

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Alpha Professional Holdings Limited

阿爾法企業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 948)

**UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Alpha Professional Holdings Limited (the “**Company**”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2021 with comparative figures for the six months ended 30 September 2020 are as follows.

The Group’s unaudited consolidated results for the six months ended 30 September 2021 in this announcement was prepared on the basis of the unaudited condensed consolidated interim financial information which have not been audited, but has been reviewed by the audit committee of the Company (the “**Audit Committee**”) and the auditor of the Company (the “**Auditor**”).

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

For the six months ended 30 September 2021

		Six months ended 30 September	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	253,999	103,200
Cost of sales		<u>(245,870)</u>	<u>(96,018)</u>
Gross profit		8,129	7,182
Other income	6	1,032	382
Other gains and losses	7	(2,594)	(198)
Selling and distribution costs		(1,240)	(204)
Administrative expenses		<u>(7,497)</u>	<u>(10,437)</u>
LOSS FROM OPERATIONS		(2,170)	(3,275)
Finance costs	8(a)	<u>(48)</u>	<u>(68)</u>
LOSS BEFORE TAXATION	8	(2,218)	(3,343)
Income tax expenses	9	<u>(2,018)</u>	<u>–</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(4,236)</u>	<u>(3,343)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		<u>(2,565)</u>	<u>24</u>
Other comprehensive (loss)/income for the period, net of income tax		<u>(2,565)</u>	<u>24</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(6,801)</u>	<u>(3,319)</u>
		<i>HK cents</i>	<i>HK cents</i>
		(Unaudited)	(Unaudited)
LOSS PER SHARE	11		
Basic and diluted		<u>(1.3)</u>	<u>(1.1)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 September 2021*

		At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment property		42,648	45,208
Property, plant and equipment		3,061	2,199
Goodwill		2,161	2,161
Rental deposit	12	317	96
		<u>48,187</u>	<u>49,664</u>
Current assets			
Inventories		61,863	52,641
Trade and other receivables	12	71,688	66,286
Tax recoverable		537	537
Cash and bank balances		38,103	70,379
		<u>172,191</u>	<u>189,843</u>
Current liabilities			
Trade and other payables	13	67,914	82,414
Contract liabilities		3,146	3,847
Lease liabilities		1,307	949
Tax payable		2,508	484
		<u>74,875</u>	<u>87,694</u>
Net current assets		<u>97,316</u>	<u>102,149</u>
Total assets less current liabilities		145,503	151,813
Non-current liabilities			
Lease liabilities		1,812	1,321
Net assets		<u>143,691</u>	<u>150,492</u>
Capital and reserves			
Share capital		391,672	391,672
Reserves		(247,981)	(241,180)
Equity attributable to owners of the Company and total equity		<u>143,691</u>	<u>150,492</u>

Notes:

1. REVIEW BY AUDITOR

The interim financial information of the Group for the six months ended 30 September 2021 has been reviewed by our Auditor, Crowe (HK) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and an unmodified review conclusion has been issued.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance 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**”) including compliance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”).

The condensed consolidated interim financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements which are set out in note 3.

The preparation of the condensed consolidated interim financial information in conformity with IAS 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 period to date basis. Actual results may differ from these estimates.

The condensed consolidated interim financial information contains 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 2021 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current reporting period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated interim financial information:

Amendments to IFRS 16	COVID-19 Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

None of the developments have 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 the interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. 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**”).

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 since February 2021 and thus no comparative information of this segment for the six months ended 30 September 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, contract liabilities, lease liabilities and tax payable attributable to the activities of the individual 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 six months ended 30 September 2021 and 2020 is set out below.

