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Alpha Professional Holdings Limited

阿爾法企業控股有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 948)

**ANNOUNCEMENT OF AUDITED RESULTS
FOR THE YEAR ENDED 31 MARCH 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Alpha Professional Holdings Limited (the “**Company**”) announces that the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2021 with comparative audited figures for the year ended 31 March 2020 are as follows.

The Group’s audited consolidated results for the year ended 31 March 2021 in this announcement was prepared on the basis of the consolidated financial statements which have been audited by the independent auditor of the Company (the “**Auditor**”) and reviewed by the audit committee of the Company (the “**Audit Committee**”). The Group has agreed with the Auditor as to the contents of this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

| | <i>Notes</i> | 2021 HK\$'000 | 2020 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Continuing operations | | | |
| Revenue | 4 | 268,099 | 147,930 |
| Cost of sales | | <u>(261,887)</u> | <u>(148,300)</u> |
| Gross profit/(loss) | | 6,212 | (370) |
| Other income | 5 | 767 | 91 |
| Other gains and losses | 6 | (627) | 1,078 |
| Selling and distribution costs | | (1,340) | (1,311) |
| Administrative expenses | | <u>(19,482)</u> | <u>(30,833)</u> |
| LOSS FROM OPERATIONS | | (14,470) | (31,345) |
| Finance costs | 7(a) | <u>(130)</u> | <u>(700)</u> |
| LOSS BEFORE TAXATION | 7 | (14,600) | (32,045) |
| Income tax expenses | 8 | <u>(393)</u> | <u>(18)</u> |
| LOSS FOR THE YEAR FROM CONTINUING OPERATIONS | | (14,993) | (32,063) |
| Discontinued operation | | | |
| Loss for the year from discontinued operation | | <u>–</u> | <u>(56,525)</u> |
| LOSS FOR THE YEAR | | (14,993) | (88,588) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | 311 | (2,135) |
| Reclassification adjustments relating to foreign operations disposed of during the year | | <u>–</u> | <u>1,942</u> |
| Other comprehensive income/(loss) for the year, net of income tax | | <u>311</u> | <u>(193)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX | | <u>(14,682)</u> | <u>(88,781)</u> |

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

For the year ended 31 March 2021

| | <i>Notes</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|--------------|---------------------------------------|-------------------------|
| Loss for the year attributable to: | | | |
| Owners of the Company | | (14,993) | (88,056) |
| Non-controlling interests | | — | (532) |
| | | <u>(14,993)</u> | <u>(88,588)</u> |
| Loss for the year attributable to owners of the Company: | | | |
| from continuing operations | | (14,993) | (31,531) |
| from discontinued operation | | — | (56,525) |
| | | <u>(14,993)</u> | <u>(88,056)</u> |
| Total comprehensive loss for the year, net of income tax attributable to: | | | |
| Owners of the Company | | (14,682) | (88,249) |
| Non-controlling interests | | — | (532) |
| | | <u>(14,682)</u> | <u>(88,781)</u> |
| Total comprehensive loss for the year, net of income tax attributable to owners of the Company: | | | |
| from continuing operations | | (14,682) | (31,625) |
| from discontinued operation | | — | (56,624) |
| | | <u>(14,682)</u> | <u>(88,249)</u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| LOSS PER SHARE | <i>9</i> | | |
| From continuing operations | | | |
| Basic and diluted | | <u>(4.8)</u> | <u>(10.6)</u> |
| From discontinued operation | | | |
| Basic and diluted | | <u>—</u> | <u>(19.0)</u> |
| From continuing and discontinued operations | | | |
| Basic and diluted | | <u>(4.8)</u> | <u>(29.6)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

| | <i>Notes</i> | 2021 HK\$'000 | 2020 HK\$'000 |
|--|--------------|--------------------------------|------------------|
| Non-current assets | | | |
| Investment property | | 45,208 | – |
| Property, plant and equipment | | 2,199 | 3,394 |
| Goodwill | | 2,161 | 2,161 |
| Rental deposit | <i>11</i> | 96 | 241 |
| | | 49,664 | 5,796 |
| Current assets | | | |
| Inventories | | 52,641 | 12,122 |
| Trade and other receivables | <i>11</i> | 66,286 | 119,916 |
| Tax recoverable | | 537 | 537 |
| Cash and bank balances | | 70,379 | 27,908 |
| | | 189,843 | 160,483 |
| Current liabilities | | | |
| Trade and other payables | <i>12</i> | 82,414 | 32,445 |
| Contract liabilities | | 3,847 | 8,943 |
| Other borrowing | | – | 10,000 |
| Lease liabilities | | 949 | 1,735 |
| Tax payable | | 484 | 125 |
| | | 87,694 | 53,248 |
| Net current assets | | 102,149 | 107,235 |
| Total assets less current liabilities | | 151,813 | 113,031 |
| Non-current liabilities | | | |
| Lease liabilities | | 1,321 | 1,608 |
| Net assets | | 150,492 | 111,423 |
| Capital and reserves | | | |
| Share capital | | 391,672 | 329,662 |
| Reserves | | (241,180) | (218,239) |
| Equity attributable to owners of the Company and total equity | | 150,492 | 111,423 |

Notes:

1. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), issued by the International Accounting Standards Board (the “**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the “Amendments to References to the Conceptual Framework in IFRS Standards” and the following amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s consolidated financial statements:

| | |
|---|--------------------------------|
| Amendments to IAS 1 and IAS 8 | Definition of Material |
| Amendments to IFRS 3 | Definition of a Business |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform |

The application of the “Amendments to References to the Conceptual Framework in IFRS Standards” and the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

3. SEGMENT INFORMATION

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 executive Directors (the chief operating decision maker) for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

1. The trading of milk powder and baby foods (the “**Milk Products Business**”);
2. The provision of mobile handset solution (the “**Mobile Business**”); and
3. Property investment (the “**Property Investment**”).

The provision of biotechnology and biological gene technology technical services (the “**Biological Business**”) was discontinued during the year ended 31 March 2020. The following segment information does not include any amounts for the discontinued operation.

In view of diversification, the Group has been exploring different business opportunities in other sectors to broaden the sources of income and to boost the business performance of the Group. The Group commenced and developed the Property Investment during the year ended 31 March 2021 and thus one new segment is resulted and included in the segment reporting and no comparative information for this new segment for the year ended 31 March 2020 is presented.

The Milk Products Business derives revenue primarily from the sales of milk powder and baby foods.

The Mobile Business derives revenue primarily from the sales and distribution of mobile handsets and their components.

The Property Investment derives revenue primarily from rental income arising from the lease of a property.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the executive Directors monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets. Segment liabilities include trade and other payables, lease liabilities attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is “adjusted EBITDA” i.e. “adjusted earnings before interest, taxes, depreciation and amortisation”, where “interest” is regarded as including investment income and “depreciation and amortisation” is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as Directors’ and auditors’ remuneration and other head office or corporate administration costs.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group’s reportable segments as provided to the executive Directors for the purposes of resource allocation and assessment of segment performance for the year ended 31 March 2021 and 2020 is set out below.

