contributed HK$3,259,000 to the Group's revenue and HK$3,431,000 to the Group's loss after tax since their respective dates of acquisitions.

Had the above business combinations taken place at the beginning of the six months ended 30 September 2017, the Group's revenue and loss after tax for the period would have been HK$112,690,000 and HK$6,717,000 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.

26. 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 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Contracted for		
– Property, plant and equipment	**–**	3,298

(b) Operating lease commitments

As lessee

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

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Within one year	**7,776**	8,112
After one year but within five years	**6,686**	8,422
	14,462	16,534

The Group leases warehouses, office premises and carparks 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.

27. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in the interim condensed consolidated financial statements, the Group had the following material transactions with its related parties during the six months ended 30 September 2018 and 2017:

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	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term employee benefits	**12,696**	7,871
Post-employment benefits	**105**	107
Equity-settled share-based payments	**17,901**	–
	30,702	7,978

28. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Though the Group is still principally engaged in the formulating, marketing, sales and distribution of health and beauty supplements and products in Hong Kong and the PRC, other newly established businesses are starting to provide revenue to the Group. During the first half financial year of 2018, revenue from the core health and beauty supplements and products business segment contributed 78.8% whereas the portion from online advertising agency, online payment and game distribution businesses accounted for 19.1%. The results are in line with the Group's "Internet Plus" connectivity strategy launched last year and the results exhibit successful diversification of business based upon our solid growth core business. Among the new businesses of the Group through proactive merges and acquisitions, game distribution segment accounts for major part of the revenue whereas the online payment and online advertising segments are starting to pick up the business. Given the raising revenue base and internal synergy among different intragroup business entities, it is expected the performance of the newly acquired businesses will be improved in the near future. The management believes that the revenue portfolio will continue to diversify and bring in new opportunities in the second half of the financial year.

The Group recorded an unaudited revenue of approximately HK$158.4 million for the six months ended 30 September 2018 (2017: HK$112.4 million), representing an increase of approximately HK$46.0 million or 40.9% over the corresponding period of last year. In addition to the core health and beauty supplements and products business recorded a revenue of HK$124.8 million, the Group has recorded a revenue of HK$4.6 million from the online advertising agency, HK$5.8 million from the online payment business and HK$19.9 million from game distribution business during the period.

The gross profit margin of the Group for the six months ended 30 September 2018 was approximately 61.7% (2017: 69.1%), representing a decrease of approximately 7.4% over the corresponding period of last year. Such decrease was mainly due to the new business segments of the Group have lower gross profit margins as compared to health and beauty supplements and products segment.

The Group recorded a loss attributable to owners of the Company of approximately HK$15.4 million for the six months ended 30 September 2018 as compared to HK$1.2 million of the same period in 2017, the significant increase in the loss was primarily due to (i) the newly established non-core businesses incurred operating losses; (ii) the increase of finance costs attributable to convertible bonds and other borrowings; and (iii) the expenses of the recognition of equity-settled share-based payments for share options. Such losses are partially offset by the fair value gain of convertible bonds recorded for the six months ended 30 September 2018.

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, Hong Kong retail sales experienced a double digit growth. Coupled with utilizing more digital marketing platform and rising market penetration strategy, this segment recorded an aggregate segment revenue of approximately HK$124.8 million for the six months ended 30 September 2018 (2017: HK$109.2 million), representing an increase of approximately HK$15.6 million or 14.3% over the corresponding period of last year.

Revenue attributable to proprietary brands maintained at a moderate increase of 3.4% to approximately HK$61.6 million for the six months ended 30 September 2018 (2017: HK$59.6 million). Of which the revenue attributable to the health supplements decreased by approximately HK$7.6 million or 18.6% to HK$33.2 million (2017: HK$40.8 million), mainly due to change in promotion schedules of a key product, while the revenue attributable to beauty supplements and products increased by approximately HK$9.6 million or 51.1% to HK$28.4 million (2017: HK$18.8 million), for the six months ended 30 September 2018.

