



Huasheng International Holding Limited
華盛國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1323)

Interim Report
2020/2021



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Corporate Information

Executive Directors

Mr. Wong Wai Sing
(*Chairman and Chief Executive Officer*)
Mr. Chan Kin Lung
Mr. Wong Jeffrey

Independent Non-executive Directors

Mr. Kwok Kam Tim
Mr. Tso Ping Cheong, Brian
Mr. Li Kwok Tai, James

Audit Committee Members

Mr. Kwok Kam Tim (*Chairman*)
Mr. Tso Ping Cheong, Brian
Mr. Li Kwok Tai, James

Remuneration Committee Members

Mr. Kwok Kam Tim (*Chairman*)
Mr. Tso Ping Cheong, Brian
Mr. Li Kwok Tai, James

Nomination Committee Members

Mr. Tso Ping Cheong, Brian (*Chairman*)
Mr. Kwok Kam Tim
Mr. Li Kwok Tai, James

Authorised Representatives

Mr. Wong Jeffrey
Ms. Chan Chiu Wing

Company Secretary

Ms. Chan Chiu Wing

Listing Information

Main Board of
The Stock Exchange of Hong Kong Limited
Stock Code: 1323

Company's Website

www.huashengih.com

Registered Office

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Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Suites 2804-07, 28/F.
Shui On Centre
6-8 Harbour Road, Wanchai
Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands

SMP Partners (Cayman) Limited
Royal Bank House
3rd Floor, 24 Shedden Road
P.O. Box 1586, Grand Cayman
KY1-1110, Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

Principal Bankers

Bank of East Asia, Limited
Bank of Communications Co. Ltd.
Hong Kong Branch

Auditor

ZHONGHUI ANDA CPA Limited
Unit 701, 7/F Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong

Management Discussion and Analysis

The board (the “Board”) of directors (the “Director(s)”) of Huasheng International Holding Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 September 2020 (the “Interim Period”).

Business and Financial Review

During the Interim Period, the Group has been engaged in (i) production and sales of ready-mixed commercial concrete (“Concrete Business”); (ii) wholesale and retail of household consumables (“Household Consumables Business”); (iii) provision of money lending services (“Money Lending Business”); and (iv) provision of educational technology solutions through online education programs and provision of English language proficiency tests (“Education Business”). The Group was also engaged in (i) design and development of three-dimensional animations, augmented reality technology application and e-learning web application (“Digital Technology Business”); and (ii) provision of coal trading business (“Coal Business”), which were disposed of and classified as discontinued operations during the Interim Period.

After the outbreak of the Coronavirus Disease of 2019 (“COVID-19”) in early 2020, a series of precautionary and control measures have been implemented across Hong Kong, the People’s Republic of China and United Kingdom, which pose an impact on the Group’s operations and financial performance during the period. These measures unavoidably have resulted in an uncertain fluctuation in business opportunities for the Group.

For the Interim Period, the Group recorded a net profit attributable to the owners of the Company of approximately HK\$9.5 million (six months ended 30 September 2019: approximately HK\$13.5 million).

Continuing Operations

Revenue

The Group’s revenue from continuing operations increased by approximately HK\$443.1 million or 737.9% from approximately HK\$60.0 million for the six months ended 30 September 2019 to approximately HK\$503.1 million for the Interim Period.

Management Discussion and Analysis

Continuing Operations (Continued)

Revenue (Continued)

The following table sets forth a breakdown of the Group's revenue from continuing operations by segments and geographical locations and as a percentage of the Group's total revenue from continuing operations for the Interim Period, with comparative figures for the corresponding period in 2019:

	Six months ended 30 September			
	2020 HK\$'000 (unaudited)	2020 %	2019 HK\$'000 (unaudited) (restated)	2019 %
By segment:				
Concrete Business	456,233	90.7	–	–
Household Consumables Business	25,286	5.0	24,630	41.0
Education Business	3,996	0.8	4,797	8.0
Money Lending Business	17,547	3.5	30,611	51.0
Total	503,062	100.0	60,038	100.0
By geographical location:				
The People's Republic of China (the "PRC")	456,299	90.7	828	1.4
Hong Kong	21,477	4.3	34,580	57.6
United Kingdom (the "UK")	25,286	5.0	24,630	41.0
Total	503,062	100.0	60,038	100.0

Concrete Business was acquired during January 2020 which has brought substantial revenue to the Group during the Interim Period. During the Interim Period, revenue from Concrete Business was approximately HK\$456.2 million, accounting for approximately 90.7% of the Group's total revenue from continuing operations. Concrete Business is a major revenue generator of the Group. As it was newly acquired during January 2020, no comparative information for this business is shown.

The Group's revenue from Household Consumables Business increased by approximately HK\$0.7 million or 2.7% from approximately HK\$24.6 million for the six months ended 30 September 2019 to approximately HK\$25.3 million for the Interim Period was mainly due to increase in sales volume of hygienic products in UK during COVID-19 outbreak compared with same period of last year.

Revenue from Education Business decreased by approximately HK\$0.8 million or 16.7% from approximately HK\$4.8 million for the six months ended 30 September 2019 to approximately HK\$4.0 million during the Interim Period was mainly due to decrease in number of participants enrolled in English language proficiency tests especially held in the PRC.

Management Discussion and Analysis

Continuing Operations (Continued)

Revenue (Continued)

Revenue from Money Lending Business decreased by approximately HK\$13.1 million or 42.7% from approximately HK\$30.6 million for six months ended 30 September 2019 to approximately HK\$17.5 million during the Interim Period was due to decrease in average gross loan portfolio to customers from approximately HK\$314.0 million for the six months ended 30 September 2019 to approximately HK\$286.0 million for the Interim Period.

Gross Profit and Gross Profit Margin

The following table sets forth the Group's gross profit and the gross profit margin from continuing operations by business segment for the Interim Period, with comparative figures for the corresponding period in 2019:

	Six months ended 30 September			
	2020 HK\$'000 (unaudited)	2020 %	2019 HK\$'000 (unaudited) (restated)	2019 %
By segment:				
Concrete Business	73,849	16.2	–	–
Household Consumables Business	4,993	19.7	4,856	19.7
Education Business	2,589	64.8	3,761	78.4
Money Lending Business	17,547	100.0	30,611	100.0
Overall	98,978	19.7	39,228	65.3

Gross profit from continuing operations increased by approximately HK\$59.8 million or 152.3% from approximately HK\$39.2 million for the six months ended 30 September 2019 to approximately HK\$99.0 million for the Interim Period. The increase in gross profit margin was primarily driven by the Concrete Business which was acquired in January 2020.

Since Concrete Business was acquired during January 2020, no comparative information for this business is shown.

The Group's gross profit margin for Household Consumables Business remained constant at approximately 19.7% for both the Interim Period and the six months ended 30 September 2019.

The gross profit margin for Education Business decreased from approximately 78.4% for the six months ended 30 September 2019 to approximately 64.8% for the Interim Period as less English language proficient tests being held in due to the COVID-19 pandemic period.

Money Lending Business continue contributed 100% gross profit margin to the Group.

Management Discussion and Analysis

Continuing Operations *(Continued)*

Other Gains and Losses, Net

Other gains and losses, net from continuing operations for the Interim Period mainly comprise of loss on early redemption of promissory notes approximately HK\$2.7 million and net loss on sales of loan receivables to an independent third party of approximately HK\$1.5 million.

The Group resulted in a net other losses amounted to approximately HK\$4.8 million during the Interim Period, turning around from a net other gains amounting to approximately HK\$13.8 million for the corresponding period last year mainly due to the result of a combination of (i) reversal of impairment loss on trade and other receivables and loan receivables of approximately HK\$23.2 million; and (ii) fair value loss on investments at fair value through profit or loss amounted to approximately HK\$6.9 million during the six months ended 30 September 2019, whereas such items are absent from the Interim Period.

Selling and Distribution Expenses

Selling and distribution expenses from continuing operations mainly consist of transportation expenses, staff cost for distribution and commission paid to sales agents. Selling and distribution expenses significantly increased by approximately HK\$41.6 million for the Interim Period as compared with the corresponding period last year. The primary reason for the significant increase was due to the completion of the acquisition of Concrete Business in January 2020 which was the largest business operation scale among the Group's existing business.

Administrative Expenses

Administrative expenses from continuing operations mainly consist of staff costs (including directors' remuneration), legal and professional fee, consultancy fee and depreciation charge for owned assets and right-of-use assets. Administrative expenses increased by approximately HK\$6.8 million or 25.4% from approximately HK\$26.9 million for the six months ended 30 September 2019 to approximately HK\$33.7 million for the Interim Period, which was mainly resulted from the administrative expenses incurred by Concrete Business which was acquired in January 2020.

Finance Costs

Finance costs from continuing operations mainly consist of interest expenses on convertible bonds, promissory notes, unsecured interest-bearing bonds, bank and other borrowings and lease liabilities. The finance costs increased by approximately HK\$4.6 million or 26.7% from approximately HK\$17.3 million for the six months ended 30 September 2019 to approximately HK\$21.9 million for the Interim Period mainly due to (i) the acquisition of Concrete Business in January 2020 which contributed approximately HK\$4.7 million finance costs to the Group; (ii) approximately HK\$0.7 million five-months interest expenses from the unsecured bond which issued in August 2019; and (iii) approximately HK\$2.8 million from promissory notes which issued in January 2020.

Loss before Income Tax

The Group recorded a loss before income tax from continuing operations of approximately HK\$0.1 million for the Interim Period as compared to a profit of approximately HK\$18.3 million during the six months ended 30 September 2019. The turnaround performance was mainly due to the reversal of impairment loss on trade, retention, and other receivables and loan receivables in total of approximately HK\$23.2 million was recognised during the six months ended 30 September 2019 while no such items occurred during the Interim Period.

Management Discussion and Analysis

Continuing Operations *(Continued)*

Income Tax Expense

The Group recorded income tax expense from continuing operations of approximately HK\$4.5 million during the Interim Period as compared to approximately HK\$4.1 million during the six months ended 30 September 2019. There was no significant change in applicable tax rates of the Company's subsidiaries during the Interim Period.

Impairments

The management performs regular review on the carrying values of the Group's business units to determine any potential impairment loss. During the Interim Period, no impairment loss on goodwill and other intangible assets was recognised. The management assessed the recoverable amount of each of the individual business unit based on a value-in-use/fair-value-less-costs-of-disposal calculation with reference to professional valuation performed by independent professional appraisal firms. Details of the impairment testing on other intangible assets and goodwill are set out in Note 17 to the unaudited condensed consolidated financial statements of this report.

Total Comprehensive Income for the Period Attributable to Owners of the Company

The total comprehensive income for the period attributable to owners of the Company amounted to approximately HK\$23.9 million for the Interim Period as compared to approximately HK\$9.4 million for the six months ended 30 September 2019.

The improvement was mainly attributable to (i) the newly acquired Concrete Business which contributed a positive performance to the Group since its acquisition and (ii) one-off gain from the disposal of subsidiaries amounted approximately HK\$14.0 million during the Interim Period.

Discontinued Operations

Digital Technology Business

On 15 June 2020, the Group, through an indirectly wholly-owned subsidiary, had entered into a sale and purchase agreement to dispose of the entire equity interest of Sino Digital Media (Overseas) Limited ("Sino Digital", together with its subsidiaries are referred to as the "Sino Digital Group") to an independent third party purchaser at a total consideration of HK\$30.0 million. Sino Digital Group carried out the entire Group's Digital Technology Business operation. Accordingly, the Group's Digital Technology Business operation was classified as discontinued operation and the disposal was completed on 27 July 2020. A gain on disposal of Sino Digital Group of approximately HK\$0.2 million was recognised in the Interim Period.

Profit margin generated by Sino Digital Group fluctuated during prior years which were insufficient to cover its expenses, resulting in a net loss from operations. During Interim Period, net operating loss of approximately HK\$0.2 million resulted. In view of the unsatisfactory performance of Sino Digital Group over the past years, the Board considered that the disposal of Sino Digital Group is expected to allow the Group to realise its investment in Sino Digital Group, eliminate the uncertainty of future performance of Digital Technology business of the Group and reallocate its resources to other business segment.