Year ended 31 March 2021

| <i>Continuing operations</i> | Milk Products Business HK\$'000 | Mobile Business HK\$'000 | Property Investment HK\$'000 | Total HK\$'000 |
|---|--|---|---|---------------------------|
| Reportable segment revenue | | | | |
| Disaggregated by timing of revenue recognition | | | | |
| Point in time | 227,747 | 38,820 | – | 266,567 |
| Over time | 1,292 | – | 240 | 1,532 |
| Revenue from external customers and reportable segment revenue | <u>229,039</u> | <u>38,820</u> | <u>240</u> | <u>268,099</u> |
| Profit or loss | | | | |
| Reportable segment profit/(loss) (adjusted EBITDA) | 21,796 | (22,984) | (2,215) | (3,403) |
| Bank interest income | | | | 7 |
| Depreciation | | | | (1,556) |
| Finance costs | | | | (130) |
| Unallocated head office and corporate interest and expenses other than bank interest income, depreciation and finance costs | | | | <u>(9,518)</u> |
| Consolidated loss before taxation from continuing operations | | | | <u>(14,600)</u> |

At 31 March 2021

| <i>Continuing operations</i> | Milk Products Business HK\$'000 | Mobile Business HK\$'000 | Property Investment HK\$'000 | Total HK\$'000 |
|---|--|---|---|---------------------------|
| Reportable segment assets | 112,624 | 45,442 | 46,148 | 204,214 |
| Unallocated head office and corporate assets | | | | |
| – Cash and bank balances | | | | 33,347 |
| – Other unallocated assets | | | | <u>1,946</u> |
| Consolidated total assets | | | | <u>239,507</u> |
| Reportable segment liabilities | 67,559 | 6,114 | 485 | 74,158 |
| Unallocated head office and corporate liabilities | | | | <u>14,857</u> |
| Consolidated total liabilities | | | | <u>89,015</u> |

Year ended 31 March 2021

| <i>Continuing operations</i> | Milk Products Business HK\$'000 | Mobile Business HK\$'000 | Property Investment HK\$'000 | Unallocated HK\$'000 | Total HK\$'000 |
|--|--|---|---|---------------------------------|---------------------------|
| Other segment information | | | | | |
| Amounts included in the measure of segment profit/ (loss) or segment assets: | | | | | |
| Additions to non-current assets | – | – | 46,812 | – | 46,812 |
| Impairment loss of trade receivables | – | (1,608) | – | – | (1,608) |
| Impairment loss of prepayment | – | (1,301) | – | – | (1,301) |
| Valuation loss on investment property | – | – | (2,410) | – | (2,410) |
| Write-down of inventories | – | (18,696) | – | – | (18,696) |
| Amounts not included in the measure of segment profit/ (loss) or segment assets: | | | | | |
| Additions to non-current assets | – | – | – | 2,160 | 2,160 |
| Bank interest income | – | 7 | – | – | 7 |
| Depreciation | (787) | – | – | (769) | (1,556) |
| Finance costs | (23) | – | – | (107) | (130) |
| Gain on lease modification | <u>–</u> | <u>–</u> | <u>–</u> | <u>100</u> | <u>100</u> |

| | Year ended 31 March 2020 | | |
|---|---------------------------------------|--------------------------------|------------------------|
| | Milk Products Business HK\$'000 | Mobile Business HK\$'000 | Total HK\$'000 |
| Continuing operations | | | |
| Reportable segment revenue | | | |
| Disaggregated by timing of revenue recognition | | | |
| Point in time | 30,481 | 117,343 | 147,824 |
| Over time | 106 | – | 106 |
| Revenue from external customers and reportable segment revenue | <u>30,587</u> | <u>117,343</u> | <u>147,930</u> |
| Profit or loss | | | |
| Reportable segment profit/(loss) (adjusted EBITDA) | 1,101 | (17,802) | (16,701) |
| Bank interest income | | | 3 |
| Depreciation | | | (1,605) |
| Finance costs | | | (700) |
| Unallocated head office and corporate interest and expenses other than bank interest income, depreciation and finance costs | | | <u>(13,042)</u> |
| Consolidated loss before taxation from continuing operations | | | <u><u>(32,045)</u></u> |
| | At 31 March 2020 | | |
| | Milk Products Business HK\$'000 | Mobile Business HK\$'000 | Total HK\$'000 |
| Continuing operations | | | |
| Reportable segment assets | | | |
| Unallocated head office and corporate assets | | | |
| – Cash and bank balances | | | 17,460 |
| – Other unallocated assets | | | <u>2,517</u> |
| Consolidated total assets | | | <u><u>166,279</u></u> |
| Reportable segment liabilities | | | |
| Unallocated head office and corporate liabilities | 23,815 | 5,678 | <u>29,493</u> |
| Consolidated total liabilities | | | <u><u>54,856</u></u> |

| <i>Continuing operations</i> | Milk Products Business <i>HK\$'000</i> | Mobile Business <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|--|---------------------------------------|--------------------------------|--------------------------|
| Other segment information | | | | |
| Amounts included in the measure of segment profit/(loss) or segment assets: | | | | |
| Additions to non-current assets | 3,681 | – | – | 3,681 |
| Impairment loss of trade receivables | – | (9,547) | – | (9,547) |
| Gain on disposal of a subsidiary | – | 1,051 | – | 1,051 |
| Amounts not included in the measure of segment profit/(loss): | | | | |
| Bank interest income | – | 2 | 1 | 3 |
| Depreciation | (131) | – | (1,474) | (1,605) |
| Finance costs | (6) | – | (694) | (700) |
| Loss on disposal of property, plant and equipment | – | – | (50) | (50) |

There are no inter-segment revenue during the years ended 31 March 2021 and 2020.

(b) Revenue from major products and services

| | 2021 | 2020 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <i>Continuing operations</i> | | |
| Milk powder and baby foods | 227,747 | 30,481 |
| Mobile handsets and their components | 38,820 | 117,343 |
| Franchise fee income | 1,292 | 106 |
| Gross rentals from investment property | 240 | – |
| | <u>268,099</u> | <u>147,930</u> |

(c) Geographical information

Continuing operations

The following is an analysis of geographical location of (i) the Group's revenue from continuing operations from external customers and (ii) the Group's investment property, property, plant and equipment, goodwill and non-current rental deposit from continuing operations. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of investment property, property, plant and equipment and non-current rental deposit is based on the physical location of the asset under consideration. In the case of goodwill, it is based on the location of the operation to which they are allocated.

| | Revenue from external customers | | Non-current assets | |
|---|---------------------------------|-----------------|--------------------|-----------------|
| | Year ended 31 March | | At 31 March | At 31 March |
| | 2021 | 2020 | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong (place of domicile) | 1,821 | 13,235 | 2,552 | 3,644 |
| Australia | 205,998 | 18,553 | 45,208 | – |
| The People's Republic of China (the "PRC") | 25,676 | 12,033 | 1,904 | 2,152 |
| Afghanistan | 1,597 | – | – | – |
| Bangladesh | 11,696 | 30,819 | – | – |
| Cyprus | 15 | 1,090 | – | – |
| Dubai | – | 20,202 | – | – |
| India | 7,162 | 10,148 | – | – |
| Italy | – | 2,922 | – | – |
| Poland | 3,628 | 885 | – | – |
| Russia | 4,557 | 3,130 | – | – |
| South Africa | – | 15,453 | – | – |
| Vietnam | 5,936 | 16,450 | – | – |
| Others | 13 | 3,010 | – | – |
| | <u>268,099</u> | <u>147,930</u> | <u>49,664</u> | <u>5,796</u> |