	Six months ended 30 September 2021			
	Milk Products Business HK\$'000 (Unaudited)	Mobile Business HK\$'000 (Unaudited)	Property Investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Reportable segment revenue				
Disaggregated by timing of revenue recognition				
Point in time	239,571	12,797	–	252,368
Over time	753	–	878	1,631
	<u>240,324</u>	<u>12,797</u>	<u>878</u>	<u>253,999</u>
Revenue from external customers and reportable segment revenue	<u>240,324</u>	<u>12,797</u>	<u>878</u>	<u>253,999</u>
Profit or loss				
Reportable segment profit/(loss) (adjusted EBITDA)	16,435	(14,000)	726	3,161
Bank interest income				4
Depreciation				(687)
Finance costs				(48)
Unallocated head office and corporate interest and expenses other than bank interest income, depreciation and finance costs				(4,648)
Consolidated loss before taxation				<u>(2,218)</u>
	At 30 September 2021			
	Milk Products Business HK\$'000 (Unaudited)	Mobile Business HK\$'000 (Unaudited)	Property Investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Reportable segment assets	132,237	33,904	44,312	210,453
Unallocated head office and corporate assets				
– Cash and bank balances				8,219
– Other unallocated assets				1,706
Consolidated total assets				<u>220,378</u>
Reportable segment liabilities	53,102	8,832	562	62,496
Unallocated head office and corporate liabilities				14,191
Consolidated total liabilities				<u>76,687</u>

Six months ended 30 September 2020

	Milk Products Business <i>HK\$'000</i> (Unaudited)	Mobile Business <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Reportable segment revenue			
Disaggregated by timing of revenue recognition			
Point in time	74,990	27,574	102,564
Over time	636	–	636
	<u>75,626</u>	<u>27,574</u>	<u>103,200</u>
Revenue from external customers and reportable segment revenue	<u>75,626</u>	<u>27,574</u>	<u>103,200</u>
Profit or loss			
Reportable segment profit/(loss) (adjusted EBITDA)	9,005	(7,908)	1,097
Depreciation			(823)
Finance costs			(68)
Unallocated head office and corporate interest and expenses other than bank interest income, depreciation and finance costs			<u>(3,549)</u>
Consolidated loss before taxation			<u>(3,343)</u>

At 31 March 2021

	Milk Products Business <i>HK\$'000</i> (Audited)	Mobile Business <i>HK\$'000</i> (Audited)	Property Investment <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
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>

There are no inter-segment revenue during the six months ended 30 September 2021 and 2020.

(b) Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, property, plant and equipment, goodwill and non-current rental deposit. 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	
	Six months ended 30 September		At 30 September	At 31 March
	2021	2020	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong (place of domicile)	–	1,660	3,849	2,552
Australia	226,348	32,921	42,648	45,208
The People's Republic of China (the "PRC")	18,449	41,155	1,690	1,904
Afghanistan	–	1,597	–	–
Bangladesh	112	11,298	–	–
India	8	5,628	–	–
Poland	3,026	1,493	–	–
Russia	6,056	441	–	–
Vietnam	–	6,993	–	–
Others	–	14	–	–
	253,999	103,200	48,187	49,664

5. REVENUE

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
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	239,571	74,990
– Sales and distribution of mobile handsets and their components	12,797	27,574
– Franchise fee income	753	636
	<u>253,121</u>	<u>103,200</u>
Revenue from other sources		
Gross rentals from investment property		
– Lease payments that are fixed	878	–
	<u>878</u>	<u>–</u>
	<u><u>253,999</u></u>	<u><u>103,200</u></u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in notes 4(a) and 4(b), respectively.

6. OTHER INCOME

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income on financial assets measured at amortised cost		
– Bank interest income	4	–
Government subsidy	–	324
Sundry income	1,028	58
	<u>1,028</u>	<u>58</u>
	<u><u>1,032</u></u>	<u><u>382</u></u>

7. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net foreign exchange loss	(2,594)	(294)
Gain on lease modification	–	96
	<u>(2,594)</u>	<u>(198)</u>
	<u><u>(2,594)</u></u>	<u><u>(198)</u></u>