Revenue attributable to private label brands increased by approximately HK$20.1 million or 58.8% to HK$54.3 million for the six months ended 30 September 2018 (2017: HK$34.2 million). The surge in revenue attributable to private label brands was primarily due to the expansion of the products range and engagement of KOLs (key opinion leaders) as well as rising number of "Health Proof" brand special designated counters to promote the private brand health supplements.

Revenue attributable to the trading of health supplements amounted to approximately HK$8.3 million for the six months ended 30 September 2018 (2017: HK$13.1 million) due to change in product strategy to maintain higher margin of private label and proprietary brands.

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 2018 was also experienced growth to HK$95.3 million (2017: HK$77.2 million). The gross margin ratio was increased from approximately 70.7% in the same period of last year to this period of 76.4% 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 2018. 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.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Health and Beauty Supplements and Products segment (Continued)

Results of Health and Beauty Supplements and Products segment (Continued)

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 increased by HK$0.7 million to approximately HK$13.4 million (2017: HK$12.7 million), representing an increase of approximately 5.5% over the corresponding period of last year.

Online Advertising Agency segment

Revenue of Online Advertising Agency segment

During the first half of the financial year, the online advertising agency business segment recorded revenue of approximately HK$4.6 million for the six months ended 30 September 2018 (for the period from 14 April 2017 to 30 September 2017: HK$3.2 million).

Hong Kong Station of gd.qq.com mainly comprises 6 business modules, i.e. entertainment, property and finance, sports, tourism, pets and education in 2017. Since the launch, the Hong Kong Station of gd.qq.com has been rapidly expanded from 6 business modules in 2017 to 10 business modules in 2018. Currently, each business modules has 2 to 4 sub modules, resulting in total of 32 sub-business modules which matches last year's business development target. Broadening user facets and rising user volume contributed to increase in advertising revenue. Market information from our PRC partner show that our page view exponentially rise from around 1 million per month in first half of 2017 to around 3 million per day in first half of 2018 financial year.

Results of Online Advertising Agency segment

The Hong Kong Station of gd.qq.com is currently one of the preferred China-Hong Kong cross-border online advertising media broadcast platform in the Greater Bay Area. The Hong Kong Station of gd.qq.com targets to realize real time content broadcast in the region subjected to partner's channel and internal control. Therefore, cost of staffs inevitably expanded in order to enhance content compliance and government clearance in the Greater Bay Area to consolidate our niche to Hong Kong clientele. As a result, the segment recorded operating loss of approximately HK$4.8 million (loss for the period from 14 April 2017 to 30 September 2017: HK$3.7 million).

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Online Payment segment

Revenue of Online Payment segment

During the first half of the financial year, the online payment business segment recorded revenue of approximately HK$5.8 million for the six months ended 30 September 2018 (for the period from 22 September 2017 to 30 September 2017: HK$0.01 million). The total number of merchants has grown from 2,686 as disclosed in our annual report 2017/2018 to currently 3,926, representing an increase of approximately 46.2%.

At the same time, the payment amount on e-payment processed through our system experienced high growth. By October 2017 (the first month after acquisition) the single month payment process amount recorded HK$8.0 million. The single month figures rise to HK$64.1 million by March 2018. In July 2018, the payment process amount breakthrough HK$100 million for the first time to reach HK$109.6 million in a single month. In September 2018, the last month of this interim period, the payment process amount arrived HK$126.9 million. Given the widened sales channels and maturing market acceptance in both merchant and end user sides in Hong Kong, the growth engine of business is leading towards a more prosperous direction.

Results of Online Payment segment

The operating loss is attributable to the capital expenditure investing in building the WeChat Eco-system in order to enhance business expansion. On top of the WeChat Eco-system, capital expenditure are also invested in optimization of "Integrated Payment Solution Package" in the first half of the financial year. Currently, the Group has equipped with a new solution to multiple payment methods (include WeChat, Alipay and UnionPay) in one single POS. The proprietary technical knowhow empowers our capacity to offer smart bill acquiring hardware, store management software, financial services, supply chain and other value-added services.