(d) **Information about major customers**

Revenue from customers contributing 10% or more of the Group's revenue from continuing operations are as follows:

| | 2021 | 2020 |
|---|------------------|------------------|
| | HK\$'000 | HK\$'000 |
| Revenue from sales of milk powder and baby foods | | |
| – Customer A | 119,327 | N/A [#] |
| – Customer B | 56,915 | – |
| – Customer C | 50,961 | 18,553 |
| Revenue from sales and distribution of mobile handsets and their components | | |
| – Customer D | N/A [#] | 30,321 |
| – Customer E | – | 20,202 |
| – Customer F | – | 15,453 |

Remark:

[#] The corresponding revenue did not contribute 10% or more of the Group's total revenue during the corresponding year.

4. REVENUE

(a) Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

| | 2021 | 2020 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| <i>Continuing operations</i> | | |
| Revenue from contracts with customers within the scope of IFRS 15 | | |
| Disaggregated by major products or service lines | | |
| – Sales of milk powder and baby foods | 227,747 | 30,481 |
| – Sales and distribution of mobile handsets and their components | 38,820 | 117,343 |
| – Franchise fee income | 1,292 | 106 |
| | 267,859 | 147,930 |
| Revenue from other sources | | |
| Gross rentals from investment property | | |
| – Lease payments that are fixed | 240 | – |
| | 268,099 | 147,930 |

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in notes 3(a) and 3(c), respectively.

- (b) The following table shows the amounts of revenue from continuing operations recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

| | 2021 | 2020 |
|---|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Sales of milk powder and baby foods | 6,164 | – |
| Sales and distribution of mobile handsets and their components | 1,180 | 2,118 |
| Franchise fee income | 1,093 | – |
| | <u>8,437</u> | <u>2,118</u> |

- (c) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

All sales contracts with customers within the scope of IFRS 15 are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these contracts for the remaining unsatisfied performance obligations is not disclosed.

5. OTHER INCOME

| | 2021 | 2020 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <i>Continuing operations</i> | | |
| Interest income on financial assets measured at amortised cost | | |
| – Bank interest income | 7 | 3 |
| Government subsidy (<i>note</i>) | 324 | – |
| Sundry income | 436 | 88 |
| | <u>767</u> | <u>91</u> |

Note: For the year ended 31 March 2021, the Group successfully applied for funding support from the “Employment Support Scheme” under the “Anti-epidemic Fund”, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6. OTHER GAINS AND LOSSES

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| <i>Continuing operations</i> | | |
| Net foreign exchange gain | 1,683 | 27 |
| Gain on lease modification | 100 | – |
| Gain on disposal of a subsidiary | – | 1,051 |
| Valuation loss on investment property | (2,410) | – |
| | <u>(627)</u> | <u>1,078</u> |

7. LOSS BEFORE TAXATION

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <i>Continuing operations</i> | | |
| (a) Finance costs: | | |
| Interest on other borrowing | 4 | 557 |
| Interest on lease liabilities | 126 | 143 |
| | <u>130</u> | <u>700</u> |
| Total interest expense on financial liabilities not at fair value through profit or loss | | |
| (b) Staff costs (including Directors' emoluments): | | |
| Salaries, wages and other benefits | 8,968 | 9,755 |
| Retirement benefits scheme contributions | 167 | 275 |
| | <u>9,135</u> | <u>10,030</u> |
| (c) Other items: | | |
| Cost of inventories | 261,887 | 148,300 |
| Auditors' remuneration | | |
| – Audit services | 980 | 1,050 |
| – Non-audit services | 450 | 690 |
| Depreciation charges | | |
| – Owned property, plant and equipment | 91 | 307 |
| – Right-of-use assets | 1,465 | 1,298 |
| Impairment loss of trade receivables | 1,608 | 9,547 |
| Impairment loss of prepayment | 1,301 | – |
| Loss on disposal of property, plant and equipment | – | 50 |
| Short-term lease expense | 321 | 818 |
| Rentals receivable from investment property less direct outgoings of HK\$31,000 (2020: Nil) | (209) | – |
| | <u>(209)</u> | <u>–</u> |

8. INCOME TAX

Amounts recognised in profit or loss:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <i>Continuing operations</i> | | |
| Current tax | | |
| – Hong Kong Profits Tax for the year | 379 | – |
| – PRC Enterprise Income Tax (“EIT”) for the year | 14 | – |
| | <u>393</u> | <u>–</u> |
| Under-provision in respect of prior years | | |
| – PRC EIT | – | 18 |
| | <u>–</u> | <u>18</u> |
| Income tax expenses on continuing operations | <u><u>393</u></u> | <u><u>18</u></u> |

Notes:

- (i) The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

No Hong Kong Profits Tax has been provided for in the consolidated financial statements as the Group had no assessable profits for the year ended 31 March 2020.

- (ii) The Group’s subsidiaries established in China are subject to the PRC EIT at 25% for the year ended 31 March 2021. No PRC EIT have been provided for in the consolidated financial statements as the Group had no assessable profits for the year ended 31 March 2020.

- (iii) The Group is not subject to any taxation under the jurisdiction of Bermuda and the British Virgin Islands for the years ended 31 March 2021 and 2020.

9. LOSS PER SHARE

(a) Basic loss per share

Continuing operations

The calculation of basic loss per share from continuing operations is based on the loss for the year attributable to owners of the Company from continuing operations of HK\$14,993,000 (2020: HK\$31,531,000) and the weighted average number of approximately 312,169,000 (2020: 297,491,000) ordinary shares in issue during the year, calculated as follows:

| | 2021 '000 | 2020 '000 |
|--|----------------|----------------|
| Weighted average number of ordinary shares: | | |
| Issued ordinary shares at 1 April | 264,360 | 305,076 |
| Effect of shares issued upon placing | 47,809 | – |
| Effect of settlement shares repurchased upon the unwinding of acquisition of Great Empire International Group Limited (the “GE International”) | – | (7,585) |
| Weighted average number of ordinary shares | <u>312,169</u> | <u>297,491</u> |
| Basic loss per share (<i>HK cents per share</i>) | <u>(4.8)</u> | <u>(10.6)</u> |

Discontinued operation

No basic loss per share from discontinued operation is presented for the year ended 31 March 2021 as there is no discontinued operation for the year. The calculation of basic loss per share from discontinued operation for the year ended 31 March 2020 was based on the loss attributable to owners of the Company from discontinued operation of HK\$56,525,000 and the weighted average number of approximately 297,491,000 ordinary shares in issue.