Details of the disposal are set out the announcement of the Company dated 27 July 2020 and in Notes 11 and 29(a) to the unaudited condensed consolidated financial statements of this report.

Management Discussion and Analysis

Discontinued Operations *(Continued)*

Coal Business

On 1 September 2020, the Group, through its indirectly wholly-owned subsidiary, China Indonesia Alliances Coal Investment Company Limited entered into a sale and purchase agreement to dispose of its entire equity interest of China Coal Alliances Trading Company Limited (“CCAT”) and the aggregate advance owned by CCAT (the “shareholders’ Loan”), to the minority shareholder of CCAT at a total consideration of HK\$100. CCAT carried out the entire Group’s coal trading business. Accordingly, the Group’s Coal Business operation was classified as discontinued operation, and the disposal was completed on 1 September 2020. A gain on disposal of CCAT of approximately HK\$14.1 million was recognised in the Interim Period.

The Coal Business had been suspended its trading transactions in prior years due to the uncertainty in the recovery of the long outstanding trade receivables from its sole customer. The Board considered that the disposal of CCAT is in the interests of the Group and the shareholders of the Group and to reallocate more resources to other business segments of the Group and strengthen the capital base of the Group.

Details of the disposal are set out in Notes 11 and 29(b) to the unaudited condensed consolidated financial statements of this report.

Liquidity, Financial Resources and Gearing

As at 30 September 2020, the Group had indebtedness comprising promissory notes, liability component of convertible bonds, interest-bearing unsecured bond and long term loans amounting to approximately HK\$291.9 million (31 March 2020: approximately HK\$318.1 million).

As at 30 September 2020, the Group had cash and cash equivalents of approximately HK\$42.3 million (31 March 2020: approximately HK\$18.2 million) which were mainly denominated in Hong Kong Dollar (“HK\$”), Renminbi (“RMB”) and Great British Pound (“GBP”).

The Group’s current ratio as at 30 September 2020 was 1.9 (31 March 2020: 1.8). The gearing ratio as at 30 September 2020 was 37.6% (31 March 2020: 43.1%), calculated based on the total debts of approximately HK\$291.9 million (31 March 2020: approximately HK\$318.1 million) over shareholders’ equity of approximately HK\$777.1 million (31 March 2020: approximately HK\$738.3 million).

Capital Structure

(A) Share Capital

As at 30 September 2020, the Company has 3,303,060,558 ordinary shares (31 March 2020: 3,274,758,672 ordinary shares) in issue with total shareholders’ equity of the Group amounted to approximately HK\$777.1 million (31 March 2020: HK\$738.3 million). During Interim Period, the Company issued total of 28,301,886 ordinary shares upon conversion of convertible bonds. Further details of the movement of the share capital are set out in Note 26 to the unaudited condensed consolidated financial statements of this report.

Management Discussion and Analysis

Capital Structure (Continued)

(B) Convertible Bonds

On 4 August 2017, the Company, as issuer, Mr. Wong Wai Sing, as guarantor, and Lead Thrive Investments Limited (“Lead Thrive”), as subscriber, entered into a subscription agreement in relation to the issuance of 8% per annum guaranteed convertible bonds in the aggregate principal amount of HK\$200 million with an initial conversion price at HK\$0.46 per share due on 10 August 2019 (the “Convertible Bonds 2019”). The Convertible Bonds 2019 was issued on 11 August 2017.

During Interim Period and year ended 31 March 2020, the Company, Mr. Wong Wai Sing and Lead Thrive entered into several deeds of amendments to amend certain terms and conditions of the Convertible Bonds 2019. As at 30 September 2020, the maturity date of the Convertible Bonds 2019 was extended to 10 November 2020 with conversion price at HK\$0.53 per share.

During Interim Period, the principal amount of HK\$15.0 million of the Convertible Bonds 2019 has been converted into 28,301,886 ordinary shares of the Company. As at 30 September 2020, the outstanding principal amount of the Convertible Bonds 2019 was HK\$85.0 million, representing a maximum of 160,377,358 new shares may be issued upon its full conversion.

Details of the amendments and the movement of the Convertible Bonds 2019 are set out in Note 25 to the unaudited condensed consolidated financial statements of this report.

(C) Promissory Notes

Summary of the promissory notes movement during the Interim Period are as follows:

Date of issue	Maturity date	Interest rate per annum	Principal amount (HK\$)		
			As at 31.3.2020	Redeemed during the period	As at 30.9.2020
6 January 2020 ¹	6 January 2022	2%	20,000,000	20,000,000	–
6 January 2020 ¹	6 January 2023	2%	60,942,624	10,000,000	50,942,624
Total			80,942,624	30,000,000	50,942,624

Note:

1. The promissory notes were issue as part of the consideration for the acquisition of the remaining 80% issued share capital of Alpha Youth Limited.

Currency and Interest Rate Exposure

Certain sales transactions of the Group are denominated in foreign currencies, which expose the Group to foreign currency risks. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. Certain monetary financial assets are denominated in foreign currencies as at 30 September 2020. The exposure in exchange rate risks mainly arose from fluctuations of RMB, GBP and Macau Pataca (“MOP”) to HK\$. The Group’s currency risk exposure in relation to the monetary financial assets are expected to be minimal. Also, the Group does not have significant monetary financial assets denominated in MOP.

Management Discussion and Analysis

Currency and Interest Rate Exposure *(Continued)*

The Directors consider the Group's exposure of the bank balances to cash flow interest rate risk is not significant as the interest rate fluctuation on bank balances is minimal. The Group currently does not have any interest rate hedging policy in relation to interest rate risks. The Directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

Charge on Assets

As at 30 September 2020, the Group did not have any assets under charge/pledged (31 March 2020: Nil).

Contingent Liabilities

As at 30 September 2020, the Group did not have any contingent liabilities or guarantee that would have a material impact on the financial position or results of operations (31 March 2020: Nil).

Capital commitment

As at 30 September 2020, the Group had the following commitments:

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Capital commitment contracted by not provided for: Limited partnership interest	46,018	26,610

Operating Lease Commitments

The Group as Lessor

As at 30 September 2020, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Within one year	–	50
In the second to fifth years, inclusive	–	–
	–	50

Fund Raising Activities

The Company had no equity fund-raising activities during the Interim Period.

Management Discussion and Analysis

Significant Investments

Limited Partnership

Starry Zone Global Limited, a wholly-owned subsidiary of the Group, entered a subscription agreement with Templewater I, L.P. for subscribing a total maximum commitment amount of US\$4.0 million limited partnership interest in a limited partnership (the “Limited Partnership”) on 12 March 2020. During the Interim Period, further subscription agreement entered for subscribing a total maximum commitment amount of US\$5.0 million of the same Limited Partnership.

During the Interim Period, the Group made the drawdown of approximately HK\$19.4 million (equivalent to US\$2.5 million) into the Limited Partnership. As at 30 September 2020, total aggregate capital contribution into the Limited Partnership was approximately HK\$23.8 million (equivalent to US\$3.1 million), which was included in “other receivables” within the line item of “trade, retention and other receivables and prepayments” and the unfunded commitment amounted to approximately HK\$46.0 million.

Up to the date of this report, the Group’s subscription for limited partnership interest in the Limited Partnership has not been completed. The Group will classify this interest as financial assets at fair value through profit or loss upon completion.

Convertible Bonds Receivable

On 28 July 2020, the Group through its directly wholly-owned subsidiary, Golden Star Group Holdings Limited (“Golden Star”), entered into a subscription agreement with an independent private company (the “Issuer”), for an unlisted 8% coupon convertible bonds (“Convertible Bonds Receivable 2025”) at principal amount of approximately HK\$15.6 million (equivalent to US\$2.0 million) maturing on the fifth anniversary of the date of issuance. During the Interim Period, no Convertible Bonds Receivable 2025 has been converted into shares of the Issuer.

Further details are set out in Note 21 to the unaudited condensed consolidated financial statements of this report.

Save as aforesaid or as otherwise disclosed herein, there was no other significant investment made during the Interim Period.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save for the disposal of the Group’s Digital Technology Business and Coal Business segments completed in July 2020 and September 2020 respectively, the Group had no other materials acquisitions and disposals of subsidiaries, associates and joint ventures during the Interim Period.

Significant Events after Reporting Period

(i) Placing of 130,000,000 ordinary shares under general mandate

The Company entered into a placing agreement on 16 October 2020 with a placing agent pursuant to which the placing agent has conditionally agreed with the Company to place up to 130,000,000 placing shares of the Company on a best effort basis to not less than six placees who are independent third parties at the placing price of HK\$0.64 per placing share. The placing was completed on 3 November 2020 and a total of 130,000,000 placing shares was successfully issued and allotted.

Management Discussion and Analysis

Significant Events after Reporting Period *(Continued)*

(i) **Placing of 130,000,000 ordinary shares under general mandate** *(Continued)*

The net proceeds from the placing were approximately HK\$80.5 million and were intended to be used for repayment of convertible bonds principal and accrued interest of the Company. Up to the date of this report, all the net proceeds had been used for payment of interest and principal of convertible bonds. Further details are set out in the Company's announcements dated 16 October 2020 and 3 November 2020.

(ii) **Pledge of subsidiary's shares for a year term loan facility amounting to HK\$50.0 million**

On 15 October 2020, the Company entered into a loan facility with a private company for a year term loan facility amounting to HK\$50.0 million which was secured by pledging the entire shares of an indirectly wholly-owned subsidiary, Chengxin Finance Limited as collateral. Up to the date of this report, HK\$50.0 million facilities have been drawdown by the Group.

Employee and Remuneration Policy

As at 30 September 2020, the Group employed a total of 271 employees (30 September 2019: 67). During the Interim Period, staff costs, including directors' emoluments from continuing operations amounted to approximately HK\$25.6 million (30 September 2019: approximately HK\$14.6 million (restated)).

The Group firmly believes that staff is the most important resources and provides its staff with sound working conditions. The salaries and benefits of the Group's employees are maintained at a competitive level and the Group periodically review the performance of the employees for determining the level of salary adjustment and promotion of the employees. Discretionary year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical benefits.

The Company adopted the share option scheme on 26 February 2015, where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group.

Prospects

The newly acquired Concrete Business in January 2020 contributed strong and stable revenue to the Group during the Interim Period. Looking ahead, we will adopt a cautious approach to explore potential investment and/or business opportunities, mainly focusing on the sales and production of concrete or in building and construction related industry, with a target to find new growth drivers to support the long term development of the Group.

Concrete Business

Concrete Business contributes significant revenue and profit to the Group. The Group engaged in production and sales of ready-mixed commercial concrete in Haikou City, Hainan Province, the PRC. With the strong demand for concrete in Hainan Province in the coming years, together with good relationship between the suppliers and the signed framework agreements with the customers, the Group believes the future demand of concrete is secured with a stable supply of raw materials for production of concrete. The Group expects that Concrete Business would help to overturn the loss making situation of the Group in the past few years.

Management Discussion and Analysis

Prospects *(Continued)*

Household Consumables Business

During the Interim Period, there was a slight increase in revenue and the gross profit margin remained constant. Although the business environment is affected by the outbreak of COVID-19 pandemic and the Brexit-related uncertainty, the Company is still optimistic in its potential growth and aims to enhance the efficiency in utilisation of resources to increase its profit margin.

Education Business

The never ending demand for education-related products and services in Hong Kong and the PRC drives the continuous growth in this industry as a whole. The Company believes that the positive industry outlook will attract more entrants, which could induce more intense competition. The Group will continue to assess the performance and potential growth in this segment.

Money Lending Business

Money Lending Business continues to contribute a stable and favorable income stream to the Group. Money Lending Business is one of the third-tier licensed money lenders in Hong Kong, with the growing money lender market in Hong Kong, the Group is a small but resilient market player in the industry relying on the stringent and continuous risk assessment procedures. With the continual growth in the money lending business market in Hong Kong, the Board believes that Money Lending Business will provide an excellent platform for the Group to expand, explore and capitalise this business market. The Group will continue to develop this business under prudent credit control procedures and strategies to balance between business growth and risk management.