8. LOSS BEFORE TAXATION

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest on lease liabilities	48	64
Interest on other borrowing	—	4
	<u>48</u>	<u>4</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u>48</u>	<u>68</u>
(b) Staff costs (including Directors' emoluments):		
Salaries, wages and other benefits	5,056	4,391
Retirement benefits scheme contributions	166	57
	<u>5,222</u>	<u>4,448</u>
(c) Other items:		
Cost of inventories [#]	245,870	96,018
Depreciation charges		
– Owned property, plant and equipment	40	44
– Right-of-use assets	647	779
Impairment loss of trade receivables	—	1,608
Impairment loss of prepayment	—	1,501
Short-term lease expense	—	31
Rentals receivable from investment property less direct outgoings of HK\$114,000 (2020: Nil)	<u>(764)</u>	<u>—</u>

Remark:

[#] Cost of inventories include write-down of inventories of HK\$13,089,000 (2020: HK\$3,292,000).

9. INCOME TAX

Amounts recognised in profit or loss:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax for the period	1,979	–
– PRC Enterprise Income Tax for the period	3	–
	<u>1,982</u>	<u>–</u>
Under-provision in respect of prior years		
– Australia Corporate Income Tax	36	–
	<u>36</u>	<u>–</u>
Income tax expenses	<u>2,018</u>	<u>–</u>

Notes:

- (i) The provision for Hong Kong Profits Tax for the six months ended 30 September 2021 is calculated at 16.5% of the estimated assessable profits for the period, 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 the six months ended 30 September 2020 as the Group had no assessable profits for that period.

- (ii) The Group's subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at 25% for the six months ended 30 September 2021. No PRC Enterprise Income Tax has been provided for in the condensed consolidated interim financial information as the Group had no assessable profits for the six months ended 30 September 2020.
- (iii) The Group's subsidiaries established in Australia are subject to Australia Corporate Income Tax at 30% for the six months ended 30 September 2021.
- (iv) The Group is not subject to any taxation under the jurisdictions of Bermuda and the British Virgin Islands for the six months ended 30 September 2021 and 2020.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$4,236,000 (2020: HK\$3,343,000) and the weighted average number of approximately 314,360,000 (2020: 309,965,000) ordinary shares in issue during the period, calculated as follows:

	Six months ended 30 September	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 April	314,360	264,360
Effect of shares issued upon placing	—	45,605
	<u>314,360</u>	<u>309,965</u>
Weighted average number of ordinary shares	<u>314,360</u>	<u>309,965</u>
Basic loss per share (<i>HK cents per share</i>)	<u><u>(1.3)</u></u>	<u><u>(1.1)</u></u>

(b) Diluted loss per share

There were no dilutive potential ordinary shares in issue during the six months ended 30 September 2021 and 2020. The diluted loss per share is the same as the basic loss per share for the six months ended 30 September 2021 and 2020.

12. TRADE AND OTHER RECEIVABLES

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables, net of loss allowance (<i>note (i)</i>)	68,996	22,364
Other receivables	1,084	19
Financial assets measured at amortised cost	70,080	22,383
Prepayments to suppliers	1,490	43,513
Other prepaid expenses	86	145
Rental deposits	317	337
Other deposits	32	4
	72,005	66,382
Representing:		
Current	71,688	66,286
Non-current	317	96
	72,005	66,382

Except for the rental deposit of HK\$317,000 (31 March 2021: HK\$96,000) 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.

Note:

(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:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	55,926	22,364
31 to 60 days	8,914	–
61 to 90 days	4,156	–
	68,996	22,364

Trade receivables are due within 0 to 90 days (31 March 2021: 0 to 90 days) from the date of billing.

13. TRADE AND OTHER PAYABLES

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables (<i>note (i)</i>)	48,538	63,154
Other payables	2,181	1,939
Accruals	1,142	1,857
Salary payable	3,924	3,468
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	55,785	70,418
Deposit received	426	452
Other tax payable	11,703	11,544
	<hr/>	<hr/>
	67,914	82,414
	<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:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	39,545	63,154
31 to 60 days	8,993	–
	<hr/>	<hr/>
	48,538	63,154
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months ended 30 September 2021 was approximately HK\$254.0 million (2020: HK\$103.2 million), representing an increase of 146.1% compared to the same period of last year. The increase in revenue of the Group was primarily attributable to the increase of 217.8% in revenue of the Milk Products Business for the six months ended 30 September 2021 as compared to the corresponding period in 2020. The loss for the period was approximately HK\$4.2 million (2020: HK\$3.3 million). The basic loss per share amounted to HK1.3 cents (2020: HK1.1 cents).