Continuing and discontinued operations

The calculation of basic loss per share from continuing and discontinued operations is based on the loss for the year attributable to owners of the Company of HK\$14,993,000 (2020: HK\$88,056,000) and the weighted average number of approximately 312,169,000 (2020: 297,491,000) ordinary shares in issue during the year.

| | 2021 '000 | 2020 '000 |
|--|----------------|----------------|
| Weighted average number of ordinary shares | <u>312,169</u> | <u>297,491</u> |
| Basic loss per share (<i>HK cents per share</i>) | <u>(4.8)</u> | <u>(29.6)</u> |

(b) Diluted loss per share

There were no dilutive potential ordinary shares in issue during the years ended 31 March 2021 and 2020. The diluted loss per share is the same as the basic loss per share for the years ended 31 March 2021 and 2020.

10. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

11. TRADE AND OTHER RECEIVABLES

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables, net of loss allowance (<i>note (i)</i>) | 22,364 | 42,565 |
| Other receivables | 19 | 150 |
| Amount due from a related party | — | 239 |
| | <hr/> | <hr/> |
| Financial assets measured at amortised cost | 22,383 | 42,954 |
| Prepayments to suppliers | 43,513 | 76,585 |
| Other prepaid expenses | 145 | 81 |
| Rental deposits | 337 | 414 |
| Other deposits | 4 | 123 |
| | <hr/> | <hr/> |
| | 66,382 | 120,157 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Representing: | | |
| Current | 66,286 | 119,916 |
| Non-current | 96 | 241 |
| | <hr/> | <hr/> |
| | 66,382 | 120,157 |
| | <hr/> <hr/> | <hr/> <hr/> |

Except for the rental deposit of HK\$96,000 (2020: HK\$241,000) which is expected to be recovered after more than one year, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Notes:

(i) Aging analysis

As of the end of the reporting period, the aging analysis of trade receivables based on invoice date and net of loss allowance, is as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0 to 30 days | 22,364 | 12,163 |
| 31 to 60 days | — | — |
| 61 to 90 days | — | — |
| Over 90 days | — | 30,402 |
| | <hr/> | <hr/> |
| | 22,364 | 42,565 |
| | <hr/> <hr/> | <hr/> <hr/> |

Trade receivables are due within 0 to 90 days (2020: 0 to 90 days) from the date of billing.

(ii) **Disposal of trade receivables**

On 24 June 2020, the Group entered into a disposal agreement with an independent third party for disposal of trade receivables (before impairment) of approximately US\$5,051,000 (equivalent to approximately HK\$39,401,000) that are due from two customers at a cash consideration of HK\$30,000,000. The consideration was fully received on 26 June 2020 and the disposal was completed on the same day. The disposal of trade receivables is without recourse against the Group. An impairment loss of trade receivables of HK\$9,401,000 was recognised for the year ended 31 March 2020 to reflect the recoverability of such trade receivables.

12. TRADE AND OTHER PAYABLES

| | 2021 | 2020 |
|--|-----------------|-------------|
| | HK\$'000 | HK\$'000 |
| Trade payables (<i>note (i)</i>) | 63,154 | 13,209 |
| Other payables | 1,939 | 3,559 |
| Accruals | 1,857 | 1,629 |
| Interest payable | – | 63 |
| Salary payable | 3,468 | 2,441 |
| | <hr/> | <hr/> |
| Financial liabilities measured at amortised cost | 70,418 | 20,901 |
| Deposit received | 452 | – |
| Other tax payable | 11,544 | 11,544 |
| | <hr/> | <hr/> |
| | 82,414 | 32,445 |
| | <hr/> <hr/> | <hr/> <hr/> |

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

Note:

(i) **Aging analysis**

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

| | 2021 | 2020 |
|---------------|-----------------|-------------|
| | HK\$'000 | HK\$'000 |
| 0 to 30 days | 63,154 | 12,310 |
| 31 to 60 days | – | – |
| 61 to 90 days | – | – |
| Over 90 days | – | 899 |
| | <hr/> | <hr/> |
| | 63,154 | 13,209 |
| | <hr/> <hr/> | <hr/> <hr/> |

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The Auditor has issued the “except for” qualified opinion on the Group’s consolidated financial statements for the year ended 31 March 2021, an extract of which is as follows:

QUALIFIED OPINION

In our opinion, except for the effects of the matter described in the “Basis for qualified opinion” section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Corresponding figures

The corresponding figures disclosed in the consolidated financial statements are based on the audited consolidated financial statements of the Group for the year ended 31 March 2020. The auditor did not express an opinion on the consolidated financial statements for the year ended 31 March 2020.

On 29 January 2019, the Group had acquired the entire equity interests in Great Empire International Group Limited (“**GE International**”) and its subsidiaries (collectively the “**GE Group**”) (the “**Acquisition**”), whose principal activity was engaged in the provision of biotechnology and biological gene technology technical services (the “**Biological Business**”).

During the course of our audit for the year ended 31 March 2019, we noticed certain inconsistencies between third parties documents and information provided by the Group and that we had obtained directly for revenue transactions under the Biological Business. We were unable to perform practicable audit procedures to verify the inconsistencies in the documents and information available to us, and to carry out satisfactory audit procedures to obtain reasonable assurance regarding the occurrence, completeness and accuracy of the revenue of the Biological Business of HK\$13,904,000, and the corresponding trade receivables balances of HK\$14,751,000 as at 31 March 2019. Furthermore, the intangible assets and goodwill arising from the Acquisition of GE Group, amounted to HK\$110,943,000 and HK\$48,430,000, respectively, had been allocated to the Biological Business cash generating units. The fair values had been estimated using the cash flows projections from the Biological Business. Due to the inconsistencies in documents and information available to us mentioned above and limitation in the scope of work, we were unable to assess whether the fair values as at the acquisition date and the recoverable amount of these assets as at 31 March 2019 were reliably measured. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the carrying amounts of the intangible assets and goodwill, the associated amortisation expenses attributed to the intangible assets and tax relating to the Biological Business were free from material misstatement.

In addition, because of the inconsistencies in the documents and information described above, there were no alternative audit procedures we could perform to satisfy ourselves as to the occurrence and existence, accuracy, valuations, rights and obligations, completeness, classification, disclosure and presentation of the transactions for the year ended 31 March 2019 and the assets and liabilities related to the Biological Business as at 31 March 2019. Accordingly, we were not able to obtain sufficient appropriate audit evidence to determine whether any adjustments to the consolidated financial statements as at and for the year ended 31 March 2019 were necessary.

During the year ended 31 March 2020, the Company entered into a settlement agreement with the vendor to the Acquisition (the “**Vendor**”), the guarantor to the Acquisition and GE International to unwind the Acquisition by the return of 40,716,000 settlement shares from the Vendor plus the settlement cash in the amount of approximately HK\$18,804,000 to be paid by the Vendor to the Company, and the Company shall transfer its entire legal and beneficial interest in GE International to the Vendor (the “**Unwinding**”).

