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CHINA BEST GROUP HOLDING LIMITED
國華集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 370)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board of directors (the “Board”) of China Best Group Holding Limited (the “Company”) would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2021 together with the comparative figures for the six months ended 30 June 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Notes	Six months ended	
		30 September 2021 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)
Turnover	3	488,450	267,178
Revenue:	3		
– Trading of goods		220,196	195,801
– Provision of international air and sea freight forwarding services		500	686
– Consultancy income from finance leases		1,138	1,039
– Interest income from finance leases		–	124
– Interest income from money lending		6,980	12,848
– Brokerage commission and dealing income		1	1
– Consultancy income from securities and future brokerage related services		165	–
– Property brokerage commission income		–	9,607
– Heating and cooling supply by geothermal energy		3,710	1,344
– Construction contracting services fee income		199,052	45,728
– Heating supply and industrial steam income		13,512	–
– Project management service income		22,358	–
– Interior design service income		8,572	–
– Rental income		3,819	–
– Data analytical service income		8,447	–
		488,450	267,178

* For identification purpose only

	Notes	Six months ended	
		30 September 2021 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)
Operating costs:			
– Cost of trading goods sold		(216,954)	(193,634)
– Cost of providing international air and sea freight forwarding services		(308)	(421)
– Cost of providing brokerage and dealing services		(1)	(1)
– Cost of providing property brokerage services		(763)	(6,557)
– Cost of heating and cooling supply by geothermal energy		(4,250)	(4,506)
– Cost of providing construction contracting services		(178,135)	(42,923)
– Cost of providing heating supply and industrial steam		(9,663)	–
– Cost of providing project management service		(3,917)	–
– Cost of providing interior design services		(1,018)	–
		<u>(415,009)</u>	<u>(248,042)</u>
Other income		3,600	8,874
Administrative and other expenses		(23,721)	(28,914)
Staff costs		(41,879)	(37,501)
Finance costs	6	(18,825)	(10,257)
Fair value gain on step acquisition of subsidiaries		4,198	–
Unrealised loss on fair value change on financial assets at fair value through profit or loss		–	(507)
Loss on disposal of subsidiaries		–	(5,351)
Share of profit of associates		787	2,072
Share of profit of a joint venture		97	–
		<u>(2,302)</u>	<u>(52,448)</u>
Loss before tax		(2,302)	(52,448)
Income tax expense	5	(6,505)	(330)
		<u>(8,807)</u>	<u>(52,778)</u>
Loss for the period	6	(8,807)	(52,778)
Other comprehensive income/(expense):			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		8,600	(6,062)
Share of other comprehensive income of associates		–	11
Translation reserve released upon deemed disposal of associates		7	–
Translation reserve released upon disposal of subsidiaries		–	23
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Fair value loss on financial assets at fair value through other comprehensive income		(1,800)	(4,610)
		<u>6,807</u>	<u>(10,638)</u>
Total comprehensive expense for the period		(2,000)	(63,416)

	Six months ended	
	30 September	30 June
	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to:		
Owners of the Company	(8,351)	(49,770)
Non-controlling interests	<u>(456)</u>	<u>(3,008)</u>
	<u>(8,807)</u>	<u>(52,778)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(1,544)	(60,418)
Non-controlling interests	<u>(456)</u>	<u>(2,998)</u>
	<u>(2,000)</u>	<u>(63,416)</u>
		(Restated)
Loss per share		
Basic and diluted (<i>HK cents</i>)	<i>8</i>	
	<u>(0.63)</u>	<u>(4.27)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		30 September 2021	31 March 2021
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		280,763	274,640
Right-of-use assets		20,923	11,074
Investment properties		119,569	117,582
Goodwill		285,914	148,886
Intangible asset		811	811
Interests in associates		25,198	77,901
Interests in joint ventures		5,591	1,677
Financial assets at fair value through profit or loss		10,859	10,679
Financial assets at fair value through other comprehensive income		6,840	8,640
Loans receivables	10	4,000	17,000
Other loans receivables		–	3,559
Regulatory deposits		205	205
Deferred tax assets		9,195	9,042
		769,868	681,696
Current assets			
Inventory		4,206	3,915
Finance lease receivables	9	15,009	15,947
Loans and interest receivables	10	407,162	393,898
Other loan and interest receivables		24,777	79,543
Trade and other receivables	11	479,040	371,181
Properties under development for sale		90,907	86,282
Contract assets		321,595	296,061
Promissory note receivable		90,000	90,000
Bank balances and cash – trust and segregated accounts		4,022	4,042
Bank balances and cash – general accounts		69,157	50,307
		1,505,875	1,391,176