As a result, the segment recorded operating loss of approximately HK$3.4 million for the six months ended 30 September 2018 (loss for the period from 22 September 2017 to 30 September 2017: HK$0.2 million).

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Game Distribution segment

The Group completed the acquisition of IAHGames Hong Kong Limited ("**IAHGames**") in February 2018. IAHGames currently distributes over 10 games in Asia (excluding China). Major games titles under our distribution list includes Destiny 2, God of War Series, Overcooked 2, Crash Bandicoot, Monster Hunter World, Tennis World Tour and Call of Duty Series. During the first half of the financial year, the revenue attributable to game distribution business approximately HK$19.9 million with segment losses of approximately HK$1.1 million. This segment contributes the fastest growing part in the Group's consolidated revenue. It is expected the contribution will continue in the second half of 2018 financial year.

FINANCIAL POSITION AND LIQUIDITY

As at 30 September 2018, cash and bank balances of the Group amounted to approximately HK$96.1 million (As at 31 March 2018: HK$158.9 million). The current ratio (current asset divided by current liabilities) of the Group was approximately 1.1 times as at 30 September 2018 (As at 31 March 2018: 2.1 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 187.4% as at 30 September 2018 (As at 31 March 2018: approximately 207.1%). 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.

EMPLOYEE INFORMATION

As at 30 September 2018, the Group had 265 employees (As at 31 March 2018: 260). For the six months ended 30 September 2018, staff costs including directors' emoluments was approximately HK$84.3 million (including the equity-settled share-based payments of HK$26.3 million during the period) (six months ended 30 September 2017: HK$35.0 million).

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in notes 13 and 24 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.

CHARGES ON ASSETS

As at 30 September 2018, the Group had secured bank loans of approximately HK$26.6 million (As at 31 March 2018: HK$28.1 million). The banking facilities are secured by the Group's leasehold land and buildings, having carrying amount of approximately HK$41.1 million as at 30 September 2018 (As at 31 March 2018: HK$41.8 million).

CAPITAL COMMITMENT

As at 30 September 2018, 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 2018 (six months ended 30 September 2017: Nil).

OUTLOOK

Health and Beauty Supplements and Products segment

The Group's proactive measures to recruit new generation customers and increase the market share in today's digital world shows promising results after the Group put more resources on digital marketing. More combination of online live programs and offline events mix during the first half financial year exhibits raising customer royalty and product awareness of both the Group's existing and new product portfolio.

The quality management accreditation for the existing food factory including ISO22000 and HACCP obtained in March 2018 earmarks the Group's sustainable commitment to uphold highest quality.

Online Advertising Agency Business segment

Given the growing business and advertising client base, the Hong Kong Station of gd.qq.com began to empower our local Hong Kong strategic alliance network. It is earmarked by announcing cross border and cross media platform with Metro Daily (one of the top free newspaper in Hong Kong with claimed daily circulation over 250,000 in Hong Kong) and DianPing.com (the largest PRC Food & Beverage and entertainment information sharing platform). Such move allows our client advertisement to be published simultaneously across multiple media platforms such as Hong Kong newspaper, online web portal and China mobile APP.

Hong Kong Station of gd.qq.com also starts to launch series of activities from Food & Beverage Brands Awards. Through collaboration with key industrial associations and organizations, we can smoothly extend our business clientele and consequently raise our revenue. Backed up by our partner gd.qq.com which own 24 million page view per day, the management is positive about the business future.

OUTLOOK (CONTINUED)

Online Payment Business segment

The operating loss recorded in the first half of the financial year is within our expectation. Given the progressive growth momentum since our acquisition is on the uptrend, the management will continue to sustain the rising path. Since major third party payment methods are gaining rising popularity, we believe achieving critical mass and consequently targeting the breakeven point is in near future.