Upon completion of the Unwinding during the year ended 31 March 2020, the Group recognised a loss on disposal of subsidiaries of HK\$54,162,000 for the year ended 31 March 2020. Together with the loss of HK\$2,363,000 for the year ended 31 March 2020 reported by the Biological Business, the loss from discontinued operation of the Biological Business amounted to HK\$56,525,000. As mentioned above, due to the inconsistencies in the documents and information provided, there were no alternative audit procedures we could perform to satisfy ourselves as to the occurrence and existence, accuracy, valuations, rights and obligations, completeness, classification, disclosure and presentation of the transactions for the year ended 31 March 2020 and the assets and liabilities related to the Biological Business as at the date of disposal. As a result, we were unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy and valuation in respect of the loss from discontinued operation during the year ended 31 March 2020.

Accordingly, in performing our audit of the consolidated financial statements of the Group for the year ended 31 March 2021, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of assets, liabilities and reserves as at 1 April 2019 and the loss from discontinued operation for the year ended 31 March 2020 were fairly stated.

Any adjustments that might have been found to be necessary in respect of the above had we obtained sufficient appropriate audit evidence would have a consequential effect on the opening balances of assets, liabilities and reserves of the Group as at 1 April 2019, and on the Group’s financial performance and cash flows for the year ended 31 March 2020, and the related disclosures thereof in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the year ended 31 March 2021 from continuing operations was approximately HK\$268.1 million (2020: HK\$147.9 million), representing an increase of 81.2% compared to the previous year. The loss attributable to the owners of the Company was HK\$15.0 million (2020: HK\$88.1 million). The basic loss per share amounted to HK4.8 cents (2020: HK29.6 cents).

The Group reported improved business results for the year ended 31 March 2021 as compared to the previous year. The loss for the year of the Group was approximately HK\$15.0 million (2020: HK\$88.6 million), representing a decrease of HK\$73.6 million as compared to the previous year. The substantial reduction in the loss was primarily attributable to:

- (i) absence of the one-off loss from discontinued operation of the Biological Business of approximately HK\$56.5 million (which included a loss on disposal of GE International amounting to approximately HK\$54.2 million) recorded for the year ended 31 March 2020, which was non-recurring; and
- (ii) the reduction of HK\$17.1 million in loss from continuing operations of the Group for the year ended 31 March 2021 as compared to the previous year, which was mainly attributable to the combined effects of:
 - (a) the reflection of the full-year impact of the profits contributed by the Milk Products Business during the year ended 31 March 2021 (compared with the record of profits from such business for around two months in the previous year since such business was commenced in February 2020); and
 - (b) the slight increase in loss from the Mobile Business, the results of which were inevitably affected as a result of the Coronavirus disease 2019 (the “COVID-19”), as compared with the year ended 31 March 2020.

For the year ended 31 March 2021, the administrative expenses of the Group amounted to approximately HK\$19.5 million (2020: HK\$30.8 million), representing a decrease of 36.8% as compared to the previous year. This was mainly due to the decrease in impairment loss of trade receivables, legal and professional fee and total staff cost recognised by the Group.

Business Review

The Group is principally engaged in the Milk Products Business and the Mobile Business. Upon the completion of the acquisition of a property located in Australia, details of which are set out in the paragraph headed “Property Investment – Continuing operations”, the Company has commenced to engage in the Property Investment since February 2021.

Milk Products Business – Continuing operations

Since the Group's acquisition of subsidiaries which are principally engaged in the trading of milk powder and baby foods in February 2020, the Group has been running its Milk Products Business with a focus on cross-border milk powder trading in the PRC, Hong Kong and Australia. This is the first financial year that the full-year impact of the profits contributed by the Milk Products Business is reflected, compared with the record of the profits from such business for around two months in the last year. For the year ended 31 March 2021, the revenue of the Milk Products Business was approximately HK\$229.0 million (2020: HK\$30.6 million), of which the revenue of sales of milk powder and baby foods was approximately HK\$227.7 million (2020: HK\$30.5 million), franchise fee income was approximately HK\$1.3 million (2020: HK\$0.1 million), and the corresponding gross profit was approximately HK\$22.4 million (2020: HK\$1.8 million). The reportable segment profit (adjusted EBITDA) was approximately HK\$21.8 million (2020: HK\$1.1 million).

During the year, the Group sold products under three milk powder brands from Australia and New Zealand respectively, namely "A2", "Bubs" (including the namesake brand and the two adult milk powder sub-brands thereunder, being "Capela" and "Caprilac") and "Aptamil". For the year ended 31 March 2021, the Group's revenue from sales of the products under the three brands of "A2", "Bubs" and "Aptamil" were approximately HK\$155.5 million, HK\$49.9 million and HK\$22.3 million, respectively, accounting for 68.3%, 21.9% and 9.8% of the revenue of sales of milk powder and baby foods, respectively.

Mobile Business – Continuing operations

The operation and results of the Mobile Business for the year were inevitably affected as a result of the COVID-19. The operations of the Mobile Business were scaled down as the sales were severely hit. Regionally, the revenue of the Mobile Business attributed from Dubai and South Africa have fallen by 100% respectively while that from Bangladesh and Vietnam fallen over 60% respectively as compared to last year. The ever-evolving technology industry makes short product life cycle. Under the influence of the decline in orders and sales volume, the Mobile Business recognised write-down of inventories which amounts to approximately HK\$18.7 million during the year, adversely affecting the Group's results for the year. For the year ended 31 March 2021, the revenue of the Mobile Business was approximately HK\$38.8 million (2020: HK\$117.3 million), representing a decrease of 66.9% as compared with last year, and the reportable segment loss (adjusted EBITDA) was approximately HK\$23.0 million (2020: HK\$17.8 million).

Property Investment – Continuing operations

On 11 January 2021, GA Australia Investment Pty Ltd ("**GA Australia Investment**"), a company incorporated in Australia with limited liability, and an indirect wholly-owned subsidiary of the Company, as the purchaser entered into a contract for sale with a vendor, pursuant to which the vendor agreed to sell, and GA Australia Investment agreed to acquire, a piece of land at 152 Milperra Road, Revesby, NSW 2212, New South Wales, Australia, with a total site area of approximately 2,462 square metres and has a warehouse erected thereon with a total internal lettable area of approximately 1,906 square metres (the "**Property**") at the consideration of Australian dollars ("**AUD**") 7.5 million. The acquisition was completed on 15 February 2021. Details of the transaction were set out in the announcements of the Company dated 11 January 2021, 14 January 2021 and 15 February 2021, respectively.

For the period from 15 February 2021 to 31 March 2021, the Property was leased to a lessee and generated rental income to the Group of approximately HK\$0.2 million. The Property was recognised by the Group as an investment property initially and would be measured at fair value on each reporting date. As at 31 March 2021, the fair value of the Property was AUD7.5 million (equivalent to approximately HK\$45.2 million and representing approximately 18.9% of the total assets of the Group), resulting in a valuation loss on investment property of approximately HK\$2.4 million for the year ended 31 March 2021. The valuation loss on investment property was exactly equal to the transaction costs incurred for the acquisition of the Property (included stamp duty, legal and professional fee and sundry expenses) which were capitalised as the initial cost of the Property according to the relevant accounting standard.