		30 September	31 March
		2021	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	12	676,410	577,436
Contract liabilities		12,821	13,540
Lease liabilities		12,310	6,793
Trust loans		241,310	237,299
Short term loans		20,511	20,170
Bank loan		12,066	11,865
Amounts due to a joint venture		121	119
Amounts due to an associate		–	16,631
Tax liabilities		30,778	23,928
		<u>1,006,327</u>	<u>907,781</u>
Net current assets		<u>499,548</u>	<u>483,395</u>
Total assets less current liabilities		<u>1,269,416</u>	<u>1,165,091</u>
Non-current liabilities			
Consideration payable		10,636	9,945
Lease liabilities		9,713	5,429
		<u>20,349</u>	<u>15,374</u>
NET ASSETS		<u><u>1,249,067</u></u>	<u><u>1,149,717</u></u>
Capital and reserves			
Share capital		152,529	101,686
Share premium and reserves		1,043,119	998,457
Equity attributable to owners of the Company		<u>1,195,648</u>	<u>1,100,143</u>
Non-controlling interests		53,419	49,574
TOTAL EQUITY		<u><u>1,249,067</u></u>	<u><u>1,149,717</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Pursuant to a resolution of the Board dated 19 June 2020, the Company's financial year end date has been changed from 31 December to 31 March commencing from financial year of 2020/2021. Accordingly, the condensed consolidated financial statements for the current period cover a six months period from 1 April 2021 to 30 September 2021. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income and related notes cover a six months period from 1 January 2020 to 30 June 2020 and therefore may not be comparable with amounts shown for the current period.

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These condensed consolidated financial statements should be read in conjunction with the 2020/21 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the fifteen months ended 31 March 2021.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced on assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. TURNOVER AND REVENUE

Turnover arises from (i) trading on electronic appliance; (ii) provision of international air and sea freight forwarding services; (iii) consultancy income in respect of finance leases; (iv) interest income from finance leases; (v) interest income from money lending; (vi) brokerage commission and dealing income from securities and futures brokerage business; (vii) consultancy income from securities and future brokerage related services; (viii) property brokerage commission income from property brokerage business; (ix) heating and cooling supply by geothermal energy; (x) building construction contracting service; (xi) interior design service income and data analytical service income from customised technical support business; (xii) project management service income from property development and project management business; (xiii) heating supply and industrial steam income from centralised heating business and (xiv) rental income from investment properties. An analysis of the Group's turnover for the period is as follows:

	For the six months ended	
	30 September	30 June
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Trading of goods	220,196	195,801
Provision of international air and sea freight forwarding services	500	686
Consultancy income from finance leases	1,138	1,039
Interest income from finance leases	–	124
Interest income from money lending	6,980	12,848
Brokerage commission and dealing income	1	1
Consultancy income from securities and future brokerage related services	165	–
Property brokerage commission income	–	9,607
Heating and cooling supply by geothermal energy	3,710	1,344
Construction contracting services fee income	199,052	45,728
Interior design service income	8,572	–
Project management service income	22,358	–
Heating supply and industrial steam income	13,512	–
Rental income	3,819	–
Data analytical service income	8,447	–
	<hr/> 488,450 <hr/>	<hr/> 267,178 <hr/>

The Group has recognised the following amounts relating to revenue in profit or loss:

	For the six months ended	
	30 September 2021 <i>HK\$'000</i> (Unaudited)	30 June 2020 <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers (<i>Note (a)</i>)	477,651	254,206
Revenue from other sources		
– Interest income from finance leases	–	124
– Interest income from money leading	6,980	12,848
– Rental income from investment properties	3,819	–
	488,450	267,178
Timing of recognition of revenue from contracts with customers		
At a point in time	220,697	207,134
Over time	256,954	47,072
	477,651	254,206

Note:

(a) Disaggregation of revenue from contracts with customers:

	Trading of goods HK\$'000	Finance leasing HK\$'000	Securities and futures brokerage HK\$'000	International air and sea freight forwarding HK\$'000	Heating and cooling supply of geothermal energy HK\$'000	Building construction contracting HK\$'000	Customised technical support HK\$'000	Property development and project management HK\$'000	Centralised heating HK\$'000	Total HK\$'000
Six months ended										
30 September 2021										
(Unaudited):										
Geographical markets										
Hong Kong	-	-	166	-	-	-	-	-	-	166
People's Republic of China (the "PRC")	220,196	1,138	-	-	3,710	199,052	17,019	22,358	13,512	476,985
Singapore	-	-	-	478	-	-	-	-	-	478
North and South of America	-	-	-	22	-	-	-	-	-	22
	<u>220,196</u>	<u>1,138</u>	<u>166</u>	<u>500</u>	<u>3,710</u>	<u>199,052</u>	<u>17,019</u>	<u>22,358</u>	<u>13,512</u>	<u>477,651</u>
Major products/services										
Trading of electronic products	220,196	-	-	-	-	-	-	-	-	220,196
Financial services	-	1,138	166	-	-	-	-	-	-	1,304
International air and sea freight forwarding services	-	-	-	500	-	-	-	-	-	500
Heating and cooling supply by geothermal energy	-	-	-	-	3,710	-	-	-	-	3,710
Building construction contracting services	-	-	-	-	-	199,052	-	-	-	199,052
Interior design services	-	-	-	-	-	-	8,572	-	-	8,572
Data analytical services	-	-	-	-	-	-	8,447	-	-	8,447
Project management services	-	-	-	-	-	-	-	22,358	-	22,358
Heating supply and industrial steam	-	-	-	-	-	-	-	-	13,512	13,512
	<u>220,196</u>	<u>1,138</u>	<u>166</u>	<u>500</u>	<u>3,710</u>	<u>199,052</u>	<u>17,019</u>	<u>22,358</u>	<u>13,512</u>	<u>477,651</u>
Timing of recognition of revenue from contracts with customers										
At a point in time	220,196	-	1	500	-	-	-	-	-	220,697
Over time	-	1,138	165	-	3,710	199,052	17,019	22,358	13,512	256,954
	<u>220,196</u>	<u>1,138</u>	<u>166</u>	<u>500</u>	<u>3,710</u>	<u>199,052</u>	<u>17,019</u>	<u>22,358</u>	<u>13,512</u>	<u>477,651</u>

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Securities and futures brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Property brokerage <i>HK\$'000</i>	Heating and cooling supply of geothermal energy <i>HK\$'000</i>	Building construction contracting <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended								
30 June 2020								
(Unaudited):								
Geographical markets								
Hong Kong	-	-	1	-	-	-	-	1
PRC	195,801	1,039	-	-	9,607	1,344	45,728	253,519
Singapore	-	-	-	450	-	-	-	450
North and South of America	-	-	-	236	-	-	-	236
	<u>195,801</u>	<u>1,039</u>	<u>1</u>	<u>686</u>	<u>9,607</u>	<u>1,344</u>	<u>45,728</u>	<u>254,206</u>
Major products/services								
Trading of electronic								
products	195,801	-	-	-	-	-	-	195,801
Financial services	-	1,039	1	-	-	-	-	1,040
International air								
and sea freight								
forwarding services	-	-	-	686	-	-	-	686
Property brokerage								
services	-	-	-	-	9,607	-	-	9,607
Heating and cooling								
supply by geothermal								
energy	-	-	-	-	-	1,344	-	1,344
Building construction								
contracting services	-	-	-	-	-	-	45,728	45,728
	<u>195,801</u>	<u>1,039</u>	<u>1</u>	<u>686</u>	<u>9,607</u>	<u>1,344</u>	<u>45,728</u>	<u>254,206</u>
Timing of recognition								
of revenue from								
contracts with								
customers								
At a point in time	195,801	1,039	1	686	9,607	-	-	207,134
Over time	-	-	-	-	-	1,344	45,728	47,072
	<u>195,801</u>	<u>1,039</u>	<u>1</u>	<u>686</u>	<u>9,607</u>	<u>1,344</u>	<u>45,728</u>	<u>254,206</u>