The one-off capital expenditure investing on WeChat Eco-system and "Integrated Payment Solution Package" during the first half of the financial year mentioned before is diminishing in the second half. Consequently, the operating loss will substantially be reduced. More importantly, the capital expenditure has nurtured solid results, for example, we have developed and launched an extended online payment services with one of the leading medical and pharmaceutical product group in Hong Kong. The management is optimistic on the prospect of the online payment business segment.

Game Distribution Business segment

For game distribution platform (including online and offline), with the increasing popularity and penetration of smartphones and computer games, IAHGames has already distributed 10 new games including the recently released Call of Duty: Black Ops 4. The new games have improved both the revenue and profit substantially from October onwards. Given the company targets to distribute around 4 to 5 new games (mostly Double A or Triple A Class in the market with strong revenue track record) per year on the pipeline, it is expected a stable income improvement can be achieved in the coming 2 years. Taking into account of games distribution contract under the Group normally cover 3 years of distribution period, it is foreseeable that the income flow is very stable and secure. The management is confident on the business in the coming second half of the 2018 financial year.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Regulatory risks

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

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

Prolonged economic downturn

The Group's health and beauty supplements and products business is closely related to the economic conditions of Hong Kong. Slowing economic growth or a recession may affect 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 will also continue to place strong emphasis on a multifaceted market strategy through utilizing various media and channels to promote its brands and products.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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. In addition, 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.

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 among these service providers and agents. Should these service providers and agents actively engage in price competition, the Group may be forced to follow suit so that 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 will closely monitor such risks, and periodically consider and implement measures such as system/software updates, redundancy, and subcontracting to 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 on 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 2018, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

Long positions in the shares of the Company

Names of Director	Number of shares Personal interests	Number of shares Corporate interests	Number of underlying shares held under equity derivatives[3]	Total	Approximate percentage of interest in the Company's issued share capital*
Mr. Chan Yan Tak ("**Mr. Chan**")[1]	–	733,568,000	–	733,568,000	34.55%
Mr. Lee Chi Hang, Sidney	1,000,000	–	6,000,000	7,000,000	0.33%
Mr. Wang Xihua	–	–	4,000,000	4,000,000	0.19%
Mr. Lai Wei Lam, William	–	–	4,000,000	4,000,000	0.19%
Ms. Szeto Wai Ling, Virginia	–	–	2,000,000	2,000,000	0.09%
Mr. Leung Winson Kwan Yau	–	–	2,000,000	2,000,000	0.09%
Mr. Tam Kin Yip	–	–	2,000,000	2,000,000	0.09%
Mr. Leung Man Loon	–	–	2,000,000	2,000,000	0.09%
Mr. Liao Zhe[2]	–	–	20,000,000	20,000,000	0.94%

Notes:

1. 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 733,568,000 shares of the Company under the SFO.

2. Mr. Liao Zhe has resigned as an executive director of the Company with effect on 4 October 2018.

3. This represents interests in share options held by the relevant directors as a beneficial owner to subscribe for the relevant underlying shares granted by the Company under the share option scheme, details of which may refer to the section under "SHARE OPTION" below in this report.

* The percentage has been adjusted, if any, based on the total number of shares of the Company in issue as at 30 September 2018 (i.e. 2,123,002,150 shares).

DISCLOSURE OF INTEREST (CONTINUED)

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

Save as disclosed above, as at 30 September 2018, none of the directors or the chief executive of the Company or their associates had registered any interest or short positions in any shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

As at 30 September 2018, the number of outstanding share option granted by the Company under the share option scheme adopted on 24 September 2013 ("**Share Option Scheme**") for the directors and eligible persons to subscribe the shares of the Company, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out the sections under "SHARE OPTION" in this interim report.