For the six months ended 30 September 2021, the administrative expenses of the Group amounted to approximately HK\$7.5 million (2020: HK\$10.4 million), representing a decrease of 28.2% as compared to the same period of last year. This was mainly due to the decrease in impairment loss of trade receivables and impairment loss of prepayment recognised by the Group.

Business Review

The Group is principally engaged in the Milk Products Business, the Mobile Business and the Property Investment.

Milk Products Business

The Group continues to run its Milk Products Business focusing on cross-border milk powder trading in the PRC, Hong Kong and Australia. During the period, the Group mainly sold (i) milk powder of three brands from Australia and New Zealand, namely “A2”, “Bubs” and “Aptamil”; (ii) adult milk powder of “CapriLac”; and (iii) an infant health care product – “Vita Bubs”.

For the six months ended 30 September 2021, the revenue of the Milk Products Business was approximately HK\$240.3 million (2020: HK\$75.6 million), of which the revenue of sales of milk powder and baby foods was approximately HK\$239.6 million (2020: HK\$75.0 million), franchise fee income was approximately HK\$0.7 million (2020: HK\$0.6 million), and the corresponding gross profit was approximately HK\$19.8 million (2020: HK\$9.3 million). The reportable segment profit (adjusted EBITDA) was approximately HK\$16.4 million (2020: HK\$9.0 million).

Mobile Business

The Coronavirus disease 2019 (the “COVID-19”) has continued since its worldwide outbreak from the beginning of 2020. The operation and results of the Mobile Business during the period were inevitably affected due to the pandemic. In its passive position with the pandemic, the Mobile Business is unable to recapture the already dropping orders and sales from its scaled-down operations. The ever-evolving technology industry makes short product life cycles. Under the influence of the decline in orders and sales volume, the Mobile Business further recognised write-down of inventories which amounts to approximately HK\$13.1 million, adversely affecting the Group’s results for the period. For the six months ended 30 September 2021, the revenue of the Mobile Business was approximately HK\$12.8 million (2020: HK\$27.6 million), representing a decrease of 53.6% as compared with the corresponding period of last year. The reportable segment loss (adjusted EBITDA) was approximately HK\$14.0 million (2020: HK\$7.9 million).

Property Investment

The Group owns 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**”). As at 30 September 2021, the fair value of the Property was AUD7.5 million (31 March 2021: AUD7.5 million) (equivalent to approximately HK\$42.6 million (31 March 2021: HK\$45.2 million) and representing approximately 19.4% (31 March 2021: 18.9%) of the total assets of the Group). For the six months ended 30 September 2021, the Property was leased to a lessee and generated rental income to the Group of approximately HK\$0.9 million (2020: Nil). The reportable segment profit (adjusted EBITDA) was approximately HK\$0.7 million (2020: Nil).

Financial Review

Financial Resources, Liquidity and Capital Structure

The Group’s capital expenditure and daily operations for the six months ended 30 September 2021 are mainly funded by cash generated from its operations. The liquidity and financing requirements of the Group are reviewed on a regular basis.

As at 30 September 2021, the Group had current assets of approximately HK\$172.2 million (31 March 2021: HK\$189.8 million) and current liabilities of approximately HK\$74.9 million (31 March 2021: HK\$87.7 million). The liquidity of the Group as evidenced by the current ratio (current assets over current liabilities) was 2.30 times (31 March 2021: 2.16 times).

As at 30 September 2021, the Group’s trade and other receivables were approximately HK\$72.0 million (31 March 2021: HK\$66.4 million), the increase of which was mainly attributable to a longer credit period having been granted to a new customer of the Milk Products Business during the period. The inventories of the Group increased from approximately HK\$52.6 million as at 31 March 2021 to approximately HK\$61.9 million as at 30 September 2021 and the trade and other payables of the Group decreased from approximately HK\$82.4 million as at 31 March 2021 to approximately HK\$67.9 million as at 30 September 2021.