Financial Review

Financial Resources, Liquidity and Capital Structure

On 17 April 2020, 50,000,000 ordinary shares of the Company (the “**Share(s)**”) were issued additionally by way of placing (the “**Placing**”), raising gross proceeds of HK\$55.0 million. Details of the Placing were set out in the section headed “The Placing and Use of Proceeds” of this announcement.

On 24 June 2020, H K Rich Technology International Company Limited (“**HK Rich**”), a direct wholly-owned subsidiary of the Company, as vendor and BH Management Company Limited (“**BH Management**”) as purchaser entered into the disposal agreement, pursuant to which HK Rich agreed to sell, and BH Management agreed to acquire, the accounts receivables amounting to approximately US\$5.1 million at the consideration of HK\$30.0 million. The transaction was completed on 26 June 2020. Details of the transaction were set out in the announcements of the Company dated 24 June 2020 and 26 June 2020, respectively.

Except for the proceeds received from the issuance of Shares through the Placing and from the disposal of accounts receivables, the Group’s capital expenditure, daily operations and investments during the year ended 31 March 2021 are mainly funded by cash generated from its operations and loan from a financial institution. The liquidity and financing requirements of the Group are reviewed on a regular basis. On 3 April 2020, the Group had repaid the loan from a financial institution amounting to HK\$10.0 million with the Group’s internal funds.

As at 31 March 2021, the Group had current assets of approximately HK\$189.8 million (2020: HK\$160.5 million) and current liabilities of approximately HK\$87.7 million (2020: HK\$53.2 million). The liquidity of the Group as evidenced by the current ratio (current assets over current liabilities) was 2.16 times (2020: 3.01 times).

As at 31 March 2021, the trade and other receivables were approximately HK\$66.4 million (2020: HK\$120.2 million), the decrease of which was mainly attributable to the disposal of accounts receivables (before impairment) of approximately US\$5.1 million (equivalent to approximately HK\$39.4 million) as mentioned above and a decrease in prepayments to suppliers of approximately HK\$33.1 million. With the expansion of operations of the Milk Products Business, (i) the inventories of the Group increased from approximately HK\$12.1 million as at 31 March 2020 to approximately HK\$52.6 million as at 31 March 2021; and (ii) the trade and other payables of the Group increased from approximately HK\$32.4 million as at 31 March 2020 to approximately HK\$82.4 million as at 31 March 2021.

As at 31 March 2021, the Group maintained cash and bank balances of approximately HK\$70.4 million (2020: HK\$27.9 million), of which 91.0% (2020: 79.5%) were denominated in Hong Kong dollars (“HK\$”) or United States dollars (“US\$”) and 8.5% (2020: 19.3%) were denominated in AUD. The increase of cash and bank balances of approximately HK\$42.5 million as compared to the position as at 31 March 2020 was mainly due to the receipt of net cash generated from operating activities which included HK\$30.0 million received from the disposal of accounts receivables as mentioned above and net proceeds of HK\$53.8 million from the Placing; partially offset by the use of HK\$46.8 million for the acquisition of the Property located in Australia and HK\$10.0 million for repayment of the loan from a financial institution.

The Group had no outstanding borrowing as at 31 March 2021 (2020: HK\$10.0 million).

The Group’s strategy was to maintain the gearing ratio at the lowest as possible. The gearing ratio (calculated by net debt over total equity) of the Group as at 31 March 2021 was as follows:

| | 2021 | 2020 |
|---|-----------------|----------|
| | HK\$’000 | HK\$’000 |
| Total debt (sum of current liabilities and non-current liabilities) | 89,015 | 54,856 |
| Less: cash and bank balances | (70,379) | (27,908) |
| Net debt | 18,636 | 26,948 |
| Total equity | 150,492 | 111,423 |
| Gearing ratio | 12.4% | 24.2% |

Treasury Policy and Financial Management

The Group’s treasury policy aims to ensure that (i) the funding requirements for capital commitments, investments and operations of the Group can be fulfilled; and (ii) liquidity can be managed to ensure that fund inflows are matched against all maturing repayment obligations to enhance cash flow management.

The Group aims to minimise its financial risk exposure. The Group’s policy is not to engage in speculative derivative financial transactions and not to invest its existing capital resources in financial products with significant risks.

Risk of Foreign Exchange Fluctuation

The Group’s foreign exchange risk primarily arises from transactions, working capitals and investments denominated in foreign currencies, mainly in AUD and US\$. During the year ended 31 March 2021, the Group did not use any financial instruments for hedging purpose and the Group did not have any hedging instruments outstanding as at 31 March 2021.

The Group will monitor closely the exchange rate risk arising from the Group's existing operations and potential new investments in future and will implement necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

Charge on Group Assets

As at 31 March 2021, the Group did not have any charges on its assets (2020: Nil).

Contingent Liabilities

The Group had no contingent liabilities as at 31 March 2021 (2020: Nil).

Material Capital Commitments

The Group had no material capital commitments as at 31 March 2021 (2020: Nil).

Significant Investments Held

Save as disclosed in the paragraph headed "Property Investment – Continuing operations", the Group did not hold other significant investments as at and for the year ended 31 March 2021.

Material Acquisitions and Disposals

The Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures for the year ended 31 March 2021.

Events After The End of Reporting Period

There were no significant events affecting the Group and requiring disclosure that has taken place subsequent to 31 March 2021 and up to the date of this announcement.

Litigation Update

On 22 October 2020, the Company received an enforcement judgment ((2020)粵執複707號) dated 29 September 2020, being a final judgement, issued by the Higher People's Court of the Guangdong Province* (廣東省高級人民法院) of the PRC, in relation to the following rulings:

- (i) the enforcement judgment ((2019)粵03執異631號) issued by the Shenzhen Intermediate People's Court of Guangdong Province (the "**Court**"), which ruled against the Company's appeal on the enforcement notice ((2018)粵03執2033號) dated 29 April 2019 (the "**2019 Enforcement Notice**") and an enforcement judgment ((2018)粵03執2033號之二) dated 28 April 2019 (the "**2019 Enforcement Judgment**"), be dismissed; and
- (ii) the enforcement of the 2019 Enforcement Notice and the 2019 Enforcement Judgement issued by the Court against the Company be terminated.

Details of this litigation were set out in the announcements of the Company dated 10 May 2019, 11 May 2020 and 27 October 2020, respectively.

Employees

As at 31 March 2021, the Group had 23 employees (2020: 34). Total staff cost from continuing operations, including Directors' emoluments, of approximately HK\$9.1 million (2020: HK\$10.0 million) was incurred during the year ended 31 March 2021. The Group maintains a policy of paying competitive remuneration. Remuneration of employees which included salary and discretionary performance bonus is decided with reference to the results of the Group, the market level as well as individual performance and contributions. Remuneration packages (including performance bonuses) are reviewed on a regular basis.