Save as disclosed above, at no time during the period of six months ended 30 September 2018, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES (CONTINUED)

Substantial shareholder's interests in the Company

As at 30 September 2018, according to the register of interests kept by the Company under section 336 of the SFO, the interest of the persons, other than the directors or the chief executive of the Company, in the shares and/or underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company were as follows:

Long positions in shares of the Company

Names of shareholder	Capacity	Nature of interest	Number of ordinary shares	Total	Approximate percentage of interest in the Company's issued share capital*
Able Island[1]	Beneficial owner	Ordinary shares	733,568,000	733,568,000	34.55%
Leung Lisa[2]	Interest of controlled corporation	Ordinary shares	128,408,000	128,408,000	6.05%
Prosper Rich Investments Limited[2]	Beneficial owner	Ordinary shares	128,408,000	128,408,000	6.05%
Tong Sui Lun Franco[2]	Beneficial owner	Convertible instruments[3]	111,827,956[4]	111,827,956	5.27%
Altair Asia Investments Limited[2]	Beneficial owner	Ordinary shares Convertible instruments[3]	12,624,000[4] 98,924,732[4]	111,548,732	5.25%
Ardon Maroon Fund Management Limited[2]	Interest of controlled corporation	Ordinary shares Convertible instruments[3]	12,624,000[4] 98,924,732[4]	111,548,732	5.25%

Notes:

1. The entire issued share capital of Able Island is beneficially and wholly owned by Mr. Chan.

2. Information was obtained from the website of the Stock Exchange (http://www.hkexnews.hk/di/di.htm).

3. The convertible instruments referred to the convertible bonds issued by the Company on 12 October 2017, the outstanding convertible bonds amounted to HK$255,000,000 as the date of the six months ended 30 September 2018 and up to the date of this report, details of which may refer to the announcements of the Company dated 24 April 2017, 9 May 2017, 31 May 2017, 30 June 2017, 31 July 2017, 22 September 2017, 25 September 2017, 12 October 2017 and 4 December 2017.

4. The number of shares held by the respective shareholders have been adjusted due to the share subdivision of the Company took effect on 5 December 2017, details of the share subdivision may refer to the announcements of the Company dated 27 October 2017, 3 November 2017 and 6 November 2017 and the circular of the Company on 10 November 2017.

* The percentage has been adjusted, if any, based on the total number of shares of the Company in issue as at 30 September 2018 (i.e. 2,123,002,150 shares).

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES (CONTINUED)

Substantial shareholder's interests in the Company (Continued)

Save as disclosed above, as at 30 September 2018, the Company had not been notified by any persons (other than the directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 Company refreshed the scheme mandate limit of the Share Option Scheme at the annual general meeting of the Company held on 7 September 2018.

SHARE OPTION (CONTINUED)

As at 30 September 2018, a total of 116,300,000 share options were outstanding granted under the Share Option Scheme. Movements of the share options during the period of six months ended 30 September 2018 are listed below in accordance with chapter 17 of the Listing Rules:

	During the period							
Categories	As at 1 April 2018	Reclassified	Granted on 20 April 2018	Granted on 26 April 2018	Lapsed	Exercised/ Cancelled	As at 30 September 2018	Notes
Directors								
Mr. Lee Chi Hang, Sidney	6,000,000	–	–	–	–	–	6,000,000	(1)
Mr. Wong Ping Yiu (resigned on 4 May 2018)	4,000,000	(4,000,000)	–	–	–	–	–	(1),(3)
Mr. Wang Xihua	4,000,000	–	–	–	–	–	4,000,000	(1)
Mr. Lai Wei Lam, William	4,000,000	–	–	–	–	–	4,000,000	(1)
Mr. So Kevin Hoi Chak (resigned on 13 February 2018)	4,000,000	(4,000,000)	–	–	–	–	–	(1),(2)
Mr. Liao Zhe (resigned on 4 October 2018)	20,000,000	–	–	–	–	–	20,000,000	(1)
Ms. Szeto Wai Ling, Virginia	2,000,000	–	–	–	–	–	2,000,000	(1)
Mr. Leung Winson Kwan Yau	2,000,000	–	–	–	–	–	2,000,000	(1)
Mr. Tam Kin Yip	2,000,000	–	–	–	–	–	2,000,000	(1)
Mr. Leung Man Loon	2,000,000	–	–	–	–	–	2,000,000	(1)
Sub-total	50,000,000	(8,000,000)	–	–	–	–	42,000,000	
Continuous Contracts Employees	97,300,000	8,000,000	13,000,000	37,000,000	(81,000,000)	–	74,300,000	(1),(2),(3),(4),(5),(6),(7)
Sub-total	97,300,000	8,000,000	13,000,000	37,000,000	(81,000,000)	–	74,300,000	
Total	**147,300,000**	**–**	**13,000,000**	**37,000,000**	**(81,000,000)**	**–**	**116,300,000**	