As at 30 September 2021, the Group maintained cash and bank balances of approximately HK\$38.1 million (31 March 2021: HK\$70.4 million), of which 34.9% (31 March 2021: 91.0%) were denominated in Hong Kong dollars (“**HK\$**”) or United States dollars (“**US\$**”) and 65.0% (31 March 2021: 8.5%) were denominated in Australian dollars (“**AUD**”). The decrease of cash and bank balances of approximately HK\$32.3 million as compared to the position as at 31 March 2021 was mainly due to the use of cash in operating activities, especially for the Milk Products Business.

The Group had no outstanding borrowing as at 30 September 2021 (31 March 2021: Nil).

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 30 September 2021 was as follows:

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Total debt (sum of current liabilities and non-current liabilities)	76,687	89,015
<i>Less:</i> cash and bank balances	<u>(38,103)</u>	<u>(70,379)</u>
Net debt	<u>38,584</u>	<u>18,636</u>
Total equity	<u>143,691</u>	<u>150,492</u>
Gearing ratio	<u>26.9%</u>	<u>12.4%</u>

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 six months ended 30 September 2021, the Group did not use any financial instruments for hedging purpose and the Group did not have any hedging instruments outstanding as at 30 September 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 arrangements to mitigate any significant foreign exchange risk when and if appropriate.

Charge on Group Assets

As at 30 September 2021, the Group did not have any charges on its assets (31 March 2021: Nil).

Contingent Liabilities

The Group had no contingent liabilities as at 30 September 2021 (31 March 2021: Nil).

Material Capital Commitments

The Group had no material capital commitments as at 30 September 2021 (31 March 2021: Nil).

Significant Investments Held

Save as disclosed in the paragraph headed “Business Review – Property Investment”, the Group did not hold other significant investments as at and for the six months ended 30 September 2021.

Material Acquisitions and Disposals

The Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures for the six months ended 30 September 2021.

Event after the End of the Reporting Period

Save as the making of unconditional mandatory cash offer for the Offer Shares (as defined below) by Well Dynasty (as defined below) which was disclosed in the paragraph headed “Change of Controlling Shareholder and the Unconditional Mandatory Cash Offer” in this announcement, there were no significant events affecting the Group and requiring disclosure that has taken place subsequent to 30 September 2021 and up to the date of this announcement.

Employees

As at 30 September 2021, the Group had 32 employees (31 March 2021: 23). Total staff cost, including Directors’ emoluments, of approximately HK\$5.2 million (2020: HK\$4.4 million) was incurred during the six months ended 30 September 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 by the Group.

Business Development

During the period, the Group continued to devote resources to the Milk Products Business. With the persistent efforts of the Group, the performance of the Milk Products Business improved significantly. The half-year revenue of the Milk Products Business during the period exceeded the annual record of the previous financial year and continued to provide support to the Group’s overall performance. The Group currently mainly sells milk powder under the brands of “A2”, “Bubs” and “Aptamil”. The sales volume of the “Bubs” brand increased by 92% as compared to the second half of the last financial year, while the sales of the “A2” brand maintained a steady growth trend. In addition, the Group also introduced during the period a series of milk powder products for adults and pregnant women under the brand of “A2”, and the products achieved satisfactory sales performance with its high quality. In the second half of the financial year ending 31 March 2022, the Group will expand the sale of products under the “Bubs” brand to Hong Kong while maintaining the sales plan for the existing markets, such as Australia and the PRC. In the future, with the Milk Products Business, the Group will continue to actively promote product diversification to meet the increasing demand from its customers.

In terms of the Mobile Business, intensifying competition, changes in the international political situation and environment, trade disputes, the rise in costs of raw materials, as well as the impacts of the COVID-19 that have lasted for nearly two years, have reduced the viability of small and medium scale mobile handset manufacturers and processors and put tremendous pressure on the operations and performance of the Group's Mobile Business. The markets of Dubai, South Africa, Bangladesh and Vietnam that had been lost last year have not been recovered yet. During the period, the Mobile Business only received a few small new orders, and its profitability significantly deteriorated and even continued to record a loss.