Trading of goods

Revenue from the trading 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.

Sales to customers are normally made with credit terms of 90 days.

Finance leasing

Consultancy income from finance leasing is recognised in the accounting period in which the services are rendered. The customers pay the consultancy service fee to the Group according to the payment schedules as stipulated in the contracts.

Securities and futures brokerage

Commission income on dealing in securities and futures contract is recognised on a trade date basis when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received. The commission income is due on the settlement date of their respective trade dates, normally two or three business days after the respective trade date.

Consultancy income from securities and future brokerage related services is recognised in the accounting period in which the services are rendered. The customers pay the consultancy service fee to the Group according to the payment schedules as stipulated in the contracts.

International air and sea freight forwarding

Income from provision of freight forwarding services is recognised when the services are provided. The Group normally allow credit period of 90 days.

Property brokerage

Commission income on dealing in property agency contract is recognised when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received. The customers pay the commission income to the Group upon the sales of property is completed.

Heating and cooling supply by geothermal energy

Income from heating and cooling supply by geothermal energy is recognised when the services are rendered. The customers pay the fee according to the heating and cooling supply actually consumed.

Building construction contracting

The Group provides construction contracting services to the customers. When the progress towards complete satisfaction of the performance obligations of a construction contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a construction contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

Customised technical support

The Group provides customised technical support services which include building architecture and interior design services and data analytical services to the customers. Building architecture and interior design service income and data analytical service income are recognised when the services are rendered, the amount for which can be reliably estimated and they are probable that the income will be received. The customers pay the services income to the Group according to the payment schedules as stipulated in the contracts.

Property development and project management

Revenue from the Group's property development and project management business derived from entrusted construction agreements and management services. Project management service income is recognised when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received. The customers pay the service income to the Group according to the payment schedules as stipulated in the contracts.

Centralised heating

Heating supply and industrial steam income is recognised when the services are rendered. The customers pay the fee according to the heating and industrial steam actually consumed.

4. SEGMENT INFORMATION

Information reported to the directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the type of goods sold or services delivered or provided. The directors have chosen to organise the Group around difference in products and services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- (a) Trading of goods segment engages in trading of products including but not limited to electronic appliance in the PRC;
- (b) Finance leasing segment engages in finance leasing of plant and machinery as well as providing consultancy services with respect of finance leasing in the PRC;
- (c) Money lending segment engages in money lending in Hong Kong;
- (d) Securities and futures brokerage segment engages in securities and futures dealing services as well as providing consultancy services with respect of securities and futures brokerage in Hong Kong;
- (e) International air and sea freight forwarding segment engages in the provision of international air and sea freight forwarding and logistic services to customers in Singapore and United States of America;
- (f) Securities trading segment engages in trading of equity securities and dividend income from held for trading investments in Hong Kong;
- (g) Property investment segment engages in investments of properties for rental income and capital appreciation in the PRC;
- (h) Customised technical support segment engages in provision of building architecture and interior design services and data analytical services in the PRC;
- (i) Property brokerage segment engages in provision of property agency service in the PRC;
- (j) Property development and project management segment engages in entrusted construction and projects management services in the PRC;
- (k) Geothermal energy segment engages in provision of heating and cooling supply by geothermal energy to buildings in the PRC;
- (l) Building construction contracting segment engages in provision of building construction contracting service on project basis in the PRC; and
- (m) Centralised heating segment engages in the business of using coal-fired boilers to provide centralised heating, including industrial steam, through centralised pipe networks in the PRC.