The Placing and Use of Proceeds

On 26 March 2020, the Company entered into the placing agreement (the "**Placing Agreement**") with Morton Securities Limited (the "**Placing Agent**"), pursuant to which, the Placing Agent has conditionally agreed, as the placing agent of the Company, to procure, on a best effort basis, not less than six placees (the "**Placees**") to subscribe for up to 50,000,000 Shares (the "**Placing Shares**") at the placing price of HK\$1.10 per Placing Share. The market price of the Share on 26 March 2020, the date on which the terms of the Placing were fixed, was HK\$1.25 per Share.

The Placing Shares were allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company convened on 28 August 2019. The Directors are of the view that the Placing will enhance the capital base and shareholders base of the Company. In addition, the net proceeds of the Placing will strengthen the Group's financial position supporting the operations and business development of the Group. The Placing was completed on 17 April 2020, a total of 50,000,000 Placing Shares have been successfully placed to not less than six Placees who are individuals, professionals, institutional or other investors whom the Placing Agent has procured to subscribe for any of the Placing Shares pursuant to its obligations under the Placing Agreement who (including its ultimate beneficial owners) are regarded as public (as defined in the Listing Rules) and independent of and not connected with the Company, the Directors, chief executive and substantial shareholders of the Group or any of their respective associates. The gross proceeds from the Placing were HK\$55.0 million while the net proceeds were approximately HK\$53.8 million (after deduction of commission and other expenses of the Placing), representing a net issue price of approximately HK\$1.08 per Placing Share. It is intended that the net proceeds would be used by the Group for (i) general working capital; and (ii) financing future investment or new business development as and when opportunities arise. Details of the Placing were set out in the announcements of the Company dated 26 March 2020 and 17 April 2020, respectively.

As at 31 March 2021, the net proceeds of approximately HK\$53.8 million were fully utilised in the following manner:

- (i) HK\$20.0 million as general working capital for the Milk Products Business; and
- (ii) approximately HK\$33.8 million as part of the consideration for the acquisition of the Property located in Australia (details of which were set out in the announcements of the Company dated 11 January 2021, 14 January 2021 and 15 February 2021, respectively).

Business Development

The Group's business strategy has been to (i) reinforce the existing business foundation; (ii) strengthen the Group's competitive edge; and (iii) actively seek opportunities of business development and diversification.

During the year, the Group has devoted considerable resources and efforts to the Milk Products Business. The Milk Products Business, being a newly started business segment of the Group, has achieved impressive performance during the year, which even out the deteriorating performance of the Group's Mobile Business and provided solid support to the Group's overall performance, resulting in a significant reduction in the loss for the year from continuing operations of the Group as compared to last year. The brands of "Aptamil" and "A2" for products currently sold by the Milk Products Business enjoy a high level of awareness in Mainland China and have a relatively stable customer base. The Group will continue to optimise the sales strategies of these two brands. In addition, during the first half of the year, the Group has started introducing the sales of products under the "Bubs" brand and will continue to actively strengthen the brand promotion in the future with the aim of increasing its brand awareness and market share in the PRC. With respect to the Australian market, the Milk Products Business has gradually established a more complete and stable supplier and customer base, and will strive to maintain relationships with suppliers and customers for steady development in the future. Regarding the target customers, the Group has been actively developing different customer base and has introduced the sales of milk powder products for adults under the brands of "Capela" and "Caprilac", targeting both adult and elderly customers. Meanwhile, the Group has also actively promoted product diversification and introduced a newly developed series of infant health care products under the "Bubs" brand to meet the increasing demand of existing and potential customers.

Apart from the existing markets in the PRC and Australia, for the Milk Products Business, the Group also plans to expand its local business by introducing the series of milk powder products under the "A2" and "Bubs" brand to Hong Kong. Currently, the Group has arranged for its subsidiary to carry out relevant food importer registration. Product introduction is currently underway and its sales are expected to commence in the second half of 2021.

In terms of Mobile Business, the successive lockdown of certain cities and countries across the world due to the worldwide outbreak of COVID-19 since the beginning of 2020 has disrupted the procurement of raw materials in the global supply chain, labour mobility, port operations and import and export transportation, which has exerted an impact on the international economy, and a significant impact on the Group's existing and pending orders. It put tremendous pressure on the operations and performance of the Mobile Business during the year.

In respect of Property Investment, the Group completed the acquisition of a Property located in Revesby, Sydney, New South Wales, Australia on 15 February 2021. The main building of the Property is a warehouse with a total internal lettable area of approximately 1,906 square metres, which is located next to main arterial roads connecting the Property to the central business district of Sydney, Australia. The Property has been leased to a tenant since the date of acquisition and is expected to generate an annual rental income of approximately AUD0.3 million for the Group. The Property may also be converted to a self-used warehouse in the future if the Group requires a warehouse for its future operations of the Milk Products Business in Australia.

Corporate strategies

The Group is dedicated to maximising shareholders' values through persistent improvement in its business performance and commitment to its core values, which emphasises fulfilling social responsibilities, satisfying customers' needs, and promoting employees' development.

The Group aims to sustain the development of its Mobile Business by continuing to explore business opportunities in the communication technology industry. Meanwhile, the Group will devote more effort in developing the Milk Products Business as its new growth point.

Outlook

The global outbreak of COVID-19 in 2020 has resulted in economic downturn in varying degrees across the world. Compared to the tourism, service and luxury product industries, infant milk powder, as a necessity, has been affected inevitably but only to a limited extent, and its market performance was relatively stable. With the gradual economic recovery and the improved standard of living expected in the future, the sale of milk products will stably increase. The Milk Products Business, being a newly started business segment of the Group, has achieved satisfactory performance during the year, establishing a solid foundation for the business development. It is expected that the results of the Milk Products Business will continue to maintain rapid growth in following years. The Group will further explore to expand its market share in the milk products in the Asian market (particularly in China), enhance customer loyalty with high-quality products and good customer experience and expand the customer base. The Group will also strive to improve its product portfolio and introduce more new brands as well as new products as and when necessary.

The Mobile Business of the Group mainly focused on export trading through ODM of mobile handsets. The Mobile Business had previously demonstrated outstanding performance, no matter in export volume, sales and profit, since its establishment in 2015. However, in recent years, with the innovation of mobile communication technology, the popularity of e-commerce, the concentration of mobile brands, and the rise of local brands in overseas market, the competition for mobile ODM manufacturers was intensifying, and manufacturers were constantly competing in cost and price. Changes in the international political situation and environment, as well as the uncertainty of trade disputes, have reduced the viability of small and medium scale mobile handset manufacturers and processors. The performance of the Group's Mobile Business has gradually declined. The operations and performance of the Group's Mobile Business were worsen by the global outbreak of COVID-19 in early 2020. Faced with an increasingly competitive market, the operating pressure of Mobile Business in the future should not be underestimated. The Group will continue to enhance its internal management, seek new sources of income and reduce operating costs of Mobile Business, strengthen the research and development of mobile handset products and market development capabilities, and shorten the supply chain turnaround time in order to overcome external challenges.

During the year, the pandemic brought an unprecedented impact on enterprises around the world. Various industries are undergoing changes, and both crises and opportunities have emerged for enterprises. To improve its business performance and maintain its long-term value, the Group will continue to develop in line with its business strategy so as to reinforce its business foundation, strengthen its competitive edge and capture opportunities for business development and diversification.