Other Information

Compliance with the Code on Corporate Governance Practice

The Company is committed to the establishment of good governance practices and procedures. The Company has met the code provisions set out in the Corporate Governance Code (“CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). Throughout the Interim Period, the Company has adopted the CG Code as its corporate governance code of practices and in compliance with the mandatory code provisions set out in the CG Code except for the deviations set out as below:

Code provision A.2.1

The code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separated and should not be performed by the same individual.

During the Interim Period, Mr. Wong Wai Sing (“Mr. Wong”) held the role of chairman and chief executive officer of the Company.

The Board is of the view that it is appropriate and in the best interests of the Company for Mr. Wong to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. As the Board meets regularly to consider matters relating to business operations of the Group, the Board is of the view that the above arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of corporate planning and implementation of corporate strategies and decisions will generally not be undermined.

Notwithstanding the above, the Board will review the current structure from time to time. If any candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may consider to make necessary arrangements.

Code provision E.1.2

The code provision E.1.2 of the CG Code stipulates, among other things, that the chairman of the board should attend the annual general meeting.

Mr. Wong, the Chairman, was unable to attend the extraordinary general meeting held on 26 June 2020, and the annual general meeting held on 7 August 2020 due to other commitment and Mr. Wong appointed Mr. Wong Jeffrey, an executive Director, to act as his representative and to take the chair of the general meetings and to ensure that proceedings of the meeting would be conducted in order. The Company considers that sufficient measures have been taken to ensure the Company’s corporate governance practices are no less exacting than those in the CG Code.

Rules 3.10(1) and 3.21

Dr. Hui Chik Kwan had tendered his resignation as an independent non-executive Director, member of each of audit committee, remuneration committee and nomination committee of the Company with effect from 31 March 2020 as he desires to devote more time for his personal affairs. Following his resignation, the Company fails to meet the requirements of (i) having at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules; and (ii) the audit committee comprising a minimum of three members under Rule 3.21 of the Listing Rules.

The Company has fulfilled the Listing Rules requirements subsequent to the appointment of Mr. Li Kwok Tai, James as an independent non-executive Director, member of each of audit committee, remuneration committee and nomination committee on 21 September 2020.

Other Information

Model Code for Securities Transactions

The Company had adopted a code of conduct regarding directors' securities transactions with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company had made specific enquiries to all Directors, all Directors have confirmed that they have complied with the required standards as set out in the Model Code during the Interim Period.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 30 September 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were set out as follows:

Long position in the shares of the Company

Name of Directors	Capacity	Total number of shares held	Approximate percentage of shareholding in the Company (Note 2)
Mr. Wong Wai Sing (Note 1)	Beneficial owner and interest of a controlled corporation	481,500,000	14.57%
Mr. Chan Kin Lung	Beneficial owner	10,000,000	0.30%

Notes:

1. Mr. Wong Wai Sing holds 22,694,000 shares in personal capacity. He also beneficially owned the entire issued share capital of Twin Star Global Limited, which is interested in 458,806,000 shares of the Company.
2. As at 30 September 2020, the number of issued shares was 3,303,060,558.

Save as disclosed above, as at 30 September 2020, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' and Chief Executive's Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this report, at no time during the Interim Period and up to the date of the report, no right to acquire benefits by means of acquisition of shares or debentures of the Company were granted to any Director and chief executive or any of their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Other Information

Substantial Shareholders

As at 30 September 2020, the following persons (not being a Director or chief executive of the Company) have interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares and underlying shares of the Company

Name	Nature of interest	Total number of shares or underlying shares held	Approximate percentage of interest in the Company (Note 3)
Twin Star Global Limited (Note 1)	Beneficial owner	458,806,000 shares	13.89%
Mr. Zhou Feng Tang ("Mr. Zhou")	Beneficial owner	320,000,000 shares	9.68%
Mr. Fu Sze Shing (Note 2)	Beneficial owner	18,000,000 shares	5.40%
	Interest of a controlled corporation	160,377,358 underlying shares	

Notes:

1. Twin Star Global Limited is wholly owned by Mr. Wong Wai Sing, the chairman of the Board and an executive Director. Accordingly, Mr. Wong Wai Sing is deemed to be interested in the shares held by Twin Star Global Limited.
2. These underlying shares of the Company represent a maximum of 160,377,358 new shares that may be issued upon full conversion of the Convertible Bonds 2019 which are beneficially owned by Lead Thrive Investments Limited whose entire issued share capital is beneficially owned by Mr. Fu Sze Shing. By virtue of the SFO, Mr. Fu Sze Shing is deemed to be interested in the underlying shares held by Lead Thrive Investments Limited.
3. As at 30 September 2020, the number of issued shares was 3,303,060,558.

Save as disclosed herein, the Company has not been notified of any other person (other than the Directors or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 September 2020.

Other Information

Share Option Scheme

The Company has adopted a share option scheme on 26 February 2015 for the purpose of providing incentives and rewards to those at the sole determination of the Board, have contributed or will contribute to the Company or its subsidiaries. Detailed terms of the share option scheme were disclosed in pages 35-37 of the annual report 2019/20 of the Company.

No options were granted, exercised, cancelled, lapsed or remained outstanding under the share option scheme during the Interim Period.

Purchase, Sales or Redemption of Listed Securities

Save as those disclosed in this report, during the Interim Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange.

Audit Committee and Review of Interim Financial Statements

The audit committee of the Company (the "Audit Committee") was established on 17 December 2010 with latest written terms of reference revised on 27 November 2018 in compliance with the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the Company's financial reporting process and internal control systems.

The Audit Committee comprises three independent non-executive Directors, being Mr. Kwok Kam Tim (the chairman of the Audit Committee), Mr. Tso Ping Cheong, Brian and Mr. Li Kwok Tai, James. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, including the review of the unaudited condensed consolidated financial statements of the Group for the Interim Period, with the management of the Group.

Interim Dividend

The Board does not recommend the payment of interim dividends for the Interim Period (six months ended 30 September 2019: Nil).

Changes to Information in Respect of Directors

During the Interim Period and up to the date of this report, pursuant to Rule 13.51B(1) of the Listing Rules, there was no change in the information of the Directors and chief executive of the Company.

By the order of the Board
Huasheng International Holding Limited
Wong Wai Sing
Chairman and Executive Director

Hong Kong, 26 November 2020

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)
Continuing operations			
Revenue	5	503,062	60,038
Cost of sales		(404,084)	(20,810)
Gross profit		98,978	39,228
Other income		3,255	32
Other gains and losses, net	6	(4,796)	13,757
Selling and distribution expenses		(41,958)	(337)
Administrative expenses		(33,700)	(26,866)
Finance costs	7	(21,882)	(17,269)
Share of profit of associates		–	9,766
(Loss) profit before income tax from continuing operations		(103)	18,311
Income tax expense	8	(4,454)	(4,058)
(Loss) profit for the period from continuing operations	9	(4,557)	14,253
Discontinued operations			
Profit (loss) for the period from discontinued operations	11	14,013	(763)
Profit for the period		9,456	13,490
Other comprehensive income (loss):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation		14,558	(4,085)
Items that was reclassified to profit or loss:			
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries		(160)	–
Other comprehensive income (loss) for the period, net of income tax		14,398	(4,085)
Total comprehensive income for the period, net of income tax		23,854	9,405
Profit (loss) for the period attributable to:			
Owners of the Company		9,460	13,494
Non-controlling interests		(4)	(4)
		9,456	13,490
Total comprehensive income (loss) for the period attributable to:			
Owners of the Company		23,858	9,409
Non-controlling interests		(4)	(4)
		23,854	9,405
Earnings (loss) per share attributable to owners of the Company			
From continuing and discontinued operations			
Basic and diluted (HK cents)		0.288	0.541
From continuing operations			
Basic and diluted (HK cents)		(0.138)	0.571
From discontinued operations			
Basic and diluted (HK cents)		0.426	(0.03)

Unaudited Condensed Consolidated Statement of Financial Position

At 30 September 2020

	Notes	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	13	4,648	4,470
Property, plant and equipment	14	65,839	67,255
Right-of-use assets	14	18,824	19,464
Other intangible assets	15	110,517	116,992
Goodwill	16	186,074	218,716
Retention receivables	20	75,615	68,275
Deferred tax assets		8,911	4,473
		470,428	499,645
CURRENT ASSETS			
Inventories		10,656	12,928
Loan receivables	18	255,081	321,505
Trade, retention and other receivables and prepayments	19	736,680	663,961
Promissory note receivable	20	23,555	–
Convertible bonds receivable	21	15,693	–
Tax recoverable		–	10,446
Bank balances and cash		42,315	18,238
		1,083,980	1,027,078
CURRENT LIABILITIES			
Trade and other payables and accruals	22	437,407	433,563
Lease liabilities		12,669	12,721
Interest-bearing borrowings	23	14,000	13,313
Convertible bonds	25	108,940	119,449
Tax payable		7,613	2,960
		580,629	582,006
NET CURRENT ASSETS		503,351	445,072
TOTAL ASSETS LESS CURRENT LIABILITIES		973,779	944,717
NON-CURRENT LIABILITIES			
Lease liabilities		8,994	9,184
Interest-bearing borrowings	23	125,538	117,014
Promissory notes	24	43,437	68,365
Deferred tax liabilities		18,682	15,600
		196,651	210,163
NET ASSETS		777,128	734,554
CAPITAL AND RESERVES			
Share capital	26	33,031	32,748
Reserves		744,097	705,523
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		777,128	738,271
Non-controlling interests		–	(3,717)
TOTAL EQUITY		777,128	734,554

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Attributable to owners of the Company					Attributable to owners of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000 (Note i)	Convertible bonds equity reserve HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000 (Note ii)	Exchange reserve HK\$'000	Other reserves HK\$'000 (Note iii)	Accumulated losses HK\$'000	Total HK\$'000		
At 1 April 2019 (audited)	24,238	1,140,981	49	64,692	1,079	678	(5,762)	(6,000)	(824,769)	395,186	(3,732)	391,454
Profit (loss) for the period	-	-	-	-	-	-	-	-	13,494	13,494	(4)	13,490
Other comprehensive income, net of income tax:												
– Exchange differences arising on translation	-	-	-	-	-	-	(4,085)	-	-	(4,085)	-	(4,085)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	(4,085)	-	13,494	9,409	(4)	9,405
Issue of shares upon exercise of share options	16	1,015	-	-	(263)	-	-	-	-	768	-	768
Redemption of convertible bonds	-	-	-	(425)	-	-	-	-	-	(425)	-	(425)
Extinguishment of the Convertible Bonds 2019	-	-	-	(64,267)	-	-	-	-	64,267	-	-	-
Recognition of the Extended Convertible Bonds 2019	-	-	-	225	-	-	-	-	-	225	-	225
Issue of shares pursuant to placing agreement	845	43,940	-	-	-	-	-	-	-	44,785	-	44,785
Transaction cost attributable to issue of placing shares	-	(896)	-	-	-	-	-	-	-	(896)	-	(896)
Lapse of share options	-	-	-	-	(816)	-	-	-	816	-	-	-
Transactions with owners	861	44,059	-	(64,467)	(1,079)	-	-	-	65,083	44,457	-	44,457
At 30 September 2019 (unaudited)	25,099	1,185,040	49	225	-	678	(9,847)	(6,000)	(746,192)	449,052	(3,736)	445,316
At 1 April 2020 (audited)	32,748	1,559,721	49	24	-	678	(11,254)	(6,000)	(837,695)	738,271	(3,717)	734,554
Profit (loss) for the period	-	-	-	-	-	-	-	-	9,460	9,460	(4)	9,456
Other comprehensive income (loss), net of income tax:												
– Exchange differences arising on translation	-	-	-	-	-	-	14,558	-	-	14,558	-	14,558
– Exchange differences reclassified to profit or loss disposal of subsidiaries (Note 29)	-	-	-	-	-	-	(160)	-	-	(160)	-	(160)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	14,398	-	9,460	23,858	(4)	23,854
Issue of shares upon conversion of convertible bonds	283	14,716	-	-	-	-	-	-	-	14,999	-	14,999
Extinguishment of the Convertible Bonds 2019 (As defined in Note 25)	-	-	-	(24)	-	-	-	-	24	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	3,721	3,721
Transactions with owners	283	14,716	-	(24)	-	-	-	-	24	14,999	3,721	18,720
At 30 September 2020 (unaudited)	33,031	1,574,437	49	-	-	678	3,144	(6,000)	(828,211)	777,128	-	777,128