Outlook

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 for business development and diversification. In respect of business development and diversification, the Group developed its Milk Products Business in February 2020 and commenced Property Investment in February 2021.

The Milk Products Business is performing well and the Group will continue to build on its strong business foundation by providing high quality products and good customer experience to gain customer loyalty and develop new customer base, and further expand its market share of milk products in the Asian markets, especially in the PRC, in an effort to sustain the growth of the Milk Products Business. The Milk Products Business is expected to become a new bright spot for the Group's performance in the future. The Property Investment provides a stable source of rental income for the Group and the potential owner-occupancy of the property will benefit the Group's future development.

In terms of the Mobile Business, the Group mainly focused on export trading through ODM of mobile handsets. As a result of the COVID-19 outbreak, orders reduced and the Group had to scale down the operations of the Mobile Business as much as possible and actively reduce operating costs through cost cutting measures to meet the challenges and wait for the market to rebound once the pandemic ends.

The COVID-19 pandemic is still ongoing and experts around the world are unable to estimate when the pandemic will end, but the severity of the pandemic is expected to diminish as the number of people vaccinated with the COVID-19 vaccine increases in various countries. The future development of the pandemic and its further impact on the global economy remains to be seen. Although the Group does not have any detailed plans for material investments or capital assets, the Group will continue to develop in line with its business strategy in order to enhance its performance and maintain its long-term value, as it sees opportunities alongside the crisis.

Change of Controlling Shareholder and the Unconditional Mandatory Cash Offer

The Company was informed by Alpha Professional Development Limited (“**APDL**”), the then controlling shareholder of the Company, that on 29 September 2021 (after trading hours), APDL and Well Dynasty Investments Limited (“**Well Dynasty**”) had entered into a sale and purchase agreement, pursuant to which APDL has conditionally agreed to sell and Well Dynasty has conditionally agreed to acquire 177,965,114 shares of the Company (the “**Sale Shares**”) representing approximately 56.61% of the entire issued share capital of the Company. Following the completion of the sale and purchase of the Sale Shares which took place on 29 September 2021 (the “**Completion**”), Well Dynasty has become the parent and the controlling shareholder of the Company holding approximately 56.61% of the entire issued share capital of the Company.

Well Dynasty is a wholly-owned subsidiary of Miracle Planet Developments Limited, which in turn is a company wholly-owned by Ms. Chong Sok Un (“**Ms. Chong**”). Immediately prior to Completion, Vigor Online Offshore Limited, a wholly-owned subsidiary of China Spirit Limited, owned 14,000,000 shares of the Company, and Ms. Chong owned 100% beneficial interests in China Spirit Limited. As at 30 September 2021, Ms. Chong was deemed to be interested in approximately 61.07% of the entire issued share capital of the Company and was regarded as the ultimate controlling party of the Company.

In accordance with the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, Well Dynasty has made an unconditional mandatory cash offer (the “**Offer**”) for all the issued shares of the Company (other than those shares already owned and/or agreed to be acquired by Well Dynasty and parties acting in concert with it) (the “**Offer Shares**”) and there were 26 valid acceptances in respect of a total of 15,061,501 Offer Shares under the Offer. Details of the Offer were set out in the joint announcements of the Company dated 4 October 2021, 22 October 2021 and 29 November 2021, respectively and the composite document of the Company dated 8 November 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2021.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction 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 six months ended 30 September 2021.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30 September 2021. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor 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 HKICPA as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF THE 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 six months ended 30 September 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

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

The 2021 interim report of the Company will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.hk-alpha.com>) in due course.

ACKNOWLEDGEMENT

I would like to offer the Board's sincere gratitude to the management team and all employees for their hard work and dedication. Their excellence and commitment are of vital importance in enhancing the Company's sustainability. I also take this opportunity to thank our shareholders and all other stakeholders for their continuous support and confidence in us.

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

Hong Kong, 30 November 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