SHARE OPTION (CONTINUED)

Notes:

1. The share options were granted on 30 October 2017 and the validity period is from 30 October 2017 to 29 October 2019 (both days inclusive). All of the share options will be vested on 30 October 2018. The exercise price of the share options and the closing price of the shares of the Company immediately before the date on which these share options were granted was HK$6.80 (before adjustment of share subdivision). The exercise price per share has been adjusted to HK$1.70 on 5 December 2017 with the effect of share subdivision, details of which may refer to the announcement of the Company on 4 December 2017.

2. 4,000,000 share options held by Mr. So Kevin Hoi Chak, former director of the Company, has been reclassified to the category of "Continuous contracts employees" following his resignation on 13 February 2018. The options were lapsed on 7 April 2018.

3. 4,000,000 share options held by Mr. Wong Ping Yiu, former director of the Company, has been reclassified to the category of "Continuous contracts employees" following his resignation on 4 May 2018.

4. The 2,100,000 share options were granted to employees on 14 February 2018 and the validity period is from 14 February 2018 to 13 February 2020 (both days inclusive). All of the share options will be vested on 14 February 2019. The exercise price of the share options and the closing price of the shares of the Company immediately before the date on which these share options were granted was HK$1.16 and HK$1.12 respectively.

5. The 13,000,000 share options were granted to employees on 20 April 2018 and the validity period is from 20 April 2018 to 19 April 2020 (both days inclusive). All of the share options will be vested on 20 April 2019. The exercise price of the share options and the closing price of the shares of the Company immediately before the date on which these share options were granted was HK$1.15 and HK$1.15 respectively.

6. The 37,000,000 share options were granted on 26 April 2018 and exercisable at any time during the period from 26 April 2018 to 25 April 2023 (both days inclusive). The exercise price of the share options and the closing price of the shares of the Company immediately before the date on which these share options were granted was HK$1.15 and HK$1.12 respectively.

7. 81,000,000 share options were lapsed during the period of six months ended 30 September 2018 following the resignation of employees.

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 2018 (Period of six months ended 30 September 2017: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to the Company's growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. The Company has adopted the code provisions set out in the Corporate Governance Code (amended from time to time, the "**Code**") contained in the Appendix 14 of the Listing Rules. Throughout the period of six months ended 30 September 2018, the Company has fully complied with the Code 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 areas of development and retail marketing of health and beauty supplement 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

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 2018, 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.

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, 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, Elite Partners CPA Limited, had carried out a review of the unaudited interim financial information of the Group for the six months period ended 30 September 2018 (the "**2018/2019 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 2018/2019 Interim Results has also been reviewed by the Audit Committee.

APPROVAL OF INTERIM REPORT

The interim report and the announcement of the unaudited interim condensed consolidated results of the Group for the six months ended 30 September 2018 were approved and authorised for issue by the Board on 28 November 2018.

As at the date of this report, the executive directors of the Company are Mr. CHAN Yan Tak, Mr. LEE Chi Hang, Sidney, Mr. WANG Xihua and Mr. LAI Wei Lam, William; 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.