Notes:

- (i) In accordance with the provisions of the Macao Commercial Code, Two-Two-Free Limited-Macao Commercial Offshore ("Two-Two-Free"), a subsidiary of the Company, is required to transfer a minimum of 25% of annual net profit to legal reserve until the legal reserve equals half of the quota capital. This reserve is not distributable to shareholders.
- (ii) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of the subsidiaries comprising the Group prior to the group reorganisation in preparing for listing on The Stock Exchange of Hong Kong Limited.
- (iii) The other reserves represent the difference between the fair value of interest-free advance to Mr. Chum Tung Hang, an ex-shareholder of a subsidiary comprising the Group prior to the group reorganisation, measured at amortised cost using the effective interest method and its principal amount at inception amounting to HK\$6,000,000.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash generated from (used in) operating activities	72,163	(5,737)
Net cash used in investing activities	(11,929)	(14,875)
Net cash used in financing activities	(41,474)	(9,328)
Net increase (decrease) in cash and cash equivalents	18,760	(29,940)
Cash and cash equivalents at beginning of the period	18,238	45,383
Effect of foreign exchange rate changes	5,317	325
Cash and cash equivalents at end of the period	42,315	15,768
Analysis of cash and cash equivalents		
Cash and bank balances	42,315	15,768

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

1. General Information

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 9 June 2010. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 13 January 2011. The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is at Suites 2804-07, 28/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group are (i) production and sales of ready-mixed commercial concrete (“Concrete Business”); (ii) wholesale and retail of household consumables (“Household Consumables Business”); (iii) provision of money lending services (“Money Lending Business”); and (iv) provision of educational technology solutions through online education programs and provision of English language proficiency tests (“Education Business”). The Group was also engaged in the businesses of (i) design and development of three-dimensional animations, augmented reality technology application and e-learning web application (“Digital Technology Business”); and (ii) trading of coal products (“Coal Business”) which were discontinued during the Interim Period, further details of which are set out in Note 11.

This unaudited condensed consolidated financial information is presented in Hong Kong Dollar (“HK\$”), unless otherwise stated.

2. Basis of Preparation

These unaudited condensed consolidated financial statements (“Interim Financial Statements”) of the Group for the Interim Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of the Stock Exchange and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations), the accounting policies and methods of computation used in the Interim Financial Statements are the same as those followed in the presentation of the Group’s annual financial statement for the year ended 31 March 2020 (“Annual Report”).

The Interim Financial Statements have not been audited.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

2. Basis of Preparation (Continued)

Certain figures in the unaudited condensed consolidated financial statements for six months ended 30 September 2019 related to discontinued operations have been reclassified and restated to conform with the current Interim Period presentation and accounting treatment.

3. Principal Accounting Policies

Application of new and amendments to HKFRSs

In the Interim Period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendment to HKFRS 16	COVID-19 Related Rent Concession
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The application of new and amendments to HKFRSs that are relevant to the Group and effective from the Interim Period had no material impacts on the Group's financial performance and positions for the current and prior periods.

At the date of authorisation of the Interim Financial Statements, the Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the Interim Period. The Directors have already commenced an assessment of the impact of these new and revised HKFRSs but are not yet in a position to reasonably estimate whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

4. Estimates

The preparation of Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Report.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

5. Revenue and Segment Information

Information reported to the Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- Concrete Business – Production and sales of ready-mixed commercial concrete
- Household Consumables Business – Wholesale and retail of household consumables
- Education Business – Provision of educational technology solutions through online education programs and provision of English language proficiency tests
- Money Lending Business – Provision of money lending services
- Digital Technology Business – Design and development of three-dimensional animations, augmented reality technology application and e-learning web application¹ (discontinued operation)
- Coal Business – Trading of coal products² (discontinued operation)

1. The Group completed the disposal of the entire equity interest of Sino Digital Media (Overseas) Limited, which carried out the whole Group's Digital Technology Business, on 27 July 2020. Accordingly, the Digital Technology Business segment was classified as a discontinued operation. Details of which are set out in Note 11(a).

2. The Group completed the disposal of the entire equity interest of China Coal Alliances Trading Company Limited on 1 September 2020, which carried out the whole Group's Coal Business. Accordingly, the Coal Business segment was classified as a discontinued operation, details of which are set out in Note 11(b).

The segment information reported as below does not include any results for the discontinued operations.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

5. Revenue and Segment Information (Continued)

Disaggregation of revenue from contracts with customers from continuing operations:

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Continuing operations		
Revenue from contracts with customers:		
Sale of goods from Concrete Business	456,233	–
Sales of goods from Household Consumables Business	25,286	24,630
Services income from Education Business	3,996	4,797
	485,515	29,427
Revenue from other source:		
Interest income from Money Lending Business	17,547	30,611
	503,062	60,038
Timing of revenue recognition:		
At point in time	484,668	28,583
Over time	847	844
Revenue from contracts with customers	485,515	29,427
Geographical market:		
The People's Republic of China (the "PRC")	456,299	828
United Kingdom (the "UK")	25,286	24,630
Hong Kong	3,930	3,969
Revenue from contracts with customers	485,515	29,427

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

5. Revenue and Segment Information (Continued)

Other services income are recognised when services are provided.

Segment revenues and results

The following is an analysis of the Group's revenues and results from reportable and operating segments from continuing operations:

	Continuing operations				Total HK\$'000 (unaudited)
	Concrete Business HK\$'000 (unaudited)	Household Consumables Business HK\$'000 (unaudited)	Education Business HK\$'000 (unaudited)	Money Lending Business HK\$'000 (unaudited)	
For the six months ended 30 September 2020					
Revenue from external customers	456,233	25,286	3,996	17,547	503,062
Segment profit	25,160	2,748	405	14,202	42,515
Bank interest income					11
Exchange differences					6
Amortisation of other intangible assets					(6,525)
Loss on early redemption of promissory notes and promissory note receivable					(2,689)
Central administration costs					(33,421)
Loss before income tax from continuing operations					(103)
For the six months ended 30 September 2019					(restated)
Revenue from external customers	NA	24,630	4,797	30,611	60,038
Segment profit	NA	1,992	136	42,783	44,911
Bank interest income					8
Exchange differences					(3)
Amortisation of other intangible assets					(357)
Fair value loss on investments at FVTPL and derivative financial assets					(7,110)
Loss on redemption of convertible bonds					(373)
Fair value loss on promissory notes					(193)
Loss on early redemption of promissory notes					(1,718)
Share of profit of associates					9,766
Central administration costs					(26,620)
Profit before income tax from continuing operations					18,311

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

5. Revenue and Segment Information (Continued)

Segment revenues and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit from continuing operations represents the (loss from) profit earned by each segment without allocation of central administration costs, amortisation of other intangible assets, loss on redemption of convertible bonds, loss on early redemption of promissory notes and promissory note receivable, bank interest income, exchange differences, share of profit of associates and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Continuing operations		
Concrete Business	835,720	788,395
Household Consumables Business	19,115	20,041
Education Business	4,827	2,724
Money Lending Business	257,552	322,248
Discontinued operations		
Coal Business	–	–
Digital Technology Business	–	515
Total segment assets	1,117,214	1,133,923
Other intangible assets	110,517	116,992
Goodwill	186,074	218,716
Convertible bonds receivable	15,693	–
Promissory note receivable	23,555	–
Amounts due from related parties	529	1,361
Tax recoverable	–	10,446
Deferred tax assets	8,911	4,473
Bank balances and cash	42,315	18,238
Unallocated corporate assets	49,600	22,574
Consolidated total assets	1,554,408	1,526,723

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

5. Revenue and Segment Information (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Continuing operations		
Concrete Business	419,434	394,639
Household Consumables Business	3,792	4,771
Education Business	2,080	2,372
Money Lending Business	2,735	10,256
Discontinued operations		
Coal Business	–	–
Digital Technology Business	–	1,153
Total segment liabilities	428,041	413,191
Tax payable	7,613	2,960
Interest-bearing borrowings	139,538	130,327
Convertible bonds	108,940	119,449
Promissory notes	43,437	68,365
Deferred tax liabilities	18,682	15,600
Unallocated corporate liabilities	31,029	42,277
Consolidated total liabilities	777,280	792,169

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments other than goodwill, other intangible assets, convertible bonds receivable, tax recoverable, promissory note receivable, amounts due from related parties, bank balances and cash and unallocated corporate assets.
- All liabilities are allocated to operating segments other than tax payable, interest-bearing borrowings, convertible bonds, promissory notes, deferred tax liabilities and unallocated corporate liabilities.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

5. Revenue and Segment Information (Continued)

Other segment information

The following is an analysis of other segment information:

	Continuing operations					Total HK\$'000 (unaudited)
	Concrete Business HK\$'000 (unaudited)	Household Consumables Business HK\$'000 (unaudited)	Education Business HK\$'000 (unaudited)	Money Lending Business HK\$'000 (unaudited)	Unallocated Corporate Office HK\$'000 (unaudited)	
For the six months ended 30 September 2020						
Capital additions	853	899	-	-	-	1,752
Depreciation of property, plant and equipment	6,642	134	41	-	13	6,830
Depreciation of right-of-use assets	457	444	-	234	4,784	5,919
Impairment loss on trade, retention and other receivables	767	-	18	-	-	785
For the six months ended 30 September 2019						
Capital additions	-	-	-	-	-	-
Depreciation of property, plant and equipment	-	78	64	-	59	201
Reversal of impairment loss on trade and other receivables	-	(14)	-	-	(10,140)	(10,154)
Reversal of impairment loss on loan receivables	-	-	-	(13,000)	-	(13,000)

These segment information has been included in the measures of segment results or assets.

Revenue from major products and services

The following is an analysis of the Group's revenues from its major products and services from continuing operations:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)
Continuing operations		
Sales of goods from Concrete Business	456,233	-
Sales of goods from Household Consumables Business	25,286	24,630
Services income from Education Business	3,996	4,797
Interest income from Money Lending Business	17,547	30,611
	503,062	60,038

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

5. Revenue and Segment Information (Continued) Information about geographical areas

In determining the Group's information about geographical areas, revenue from continuing operations is allocated to the segments based on the locations of the customers.

The following table provides an analysis of the Group's revenue from continuing operations generated from external customers by geographical market, irrespective of the origin of the goods.

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)
The PRC	456,299	828
Hong Kong	21,477	34,580
UK	25,286	24,630
	503,062	60,038

As at 30 September 2020, approximately HK\$300,149,000, HK\$16,778,000, HK\$68,681,000 and HK\$294,000 of the non-financial assets classified as non-current assets are located in the PRC, the UK, Hong Kong and Macau respectively.

As at 31 March 2020, approximately HK\$308,672,000, HK\$16,611,000, HK\$101,315,000 and HK\$299,000 of the non-financial assets classified as non-current assets are located in the PRC, the UK, Hong Kong and Macau respectively.

Information about major customer

During the Interim Period, no individual customer from continuing operations contributing over 10% of the total sales of the Group.