THE “EXCEPT FOR” QUALIFIED OPINION ISSUED BY AUDITOR

Reason for Issuing of the “Except for” Qualified Opinion and the Impact on the Financial Position

Reference is made to the section headed “The Disclaimer of Opinion Issued by Auditor” under the “Management Discussion and Analysis” in the annual report 2020 of the Company and the issue of the “except for” qualified opinion by the Auditor as disclosed in the section headed “Extract from Independent Auditor's Report” in this announcement.

On 29 January 2019, the Group had acquired (the “**Acquisition**”) the entire equity interests in GE International and its subsidiaries (collectively the “**GE Group**”), whose principal activity was engaged in the Biological Business.

After the Acquisition of the GE Group, the Auditor issued a disclaimer of opinion in the consolidated financial statements of the Group for the year ended 31 March 2019 (the “**2019 Disclaimer Opinion**”) because:

- (a) the Auditor was unable to perform practicable audit procedures to verify the inconsistencies in the documents and information available, and to carry out satisfactory audit procedures to obtain reasonable assurance regarding the occurrence, completeness and accuracy of the revenue of the Biological Business, and the corresponding trade receivables balances of approximately HK\$14.8 million as at 31 March 2019;

- (b) in relation to the intangible assets and goodwill arising from the Acquisition of the GE Group, which amounted to approximately HK\$110.9 million and approximately HK\$48.4 million, respectively, the Auditor was unable to assess whether the fair values as at the acquisition date and the recoverable amount of these assets as at 31 March 2019 are reliably measured. There are no alternative audit procedures that the Auditor could perform to satisfy itself as to whether the carrying amounts of the intangible assets and goodwill, the associated amortisation expenses attributed to the intangible assets and tax relating to the Biological Business were free from material misstatement; and
- (c) due to the inconsistencies in the documents and information provided as described above, there were no alternative audit procedures the Auditor could perform to satisfy itself as to the occurrence and existence, accuracy, valuations, rights and obligations, completeness, classification, disclosure and presentation of the transactions for the year ended 31 March 2019 and the assets and liabilities related to the Biological Business as at 31 March 2019, and accordingly, the Auditor was not able to obtain sufficient appropriate audit evidence to determine whether any adjustments to the consolidated financial statements as at and for the year ended 31 March 2019 were necessary.

During the year ended 31 March 2020, the Board decided to unwind the Acquisition by disposing of GE International, and as a result, the Group recognised a loss on disposal of subsidiaries of approximately HK\$54.2 million for the year ended 31 March 2020. Together with the loss of approximately HK\$2.4 million for the year ended 31 March 2020 reported by the Biological Business, the loss from discontinued operation of Biological Business amounted to approximately HK\$56.5 million.

Although GE International has been disposed of in the year ended 31 March 2020, due to the inconsistencies in the documents and information provided as described above, there were no alternative audit procedures the Auditor could perform to satisfy itself as to the occurrence and existence, accuracy, valuations, rights and obligations, completeness, classification, disclosure and presentation of the transactions for the year ended 31 March 2020 and the assets and liabilities related to the Biological Business as at the date of disposal. As a result, the Auditor was unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy and valuation in respect of the loss from discontinued operation for the year ended 31 March 2020, and the Auditor has issued the disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 March 2020 (the "**2020 Disclaimer Opinion**").

In performing audit of the consolidated financial statements of the Group for the year ended 31 March 2021, with the carrying effect of the 2019 Disclaimer Opinion and 2020 Disclaimer Opinion, the Auditor was unable to obtain sufficient appropriate audit evidence to satisfy itself as to whether the opening balances of assets, liabilities and reserves of the Group as at 1 April 2019 and the loss from discontinued operation for the year ended 31 March 2020 were fairly stated, and the Auditor has issued the "except for" qualified opinion (the "**Except For Qualified Opinion**") on the Group's consolidated financial statements for the year ended 31 March 2021 which were merely related to figures for the year ended 31 March 2020 shown as corresponding figures and comparative financial information in the consolidated financial statements of the Group for the year ended 31 March 2021.

Position of the Management and the Audit Committee

Since the GE Group ceased to be subsidiaries of the Group upon completion of the disposal of GE International on 23 January 2020, the Group did not continue to carry out the Biological Business. Therefore, the management of the Company is of the view that the Except For Qualified Opinion would not be carried forward to the year ending 31 March 2022. The Audit Committee has reviewed and agreed with the management's position.

Plans to Address the Issue

It is expected that the Except For Qualified Opinion would not be carried forward to the year ending 31 March 2022. It is considered that unwinding the Acquisition by disposing of GE International (which has been completed during the year ended 31 March 2020) is the final step taken by the Company to address the issues arising from the Biological Business, and save for the disposal, the Company has no further plans to address the Except For Qualified Opinion.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2021, save and except for the deviation as follows:

After the resignation of Mr. Cui Songhe as an independent non-executive Director, who ceased to act as the chairman of the remuneration committee of the Company (the “**Remuneration Committee**”) and a member of each of the Audit Committee and nomination committee of the Company (the “**Nomination Committee**”) with effect from 3 May 2020, the Company has not met (i) the minimum of three independent non-executive Directors requirement under Rule 3.10(1) of the Listing Rules; (ii) the composition requirement of the Audit Committee under Rule 3.21 of the Listing Rules; (iii) the chairman and composition requirement of the Remuneration Committee under Rule 3.25 of the Listing Rules; and (iv) the composition requirement of the Nomination Committee under code provision A.5.1 of the CG Code.

Following the appointment of Mr. Ngai Wah Sang as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee and the cessation of Mr. Yi Peijian as a member of each of the Remuneration Committee and the Nomination Committee on 28 October 2020, the Company has complied with the requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules, and code provision A.5.1 of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to each of the Directors and all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 March 2021.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 March 2021.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 March 2021.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be held on Wednesday, 8 September 2021 and the notice of AGM will be published and issued to the shareholders of the Company ("Shareholders") as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 3 September 2021 to Wednesday, 8 September 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of the Shares should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited of level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2 September 2021.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The 2021 annual report of the Company will be despatched to the Shareholders and made available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and of the Company (<http://www.hk-alpha.com>) in due course. The audited consolidated results of the Group for the year ended 31 March 2021 set out above does not constitute the Company's statutory financial statements but is extracted from the consolidated financial statements for the year ended 31 March 2021 to be included in the 2021 annual report of the Company.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my gratitude to the Company's management team and all staff for their continuous effort and contributions to the Group. Their excellence and commitment are of vital importance in enhancing the Company's sustainability. I also take this opportunity to extend my thanks to the Shareholders for their support and confidence in us.

On behalf of the Board
Alpha Professional Holdings Limited
XIONG Jianrui
Chairman

Hong Kong, 11 June 2021

As at the date of this results announcement, the executive Directors are Mr. Xiong Jianrui, Mr. Yi Peijian and Mr. Chen Zeyu, and the independent non-executive Directors are Mr. Li Chak Hung, Mr. Choi Kin Man and Mr. Ngai Wah Sang.

* *For identification purposes only*