For illustrative purpose, revenue from customer from continuing operations for six months ended 30 September 2019 contributing over 10% of the total sales of the Group from continuing operations and respective comparative figure during the Interim Period are as follows:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Customer A ¹	2,970	6,297

¹ Revenue from Household Consumables Business

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6. Other Gains and Losses, Net

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)
Continuing operations		
Exchange differences	6	(3)
Fair value gain on convertible bonds receivable	72	–
Fair value loss on investments at fair value through profit or loss (“FVTPL”)	–	(6,888)
Fair value loss on promissory notes	–	(193)
Fair value loss on derivative financial asset	–	(222)
(Impairment loss) reversal of impairment loss on trade, retention and other receivables	(785)	10,154
Reversal of impairment loss on loan receivables	–	13,000
Loss on early redemption of promissory notes and promissory note receivable	(2,689)	(1,718)
Loss on redemption of convertible bonds	–	(373)
Net loss on sales of loan receivables	(1,500)	–
Gain on disposal of property, plant and equipment	21	–
Others	79	–
	(4,796)	13,757

7. Finance Costs

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Continuing operations		
Effective interest expenses on convertible bonds	13,910	16,995
Interest expenses on unsecured bonds	687	188
Interest expenses on bank and other borrowings	4,013	–
Interest expenses on promissory notes	2,790	–
Interest expenses on lease liabilities	482	86
	21,882	17,269

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For the six months ended 30 September 2020

8. Income Tax Expense

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Continuing operations		
Income tax expense represents:		
Current tax:		
– Hong Kong Profits Tax	1,413	5,858
– PRC Enterprise Income Tax (“PRC EIT”)	3,801	6
– Other jurisdictions	517	433
	5,731	6,297
Over-provision in respect of prior years:		
– Hong Kong Profits Tax	–	(2,170)
Deferred taxation	(1,277)	(69)
Income tax expense	4,454	4,058

(i) Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, during the six months ended 30 September 2020 and 2019, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

(ii) PRC EIT

PRC EIT is calculated at 25% (30 September 2019: 25%) of the estimated assessable profits of subsidiaries operating in the PRC except for a subsidiary of the Company which was recognised as a high and new technology enterprise (“HNTE”) and in accordance with relevant laws and regulations in the PRC, the subsidiary is entitled to the preferential tax rate of 15.0% corporate income tax rate for HNTE for both periods ended 30 September 2020 and 2019.

(iii) Macau

As stated in the Decree Law No. 58/59/M, Chapter 2, Article 12, dated 18 October 1999 of Macau, Two-Two-Free Limited-Macao Commercial Offshore is exempted from Macao Complementary Tax.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

8. Income Tax Expense (Continued)

(iv) Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)
Continuing operations		
The Group's (loss) profit for the period has been arrived at after charging:		
Directors' remuneration (Note a)	6,606	7,052
Other staff costs	17,954	7,267
Retirement benefit scheme contributions	1,047	247
Total staff costs	25,607	14,566
Cost of inventories sold	388,030	19,280
Depreciation of property, plant and equipment	6,830	201
Depreciation of right-of-use assets (Note a)	5,919	5,151
Amortisation of other intangible assets	6,525	357
Expenses relating to short-term leases with lease terms end within 12 months (Note b)	–	158

Notes:

- The lease of director's quarter provided to Mr. Wong Wai Sing was classified as the right-of-use assets. The depreciation of the right-of-use of assets related to the director's quarter for the Interim Period was approximately HK\$3,143,000 (2019: HK\$3,143,000), which is included in both the directors' remuneration and depreciation of right-of-use assets. The rental payments for the Interim Period was HK\$3,480,000 (2019: HK\$3,480,000).
- According to HKFRS 16 Leases, payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months.

10. Dividends

The Directors do not recommend for payment of a dividend for the Interim Period (30 September 2019: Nil).

Notes to the Unaudited Condensed Consolidated Financial Statements

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11. Discontinued Operations

(a) Digital Technology Business

On 15 June 2020, the Group through its indirectly wholly-owned subsidiary, DigiSmart (Group) Limited (“DigiSmart”), entered into a sale and purchase agreement with an independent third party in relation to the disposal of entire equity interest in Sino Digital Media (Overseas) Company Limited, (“Sino Digital”, together with its subsidiaries are referred to as the “Sino Digital Group”) at a total consideration of HK\$30,000,000 (the “Sino Digital Disposal”). The Sino Digital Group, represents the whole Digital Technology Business segment of the Group and upon completion of the Sino Digital Disposal, the Group’s Digital Technology Business would be discontinued.

The Sino Digital Disposal was completed on 27 July 2020. Details of assets and liabilities disposed of, and the calculation of the gain on disposal are disclosed in Note 29(a).

The disposal of Sino Digital Group enable the Group to free up the resources, eliminate from the Group uncertainty of future performance of the Digital Technology Business and redirect its resources to other businesses segment which may have higher growth potential to maximise the benefit of the shareholders of the Company. Details of the disposal are set out in the announcement of the Company dated 27 July 2020.

(b) Coal Business

On 1 September 2020, the Group through its indirectly wholly-owned subsidiary, China Indonesia Alliances Coal Investment Company Limited (the “CIAC”), entered into a sale and purchase agreement with the minority shareholder in relation to the disposal of 90% of the issued share capital and sales loan in China Coal Alliances Trading Company Limited (the “CCAT”) at a total consideration of HK\$100 (the “CCAT Disposal”). CCAT represents the whole Coal Business of the Group and its performance was classified as discontinued operation.

The CCAT Disposal was completed on 1 September 2020. Details of assets and liabilities disposed of, and the calculation of gain on disposal are disclosed in Note 29(b).

In view of the uncertainty in the recovery of the long outstanding trade receivables from its sole customer. The board of directors had considered that the CCAT Disposal is expected to allow the Group to realise its investment in CCAT and to reallocate more resources to other business segment of the Group.

The comparative financial performance and cash flows from the above discontinued operations have been represented as part of discontinued operations for the Interim Period.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

11. Discontinued Operations (Continued)

(b) Coal Business (Continued)

The results of Digital Technology Business and Coal Business for the period from 1 April 2020 up to their respective dates of disposal and the six months ended 30 September 2019 have been presented separately as a single line item in the unaudited condensed consolidated statement of the comprehensive income, details of which are as follows:

	Six months ended 30 September					
	2020			2019		
	Digital Technology Business HK\$'000 (unaudited)	Coal Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Digital Technology Business HK\$'000 (unaudited)	Coal Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue	428	-	428	553	-	553
Cost of sales	(179)	-	(179)	(365)	-	(365)
Gross profit	249	-	249	188	-	188
Other income	108	-	108	1	-	1
Other gains and losses, net	(3)	-	(3)	(5)	-	(5)
Administrative expenses	(566)	(41)	(607)	(904)	(43)	(947)
Finance costs	-	-	-	-	-	-
Loss before income tax from discontinued operations	(212)	(41)	(253)	(720)	(43)	(763)
Income tax expense	-	-	-	-	-	-
Loss after income tax from discontinued operations	(212)	(41)	(253)	(720)	(43)	(763)
Gain on disposal of subsidiaries (including reclassification of exchange reserve from equity to profit or loss on disposal of subsidiaries)	214	14,052	14,266	-	-	-
Profit (loss) from discontinued operations	2	14,011	14,013	(720)	(43)	(763)
Profit (loss) from discontinued operations attributable to:						
– owners of the Company	2	14,015	14,017	(720)	(39)	(759)
– Non-controlling interests	-	(4)	(4)	-	(4)	(4)
	2	14,011	14,013	(720)	(43)	(763)
Cash flows from discontinued operations						
Net cash used in operating activities	(817)	-	(817)	(2,493)	-	(2,493)
Net decrease in bank balance and cash	(817)	-	(817)	(2,493)	-	(2,493)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

12. Earnings (Loss) per Share

The calculations of basic earnings (loss) per share is based on the profit (loss) for the period attributable to the owners of the Company and the weighted average number of respective ordinary shares in issue during the period.

The calculations of diluted earnings (loss) per share is based on the respective profit (loss) for the period attributable to the owners of the Company and the adjusted weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As at 30 September 2020 and 2019, the Company has outstanding convertible bonds. The convertible bonds were assumed to have been converted into ordinary shares, and the net profit (loss) is adjusted to eliminate the interest expenses less the tax effect.

For the six months ended 30 September 2020 and 2019, the Company's outstanding convertible bonds had an anti-dilutive effect to the basic earnings per share calculation. The conversion of the above potential ordinary shares is not assumed in the computation of the diluted earnings per share.

(i) From continuing and discontinued operations

The calculations of basic and diluted earnings per share attributable to owners of the Company for the periods are based on the following data:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Profit for the period attributable to owners of the Company	9,460	13,494
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	3,288,986,943	2,495,189,758

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

12. Earnings (Loss) per Share (Continued)

(ii) Continuing operations

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company for the six months ended 30 September 2020 and 2019 are based on the following data:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)
(Loss) profit for the period from continuing operations attributable to owners of the Company	(4,557)	14,253
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	3,288,986,943	2,495,189,758

(iii) Discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company for the six months ended 30 September 2020 and 2019 are based on the following data:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)
Profit (loss) for the period from discontinued operations attributable to owners of the Company	14,013	(763)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	3,288,986,943	2,495,189,758

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

13. Investment Properties

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
At beginning of the period/year	4,470	–
Addition	–	4,884
Decrease in fair value	–	(264)
Exchange realignment	178	(150)
At end of the period/year	4,648	4,470

As at 30 September 2020 and 31 March 2020, the investment properties are located in UK under long term lease (over 50 years).

The investment properties held under operating lease to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the investment properties as at 30 September 2020 have been arrived based on reference to market evidence of transaction prices for similar properties which is reviewed by management.

As at 30 September 2020, the fair value of the investment properties was measured at level 3 of fair value hierarchy using significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the period.

14. Property, Plant and Equipment and Right-Of-Use Assets

(a) Right-of-use of assets

During the Interim Period, the Group has entered into additional lease agreements for leasing Hong Kong office, and therefore recognised additions to right-of-use assets amounted of approximately HK\$5,504,000 (2019: Nil). The Group also early terminated the lease of office premises during the Interim period, resulting in a gain on disposal of lease of approximately HK\$79,000 from continuing operations (2019: Nil).

(b) Acquisitions and disposals of owned assets

During the Interim Period, the Group incurred expenditures on property, plant and equipment with a cost of approximately HK\$1,752,000 (2019: Nil). Items of plant and machinery with net book value of approximately HK\$10,500 where disposed of during the Interim Period, resulting in a gain on disposal of approximately HK\$21,000 from continuing operations while no disposal noted during six months ended 30 September 2019.

Notes to the Unaudited Condensed Consolidated Financial Statements

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15. Other Intangible Assets

	Coal Sales Contract HK\$'000	Customer Network HK\$'000	License Agreements HK\$'000	Total HK\$'000
COST				
At 1 April 2019 (audited)	57,346	8,301	55,006	120,653
Acquisition of subsidiaries	–	85,787	–	85,787
Exchange realignment	–	(512)	–	(512)
At 31 March 2020 (audited)	57,346	93,576	55,006	205,928
Disposal of a subsidiary (Note 29(b))	(57,346)	–	–	(57,346)
Exchange realignment	–	311	–	311
At 30 September 2020 (unaudited)	–	93,887	55,006	148,893
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2019 (audited)	57,346	5,949	8,996	72,291
Charge for the year	–	3,869	–	3,869
Impairment loss recognised	–	–	13,169	13,169
Exchange realignment	–	(393)	–	(393)
At 31 March 2020 (audited)	57,346	9,425	22,165	88,936
Charge for the period	–	6,525	–	6,525
Disposal of a subsidiary (Note 29(b))	(57,346)	–	–	(57,346)
Exchange realignment	–	261	–	261
At 30 September 2020 (unaudited)	–	16,211	22,165	38,376
NET CARRYING VALUES				
At 30 September 2020 (unaudited)	–	77,676	32,841	110,517
At 31 March 2020 (audited)	–	84,151	32,841	116,992

The Coal Sales Contract represented a legally binding sales contract of coal products entered into between the Group and a customer, which was acquired as part of the Group's acquisition of China Indonesia Alliances Coal Investment Company Limited and its 90% owned subsidiary (collectively the "China Coal Group") in prior year and has been allocated to the Coal Business cash generating unit ("CGU"). The Coal Sales Contract was fully impaired in prior years and was completed disposal during the Interim Period.

The Customer Network represents a long and close business relationship with customers of S&J Distribution Limited ("S&J"), which was acquired as part of the Group's acquisition of S&J in prior years and Alpha Youth Limited and its subsidiaries (collectively "Alpha Youth Group") last year; and has been allocated to the Household Consumables Business CGU and Concrete Business CGU respectively. The Customer Network of S&J and Alpha Youth Group are amortised on a straight-line basis over 10 years and 7 years respectively.

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15. Other Intangible Assets (Continued)

License Agreements represent the authorisation to be an official representative of (i) TOEIC (the Test of English for International Communication) in Hong Kong and Macau; (ii) TOEFL Junior tests (a general assessment of middle school-level English-language proficiency of the Test of English as a Foreign Language) in Hong Kong and Macau; (iii) TOEFL ITP (the Institutional Testing Program of the Test of English as a Foreign Language) in Hong Kong, Macau and the Southern China; and (iv) TOEIC (the Test of English for International Communication) (the tests of listening and reading only) in 8 provinces of the PRC. The License Agreements were acquired as part of the Group's acquisition of DigiSmart (Group) Limited and its subsidiaries (collectively the "DigiSmart Group") in prior year and has been allocated to the Education Business CGU.

The Group also assessed the useful lives of the License Agreements as indefinite because the Group considered the License Agreements are renewable at no additional cost and that the business relationship with the license owner becomes probable to continue indefinitely in the foreseeable future. Based on historical records, the Group is able to renew the License Agreements with the license owner without any additional cost.

Particulars regarding impairment testing on other intangible assets are set out in Note 17.

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16. Goodwill

	Concrete Business CGU HK\$'000	Household Consumables Business CGU HK\$'000	Digital Technology Business CGU HK\$'000	Education Business CGU HK\$'000	Money Lending Business CGU HK\$'000	Total HK\$'000
COST						
At 1 April 2019 (audited)	-	9,774	113,633	61,319	21,795	206,521
Acquisition of subsidiaries	154,505	-	-	-	-	154,505
At 31 March 2020 (audited)	154,505	9,774	113,633	61,319	21,795	361,026
Disposal of subsidiaries (Note 29(a))	-	-	(113,633)	-	-	(113,633)
At 30 September 2020 (unaudited)	154,505	9,774	-	61,319	21,795	247,393
ACCUMULATED IMPAIRMENT LOSSES						
At 1 April 2019 (audited)	-	-	72,756	61,319	-	134,075
Impairment	-	-	8,235	-	-	8,235
At 31 March 2020 (audited)	-	-	80,991	61,319	-	142,310
Disposal of subsidiaries (Note 29(a))	-	-	(80,991)	-	-	(80,991)
At 30 September 2020 (unaudited)	-	-	-	61,319	-	61,319
NET CARRYING VALUES						
At 30 September 2020 (unaudited)	154,505	9,774	-	-	21,795	186,074
At 31 March 2020 (audited)	154,505	9,774	32,642	-	21,795	218,716

Goodwill arising in prior years related to (i) the acquisition of S&J and has been allocated to the Household Consumables Business CGU; (ii) the acquisition of DigiSmart Group and has been allocated to the Digital Technology Business CGU and Education Business CGU on proportion to the estimated fair value of the respective CGUs as at the date of completion of the acquisition; (iii) the acquisition of Chengxin Finance Limited ("Chengxin") and has been allocated to the Money Lending Business CGU; and (iv) the acquisition of Alpha Youth Group and has been allocated to the Concrete Business CGU.

Goodwill allocated to the Digital Technology Business was disposed on 27 July 2020. Further details are set on Note 29(a).

None of the goodwill of the CGUs recognised is expected to be deductible for income tax purposes.

Particulars regarding impairment testing on goodwill are set out in Note 17.

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17. Impairment Testing on Other Intangible Assets and Goodwill

For the purpose of impairment testing, other intangible assets and goodwill set out in Notes 15 and 16 respectively have been allocated to four individual CGUs, comprising a subsidiary in Household Consumables Business, subsidiaries in Concrete Business, subsidiaries in Education Business and a subsidiary in Money Lending Business. For goodwill allocated to Education Business was fully impaired in prior years. Other intangible assets and goodwill had been allocated to five individual CGUs for the purpose of impairment testing as at 31 March 2020, comprising the above four CGUs, and subsidiaries in Digital Technology Business. Goodwill and other intangible assets allocated to Digital Technology Business were completed disposal during the Interim Period.

During the Interim Period, the Group determines that there is no impairment of other intangible assets and goodwill in respect of the above four individual CGUs.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Household Consumables Business CGU

The recoverable amount of this unit has been determined based on a fair-value-less-costs-of-disposal (31 March 2020: fair-value-less-costs-of-disposal) calculation with reference to a professional valuation performed by Asset Appraisal Limited (“AAL”), an independent firm of professionally qualified valuers for the Interim Period. That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a 4.5-year period (31 March 2020: a 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (31 March 2020: 2%). The post-tax rate used to discount the forecast cash flows is 17.44% (31 March 2020: 13.38%).

Concrete Business CGU

The recoverable amount of this unit as at 30 September 2020 has been determined based on a value-in-use (31 March 2020: value-in-use) calculated with reference to a professional valuation performed by AAL (31 March 2020: Grant Sherman Appraisal Limited). That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a 5.25-year period (31 March 2020: 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (31 March 2020: 3%). The pre-tax rate used to discount the forecast cash flows is 14.98% (31 March 2020: 20.2%).

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17. Impairment Testing on Other Intangible Assets and Goodwill (Continued)

Education Business CGU

The recoverable amount of this unit as at 30 September 2020 has been determined based on a value-in-use (31 March 2020: value-in-use) calculation with reference to a professional valuation performed by AAL and that calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a 4.5-year period (31 March 2020: 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (31 March 2020: 2%). The pre-tax rate used to discount the forecast cash flows is 17.25% (31 March 2020: 16.42%).

As at 31 March 2020, the Group was of the opinion, based on the impairment assessment of the Education Business CGU, the recoverable amount of this unit has been determined to be approximately HK\$32,841,000 and the goodwill allocated to Education Business CGU was partially impaired by approximately HK\$13,169,000 which was charged to the profit or loss under other gains and losses, net during year ended 31 March 2020. The above impairment loss was mainly attributable to a fall in annual growth rate over the 5-year forecast period due to the increase in competition among other market participants, loss of competitiveness and the change in customers' needs.

Money Lending Business CGU

The recoverable amount of this unit as at 30 September 2020 has been determined based on a value-in-use (31 March 2020: value-in-use) calculation with reference to a professional valuation performed by AAL. That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a 4.5-year period (31 March 2020: a 5-year period). Cash flows beyond the projection period are extrapolated using zero growth rate (31 March 2020: zero growth rate). The pre-tax rate used to discount the forecast cash flow is 18.93% (31 March 2020: 16.8%).

Digital Technology Business CGU

The recoverable amount of this unit as at 31 March 2020 had been determined to be approximately HK\$30,000,000 based on the fair value less costs of disposal calculation with reference to consideration agreed in the sale and purchase agreement for disposal of the Sino Digital Group. The calculation uses the consideration less direct selling cost. The disposal of the Sino Digital Group was completed on 27 July 2020. Further details are set out in Note 29(a).

Based on the impairment assessment of Digital Technology Business CGU, the goodwill allocated to Digital Technology Business CGU was determined to be impaired as at 31 March 2020. An impairment loss of approximately HK\$8,235,000 was recognised in consolidated profit or loss under other gains and losses, net during year ended 31 March 2020. The impairment loss recognised during the year ended 31 March 2020 was mainly attributable to the offered consideration was lower than the net assets value of the Digital Technology Business CGU.

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17. Impairment Testing on Other Intangible Assets and Goodwill (Continued)

Digital Technology Business CGU (Continued)

The recoverable amount of Household Consumables Business CGU were based on the fair value less costs of disposal calculation determined by income approach using discounted cash flow projections for the six months ended 30 September 2020 and year ended 31 March 2020. It is classified as a level 3 fair value measurement.

For Concrete Business CGU, Education Business CGU and Money Lending Business CGU, for which no impairment loss was recognised during the Interim Period, reasonably possible changes in key assumptions on which the management had based its determination of the CGUs' recoverable amounts would not cause the CGUs' carrying amounts to exceed their respective recoverable amount.

18. Loan Receivables

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Loan receivables		
– Collateralised	74,070	74,070
– Non-collateralised	183,000	241,086
	257,070	315,156
Accrued interest receivables	39,086	47,424
	296,156	362,580
Less: Impairment loss recognised	(41,075)	(41,075)
	255,081	321,505

The loan receivables of the Group's Money Lending Business are all denominated in HK\$. The initial loan periods granted to customers are mainly within one year to two years.

The loans provided to customers bore fixed monthly interest rate ranging from 12% to 32% (31 March 2020: 8% to 36%) per annum as at 30 September 2020. The effective interest rates of the above loan receivables ranging from 13% to 36% (31 March 2020: 8% to 43%) per annum as at 30 September 2020.

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18. Loan Receivables (Continued)

Ageing analysis of loan receivables (net of allowance of doubtful debt) prepared based on initial loan commencement as set out in the relevant contracts is as follows:

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
0-90 days	4,000	–
91-180 days	5,000	27,166
181-365 days	26,000	50,000
Over 365 days	187,132	203,052
	222,132	280,218

The Group's allowance for expected credit losses ("ECLs") on loan to customers take into account the subsequent settlement, forward-looking information and the management's judgement on the marketability of the collateral properties and customers' capability of payment.

The Group has not recognised any additional allowance for ECLs other than those made for the year ended 31 March 2020 against all loans to customers as at 30 September 2020 (31 March 2020: approximately HK\$28,075,000) on loan receivables and accrued interest on an individual assessment basis. As at 30 September 2020, certain loan receivables amounting to approximately HK\$11,359,000 (31 March 2020: HK\$12,550,000) are guaranteed by a related party.

Loan receivables that were past due but not impaired related to customers that have made regular payments to the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the customers and the balances are still considered fully recoverable.

Set out below is the information about the credit risk exposure on the Group's loan receivables based on contractual due date:

	Current	1-90 days past due	91-180 days past due	181-365 days past due	Over 365 days past due	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 September 2020 (unaudited)						
Weighted average expected loss rate	0%	0%	0%	43.8%	99.7%	
Receivable amount	120,000	43,000	45,000	25,000	24,070	257,070
Loss allowance	–	–	–	(10,938)	(24,000)	(34,938)
At 31 March 2020 (audited)						
Weighted average expected loss rate	0%	43.75%	0%	100.0%	0%	
Receivable amount	255,586	25,000	10,500	24,000	70	315,156
Loss allowance	–	(10,938)	–	(24,000)	–	(34,938)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

19. Trade, Retention and Other Receivables and Prepayments

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Trade receivables, gross	409,524	451,388
Less: impairment loss recognised	(49,991)	(89,040)
Trade receivables, net	359,533	362,348
Retention receivables, gross	401,786	357,669
Less: impairment loss recognised	(18,720)	(15,799)
Retention receivables, net	383,066	341,870
Bills receivables	23,099	7,151
Prepayments and deposits	8,986	10,836
Other receivables	37,082	8,670
Amounts due from related parties (<i>Note (i)</i>)	529	1,361
Trade, retention and other receivables and prepayments	812,295	732,236
Analysis as		
Current	736,680	663,961
Non-current		
— Retention receivables	75,615	68,275
Total	812,295	732,236

Notes:

- (i) The amounts are due from related parties represents companies which directors of certain subsidiaries have direct equity interest or amounts due from the directors of certain subsidiaries. The amounts due are unsecured, interest-free and repayable on demand.
- (ii) The trade and other receivables are denominated in the functional currencies of the relevant group entities.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

19. Trade, Retention and Other Receivables and Prepayments (Continued)

Trade and bills receivables

The Group generally allows an average credit period of 30 to 90 days (31 March 2020: 30 to 90 days) to its trade customers. However, certain portion of the trade receivables from Concrete Business (i.e. the retention portion) would be allowed to settle until 30 to 90 days after the completion of the construction by its trade customers. All bills receivables were aged within 180 days as at 30 September 2020.

The ageing analysis of the Group's trade receivables (net of retention portion and impairment losses) based on the invoice date at the end of the reporting period is as follows:

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
0-30 days	50,485	48,845
31-60 days	42,443	27,411
61-90 days	41,604	61,173
Over 90 days	225,001	224,919
	359,533	362,348

The Group applies the simplified approach under HKFRS 9 (2014) to provide for ECL using the lifetime expected loss provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward looking information.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

	Current	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 September 2020						
Weighted average expected loss rate	0.17%	0.48%	0.60%	2.85%	20.36%	
Receivable amount	50,780	42,695	41,895	36,449	237,705	409,524
Loss allowance	(88)	(207)	(252)	(1,037)	(48,407)	(49,991)
At 31 March 2020						
Weighted average expected loss rate	0.13%	0.03%	0.83%	0.96%	30.26%	
Receivable amount	69,660	3,266	25,689	61,482	291,291	451,388
Loss allowance	(90)	(1)	(212)	(591)	(88,146)	(89,040)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

19. Trade, Retention and Other Receivables and Prepayments (Continued)

Retention receivables

The Group's retention receivables represent certified contract payments in respect of good delivered for which 20% to 30% of the contract value are withheld by customers for retention purpose, and the amount retained is withheld on each payment up to a maximum amount calculated as a prescribed percentage of the contract sum. In the opinion of the management, the retention receivables to be received after 1 year are classified as non-current assets in the unaudited consolidated statements of financial position since it is not expected to realise the retention receivables in the Group's normal operating cycle.

As at 30 September 2020, retention receivables amounting to approximately HK\$383,066,000 (31 March 2020: HK\$341,870,000), which are entitled by the Group subject to the Group's goods satisfactorily passing inspection as the Group's entitlement to this final payment is conditional on the Group's goods satisfactorily passing inspection.

The aging analysis of the Group's retention receivables (net of impairment losses) based on the revenue recognition date at the end of the reporting period is as follows:

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
0–30 days	303,308	93,746
31–60 days	2,835	108
61–90 days	6,494	89,687
Over 90 days	70,429	158,329
	383,066	341,870

The Group applies the simplified approach under HKFRS 9 (2014) to provide for ECL using the lifetime expected loss provision for all retention receivables.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

19. Trade, Retention and Other Receivables and Prepayments (Continued)

Retention receivables (Continued)

The following table provides information about the exposure to credit risk for retention receivables which are assessed based on provision matrix as at 30 September 2020 within lifetime ECL (not credit impaired).

	Current	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 September 2020						
(unaudited)						
Weighted average expected loss rate	0.77%	41.77%	31.75%	1.16%	16.42%	
Receivable amount	304,161	2,414	4,154	5,794	85,263	401,786
Loss allowance	(2,329)	(1,008)	(1,319)	(67)	(13,997)	(18,720)
At 31 March 2020						
(audited)						
Weighted average expected loss rate	0.93%	4.00%	8.27%	9.47%	12.87%	
Receivable amount	228,458	29,648	5,068	2,524	91,971	357,669
Loss allowance	(2,116)	(1,186)	(419)	(239)	(11,839)	(15,799)

20. Promissory note receivable

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Promissory note receivable		
– Current	23,555	–

On 15 June 2020, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the “Purchaser”) to dispose of entire issued share capital of Sino Digital, at a consideration of HK\$30,000,000. In order to settle the purchase price, the Purchaser issued a HK\$ denominated promissory note with principal sum of HK\$25,000,000 on 27 July 2020. The promissory note is guaranteed by a personal guarantee and being matured on 26 July 2021.

Notes to the Unaudited Condensed Consolidated Financial Statements

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20. Promissory note receivable (Continued)

During the Interim Period, principal amount of HK\$1,500,000 was early redeemed by Purchaser and loss on early redemption of approximately HK\$15,000 (2019: Nil) was recognised in the profit or loss.

The directors of the Group consider that the fair values of promissory notes receivables which are expected to be recovered within one year are not materially different from their carrying value amount because these balances have short maturity period on their inception.

21. Convertible Bonds Receivable

On 28 July 2020, the Group's directly wholly-owned subsidiary, Golden Star Group Holdings Limited ("Golden Star"), entered into a subscription agreement with a private company which incorporated in the British Virgin Islands (the "Issuer"), to subscribe an unlisted 8% coupon convertible bonds (the "8% Convertible Bonds") issued by the Issuer, at principal amount of US\$2,000,000 maturing on the fifth anniversary of the date of issuance (the "Maturity Date"). The subscription of the 8% Convertible Bonds was subsequently completed on 31 July 2020.

The 8% Convertible Bonds entitle the holder to convert the whole or part of the principal amount at any time preceding the Maturity Date into Conversion Shares to be issued by the Issuer.

The 8% Convertible Bonds carry interest of 8% per annum. The first half of the interest amount (i.e. 4% per annum) shall be payable in arrears every twelve months and the remaining half of the interest amount (i.e. another 4% per annum) shall be accumulated and payable in a lump sum upon (i) the fourth anniversary of the date of issue (the "First Redemption Date") or (ii) the Maturity Date or (iii) the date of early redemption or conversion, whichever is earlier. No interest will be payable upon the exercise of the Conversion Rights. The outstanding 8% Convertible Bonds will be redeemed at 100% of the principal amount and the interest amount accumulated on or before the fifth business day after (i) the First Redemption Date at the discretion of the bondholder; or (ii) the Maturity Date. The 8% Convertible Bonds are denominated in United State Dollars.

As at 30 September 2020, the convertible bonds receivable has been fair valued with reference to the valuation conducted by an independent qualified professional valuer.

Details of movement is set out below:

	HK\$'000 (unaudited)
At 1 April 2020	—
At date of subscription	15,524
Accrued interest receivables	97
Change in fair value recognised in profit of loss	72
At 30 September 2020	15,693

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

22. Trade and Other Payables and Accruals

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Trade payables	361,449	368,989
Bills payables	23,102	–
Customer deposits/contract liabilities	421	9,990
Other payables and accruals	51,026	53,175
Amount due to controlling shareholder	1,409	1,409
	437,407	433,563

The ageing analysis of the Group's trade payables and bills payables based on the invoice date at the end of the reporting period is as follows:

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
0–30 days	62,730	81,568
31–60 days	63,499	82,715
Over 90 days	258,322	204,706
	384,551	368,989

The above trade and other payables of the Group are denominated in the functional currencies of the relevant group entities.

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For the six months ended 30 September 2020

23. Interest-bearing Borrowings

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Unsecured, interest-bearings		
– Bond	14,000	13,313
– Other borrowings	125,538	117,014
	139,538	130,327
Analysis as		
– Current	14,000	13,313
– Non-current	125,538	117,014
	139,538	130,327

On 25 July 2019, the Company entered a bond subscription agreement with an independent third party to issue 10% coupon bond of principal amount of HK\$12,500,000 (the “Bond”).

The Bond is denominated in HK\$ and issued on 7 August 2019 at par. The Bond is unsecured and mature one year from the date of issue at 102% of its principal amount. Interest is payable at the maturity date. The effective interest rate of the Bond is 12%. During the Interim Period, interest expense for the Bond is approximately HK\$687,000 (2019: approximately HK\$188,000).

As at the date of this report, the Company is under negotiation for a further extension of the maturity date.

The Bond represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate on the initial date applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms. The interest charged on the Bond for the period is calculated by applying effective interest rate of approximately 12% per annum to the Bond since the Bond was issued.

The Director consider that the effective interest rate of the Bond on initial recognition would be similar to at the end of each reporting period.

Alpha Youth Group entered into several loan agreements with the ex-shareholder and companies associated with the ex-shareholder, to convert the amount due to them into unsecured interest-bearing long term loans (the “Loans”)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

23. Interest-bearing Borrowings (Continued)

The Loans are denominated in RMB and are unsecured and being matured between 2 to 10 years from the date of the loan agreements. The Loans bear fixed interest rate of 1% per annum and payable annually. The weighted average effective interest rate of the Loans is 6.96% per annum (31 March 2020: 6.96%). During the Interim Period, no repayment of Loans noted and interest expenses for the Loans are approximately HK\$3,792,000 (2019: Nil).

24. Promissory Notes

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
At the beginning of the period/year	68,365	13,589
Fair value of promissory notes issued for acquisition of subsidiaries	–	114,842
Redemption during the period/year	(30,000)	(67,500)
Loss on early redemption	2,674	5,360
Fair value loss recognised in profit or loss	–	193
Effective interest expenses	2,790	2,027
Transfer to accrual	(392)	(146)
At the end of the period/year	43,437	68,365
Analysed for reporting purposes as:		
Non-current liabilities	43,437	68,365

On 6 January 2020, the Group completed the acquisition of remaining 80% equity interest in Alpha Youth Group, for a nominal consideration of HK\$431,309,000. Part of the consideration was satisfied by the Company's issue of promissory notes in respective principal amounts of HK\$36,000,000 (the "Promissory Note A"), HK\$36,000,000 (the "Promissory Note B") and HK\$60,942,624 (the "Promissory Note C") to the vendor. The Promissory Note A, B and C are unsecured and bear interest at 2% per annum. Promissory Note A, Promissory Note B and Promissory Note C have a maturity period of one year, two years and three years from the date of issuance respectively. The promissory notes can be early redeemed by the Company at all or part of the outstanding principal amount of the promissory notes.

Promissory Note A was early redeemed by the Company in full while partial of Promissory Note B was early redeemed by the Company during the year ended 31 March 2020, resulting in total of loss on early redemption of approximately HK\$3,642,000 recognised during the year ended 31 March 2020.

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24. Promissory Notes (Continued)

During the Interim Period, the remaining Promissory Note B's principal was early redeemed in full and partial of Promissory Note C was also early redeemed by the Company resulting in total of loss on early redemption of approximately HK\$2,674,000.

The fair value of the promissory notes at date of issuance is determined with reference to a professional valuation performed by Grant Sherman Appraisal Limited. The effective interest rate of the promissory notes on initial recognition and the subsequent measurement of interest expense on the promissory notes are calculated using effective interest rate of ranged from 7.38% to 9.85% per annum.

25. Convertible Bonds

On 11 August 2017, the Company issued 8% guaranteed convertible bonds with an aggregate principal amount of HK\$200,000,000 (the "Convertible Bonds 2019").

The Convertible Bonds 2019 mature two years from the date of issue at 116% of its principal amount; or can be early redeemed by the Company or the holder at amount equal to all outstanding Convertible Bonds 2019 at 100% of the principal amount plus a premium of 8% per annum after the first anniversary of the date of issue (i.e. 11 August 2018); or can be converted into shares of the Company on and after 11 August 2017 to 10 August 2019 at the holder's option at the conversion price of HK\$0.46 per share, which is subject to certain adjustments prescribed in the convertible bonds subscription agreement. Interest of 8% per annum is payable per repayment schedule is paid on 30 June and 31 December up until the bonds are converted or redeemed.

The Convertible Bonds 2019 was guaranteed by Mr. Wong Wai Sing, an executive Director of the Company (the "Guarantor"), who unconditionally and irrevocably guaranteed that if the Company does not pay any sum payable by it under the subscription agreement or Convertible Bonds 2019 by the time and on the date specified for such payment, the Guarantor would pay that sum to or to the order of the Convertible Bonds 2019 holders.

The fair value of the liability component and the equity conversion component were determined at date of issuance of the Convertible Bonds 2019 with reference to a professional valuation performed by AAL.

The fair value of liability component was calculated using a market interest rate for an equivalent non-convertible bond and netting off the fair values of issuer callable redemption and holder puttable redemption options and subsequently measure at amortised cost. The residual amount representing the fair value of the equity conversion component was included in the convertible bonds equity reserve at initial date.

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25. Convertible Bonds (Continued)

On 9 August 2019, the Company, the Guarantor and the Convertible Bonds 2019 holder entered into a deed of amendment (the “Deed of Amendment”) to extend the maturity date of the outstanding HK\$100,000,000 principal amount of Convertible Bonds 2019 from 10 August 2019 to 10 November 2019 (“Extended Convertible Bonds 2019”). Save for the aforesaid extension of maturity date, all other terms and conditions of the Convertible Bonds 2019 and Extended Convertible Bonds 2019 shall remain unchanged.

On 23 August 2019, the Company, the Guarantor and Convertible Bonds 2019 holder entered into the amended and restated deed of amendment to amend certain terms and conditions in the Deed of Amendment. The terms and conditions of the amended and restated deed of amendment are the same as the Deed of Amendment save and except that, among other things, (1) the conversion price be revised from HK\$0.46 per share to HK\$0.52 per share (subject to adjustments); and (2) the interest rate fixed of the convertible bonds be revised from 8% per annum to 12% per annum with effect from the date immediately after the expiry of the original maturity date, being 11 August 2019 (the “Alteration”). The Company has obtained the approval of the Alteration from the Stock Exchange on 28 August 2019.

On 11 November 2019, the Company, the subscriber and guarantor entered into the deed of amendment (the “Second Deed of Amendment”) and agreed to amend the terms of the Convertible Bonds 2019 (the “New Proposed Amendments”) such that (i) the maturity date be extended for a further term of six months, being 10 May 2020 from the first amended maturity date of the Convertible Bonds 2019 which falls on 10 November 2019, and (ii) the conversion price to revised from HK\$0.52 per share to HK\$0.53 per share (subject to adjustments) (the “Second New Conversion Price”), subjected to the fulfillment of the conditions precedent set out in the Second Deed of Amendment. Apart from the New Proposed Amendment above, the remaining terms and conditions of the Convertible Bonds 2019 remain intact and unchanged.

All the conditions precedent set out in the Second Deed of Amendment have been fulfilled on 14 November 2019, the New Proposed Amendments took effect on 14 November 2019 (the “Second Extension Date”). For details, please refer to the announcements of the Company dated 11 November and 14 November 2019.

During year ended 31 March 2020, the Company made several early redemption on part of the outstanding Convertible Bonds 2019 at total principal amount of HK\$50,000,000. Upon partial redemption of the Convertible Bonds 2019, the respective value of the convertible bonds equity reserve of was released during the year.

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25. Convertible Bonds (Continued)

On 11 May 2020, the Company, the subscriber and guarantor entered into the deed of amendment (the “Third Deed of Amendment”) and agreed to amend the terms of the Convertible Bonds 2019 (the “Further New Proposed Amendments”) such that the maturity date be extended for a further term of six months, being 10 November 2020 from the second amended maturity date of the Convertible Bonds 2019 which falls on 10 May 2020 subjected to the fulfillment of the conditions precedent set out in the Third Deed of Amendment. Apart from the Further New Proposed Amendment above, the remaining terms and conditions of the Convertible Bonds 2019 remain intact and unchanged.

On 30 June 2020, the subscriber exercised the conversion right to convert principal amount of HK\$15,000,000 Convertible Bonds 2019 into ordinary shares of the Company, 28,301,886 shares being allotted and issued at conversion price of HK\$0.53 per share.

All the conditions precedent set out in the Third Deed of Amendment have been fulfilled on 26 June 2020, the Further New Proposed Amendments took effect on 26 June 2020 (the “Third Extension Date”). For details, please refer to the announcements of the Company dated 11 May and 26 June 2020.

Up to the date of the report, HK\$35.0 million the Convertible Bonds 2019 was converted in the ordinary shares of the Company and the remaining outstanding Convertible Bonds 2019 was also settled.

Convertible Bonds for Acquisition of Alpha Youth Group

On 6 January 2020, the Group completed the acquisition of remaining 80% equity interest in Alpha Youth Group, for a nominal consideration of HK\$432,942,624. Part of the consideration was satisfied by the Company’s issue of convertible bonds in respective principal amounts of HK\$70,000,000 (the “Alpha Youth Convertible Bonds”) to the vendor. The Alpha Youth Convertible Bonds is unsecured and interest free.

The Alpha Youth Convertible Bonds mature three years from the date of issue at 100% of its principal amount, or can be converted into shares of the Company on and after 6 January 2020 to 5 January 2023 at the holder’s option at the conversion price of HK\$0.53 per share, which is subjected to certain adjustments prescribed in the convertible bonds subscription agreement.

The fair value of the liability component and the equity conversion component were determined at date of issuance of the Alpha Youth Convertible Bonds with reference to a professional valuation performed by Grant Sherman Appraisal Limited.

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25. Convertible Bonds (Continued)

Convertible Bonds for Acquisition of Alpha Youth Group (Continued)

All the Alpha Youth Convertible Bonds had been converted into ordinary shares of the Company as at 31 March 2020. Further details were disclosed in the Annual Report 2019/20 of the Company.

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Equity component		
At the beginning of the period/year	24	64,692
Issuance during the period/year	–	24,703
Conversion during the period/year	–	(24,703)
Redemption	–	(426)
Extinguishment of the Convertible Bonds 2019	(24)	(64,492)
Loss on the Extended Convertible Bonds 2019	–	250
At the end of the period/year	–	24
Liability component		
At the beginning of the period/year	119,449	176,038
Issuance during the period/year	–	51,942
Effective interest expenses	13,910	18,488
Interest paid	(5,732)	(10,529)
Conversion during the period/year	(18,687)	(52,468)
Redemption	–	(57,992)
Loss on redemption	–	(191)
Transfer to accrual	–	(8,066)
Loss on Extended Convertible Bonds 2019	–	2,227
At the end of the period/year	108,940	119,449

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on Convertible Bonds 2019 and Extended Convertible Bonds 2019 was calculated using effective interest rate of 22.51% and 9.86% (31 March 2020: 22.51% and 9.86%) per annum respectively.

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26. Share Capital

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2019 (audited), 31 March 2020 (audited) and 30 September 2020 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2019 (audited)	2,423,783,201	24,238
Issue of shares pursuant to placing agreements	397,300,000	3,973
Issue and allotment of consideration shares	320,000,000	3,200
Issue of shares upon conversion of convertible bonds	132,075,471	1,321
Issue of shares upon exercise of share option	1,600,000	16
As 31 March 2020 (audited)	3,274,758,672	32,748
Issue of shares upon conversion of convertible bonds (<i>Note (i)</i>)	28,301,886	283
At 30 September 2020 (unaudited)	3,303,060,558	33,031

Note:

- (i) On 30 June 2020, the convertible bond holder exercised its conversion right resulted in 28,301,886 shares being allotted and issued at conversion value of HK\$0.53 per share.

All the shares issued during the Interim Period rank pari passu with the then existing shares in all respects.

Notes to the Unaudited Condensed Consolidated Financial Statements

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27. Related Party Disclosures

Saved as disclosed elsewhere in the report, details of transactions between the Group and other related parties are disclosed below:

(i) Related party transactions

During the Interim Period, the Group entered into following transactions with related parties:

Name of related parties	Nature of transactions	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
北京啓元榮華廣告 有限公司 (Note)	Services fee	3	88

Note: Services fee paid to a company which a director of a subsidiary has direct equity interest.

The Directors are of the opinion that the above related parties transactions were conducted on normal commercial terms and in the ordinary course of business.

(ii) Compensation of Key Management Personnel

The remuneration of Directors and other members of key management during the Interim Period was as follows:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)
Fees, salaries and other allowances (Note)	7,458	7,832
Retirement benefit scheme contributions	36	45
	7,494	7,877

Note:

The rental payments of HK\$3,480,000 paid for the director's quarter for the Interim Period (2019: HK\$3,480,000) are included in the amount.

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28. Fair Value Measurement of Financial Instruments

Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 September 2020 (unaudited)				
Assets				
Financial assets at FVTPL				
– Convertible bonds receivable	–	–	15,693	15,693

Financial assets at FVTPL – Convertible bonds receivable

The fair value of the convertible bonds receivable as at 30 September 2020 was estimated by applying binominal option pricing model. Should the credit spread increase or decrease by 1%, the fair value of convertible bonds receivable would be decreased/increased by approximately HK\$503,000 and HK\$531,000 respectively.

During the Interim Period, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (31 March 2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements during the Interim Period in the balance of Level 3 fair value measurement are disclosed in Note 21.

Financial assets and liabilities not reported at fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the condensed consolidated financial statement approximate their fair values as at 30 September 2020 and 31 March 2020.

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29. Disposals of Subsidiaries

(a) Disposal of Sino Digital Group on 27 July 2020

The disposal of Sino Digital Group was completed on 27 July 2020 at consideration of approximately HK\$30 million. Upon completion, Sino Digital Group ceased to be a subsidiary of the Company and consolidated results, assets and liabilities of Sino Digital Group were ceased to be consolidated with those of the Group.

Details of the disposal of Sino Digital Group were set out in the announcement of the Company dated 27 July 2020.

The following table summarises the consideration received for the disposal of Sino Digital Group and the net assets of Sino Digital Group as at the date of disposal:

	HK\$'000 (unaudited)
Consideration satisfied by:	
Cash	5,000
Promissory note receivable	25,000
	<u>30,000</u>
Analysis of assets and liabilities disposed of as at the date of disposal:	
Goodwill (Note 16)	32,642
Trade and other receivables, prepayments and deposits	1,160
Bank and cash balance	1,195
Accruals and other payable	(4,169)
Tax payable	(1,040)
Net assets disposed of	<u>29,788</u>
Reclassification adjustment of exchange reserve on disposal of Sino Digital Group	(2)
Gain on disposal of subsidiaries	214
Total cash consideration received	<u>30,000</u>
Net cash inflow arising on disposal:	
Cash consideration	5,000
Bank balances and cash disposed of	(1,195)
	<u>3,805</u>

The gain on the disposal of Sino Digital Group was included in the profit for the period from discontinued operations (Note 11) in the unaudited condensed consolidated statement of comprehensive income.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

29. Disposals of Subsidiaries (Continued)

(b) Disposal of China Coal Alliances Trading Company Limited on 1 September 2020

During the Interim Period, CIAC, an indirectly wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with CCAT's minority shareholder to dispose of its 90% equity interest in CCAT and the shareholders' loan at total consideration of HK\$100. CCAT carried out the Coal Business operation of the Group.

The disposal of CCAT was completed on 1 September 2020. Upon completion, CCAT ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated.

The net liabilities of CCAT as at the date of disposal were as follows:

	HK\$'000 (unaudited)
Other intangible assets (Note 15)	–
Trade and other payables and accruals	(17,935)
Shareholders' loan	(19,279)
Net liabilities disposal of	(37,214)
Less: Non-controlling interest	3,721
Assignment of CCAT shareholder's loan	19,279
Reclassification adjustment of exchange reserve on disposal of CCAT	162
Gain on disposal of subsidiary	14,052
Total cash consideration received	–

The gain on the disposal of CCAT was included in the profit for the period from discontinued operations (Note 11) in the unaudited condensed consolidated statement of comprehensive income.

30. Capital Commitments

At the ended of the reporting period, capital commitments outstanding not provided for in the unaudited condensed consolidated financial statements are as follows:

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Limited partnership interest	46,018	26,610

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For the six months ended 30 September 2020

30. Capital Commitments (Continued)

Starry Zone Global Limited, a wholly-owned subsidiary of the Group, entered a subscription agreement with Templewater I, L.P. for subscribing a total maximum commitment amount of US\$4.0 million limited partnership interest in a limited partnership (the “Limited Partnership”) on 12 March 2020. During the Interim Period, further subscription agreement is entered for subscribing a total maximum commitment amount of US\$5.0 million of the same Limited Partnership.

The purpose of the Limited Partnership is primarily achieving capital appreciation and participation through investments in equity and equity-related securities in Asia-Pacific and Europe and portfolio funds with a similar investment focus.

As at 30 September 2020, a deposit of approximately US\$3,100,000 (equivalent to approximately HK\$23,800,000) was being paid which is included in “other receivables” within the line items of “Trade, retention, and other receivables and prepayments” and the unfunded commitment amounted to approximately US\$5,937,000 (equivalent to approximately HK\$46,018,000).

At the date of this report, the Group’s subscription for limited partnership interest in the Limited Partnership has not been completed. The Group will classify this interest as financial assets at FVTPL upon completion.

31. Significant Events After Reporting Period

The Group had the following events subsequent to 30 September 2020:

- (i) Placing of new shares under general mandate and;
- (ii) Pledge of subsidiary’s shares for a year term loan facility amounting to HK\$50.0 million

Please refer to the section headed “Management Discussion and Analysis” and paragraph headed “Significant events after reporting period” in this report for details of the event.

32. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current period’s presentation. In the opinion of the Directors, this presentation would better reflect the financial performance of the Group.