Segment results represent the (loss from) profit earned by each segment without allocation of central administration costs, directors' emoluments, depreciation of certain property, plant and equipment and right-of-use assets, share of profit of associates, share of profit of a joint venture, loss on disposal of subsidiaries, fair value gain on step acquisition of subsidiaries, net foreign exchange gain (loss), interest expense on certain lease liabilities and trust loans, interest income from promissory note receivable, interest income from other loan receivables, bank interest income and sundry income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

The following tables present revenue and segment results regarding the Group's operating segments for the six months ended 30 September 2021 and 30 June 2020, respectively.

	International					Customised			Property			Building construction	Centralised heating	Total
	Trading of goods	Finance leasing	Money lending	Securities and futures brokerage	air and sea freight forwarding	Securities trading	Property investment	technical support	Property brokerage	and project management	Geothermal energy			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 September 2021														
(Unaudited):														
Turnover	220,196	1,138	6,980	166	500	-	3,819	17,019	-	22,358	3,710	199,052	13,512	488,450
Revenue from the external customers	220,196	1,138	6,980	166	500	-	3,819	17,019	-	22,358	3,710	199,052	13,512	488,450
Reportable segment profit/(loss)	(4,231)	(1,049)	4,563	(2,687)	(233)	-	2,951	12,654	(3,051)	(15,425)	(5,629)	15,836	(1,476)	2,223
Share of profit of associates														787
Share of profit of a joint venture														97
Fair value gain on step acquisition of subsidiaries														4,198
Unallocated corporate income														3,485
Unallocated corporate expenses														(13,092)
Loss before tax														<u>(2,302)</u>

	International					Customised			Property			Building construction	Total	
	Trading of goods	Finance leasing	Money lending	Securities and futures brokerage	air and sea freight forwarding	Securities trading	Property investment	technical support	Property brokerage	Property development	Geothermal energy			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2020														
(Unaudited):														
Turnover	195,801	1,163	12,848	1	686	-	-	-	9,607	-	1,344	45,728		267,178
Revenue from the external customers	195,801	1,163	12,848	1	686	-	-	-	9,607	-	1,344	45,728		267,178
Reportable segment profit/(loss)	(3,140)	(2,885)	9,072	(3,577)	(426)	(507)	(296)	(5,897)	(24)	(1,600)	(8,786)	1,220		(16,846)
Share of profit of associates														2,072
Unallocated corporate income														6,783
Unallocated corporate expenses														(44,457)
Loss before tax														<u>(52,448)</u>

5. INCOME TAX EXPENSE

	For the six months ended	
	30 September 2021 <i>HK\$'000</i> (Unaudited)	30 June 2020 <i>HK\$'000</i> (Unaudited)
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	6,458	1,082
Under provision in prior year:		
– PRC EIT	47	–
Deferred tax:		
– Current period	–	(752)
	<u>6,505</u>	<u>330</u>

Hong Kong Profits Tax has not been provided for the six months ended 30 September 2021 and 30 June 2020 as the loss for taxation purposes is estimated during both periods.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries, except for Beijing Shuwu Big Data Research Company Limited* (北京數巫大數據研究有限公司) (“Beijing Shuwu”), is 25%.

Beijing Shuwu, which is principally engaged in provision of financial information, solution and data analytical services in the PRC and qualified as high-tech enterprise that needs key support, is entitled to enjoy a lower tax rate of 15% pursuant to Article 28 of the EIT Law.

No provision for Singapore and the United States of America Profits Tax has been made as the Group did not generate any assessable profits in Singapore and the United States of America for the six months ended 30 September 2021 and 30 June 2020.

6. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging/(crediting) the following:

	For the six months ended	
	30 September	30 June
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance costs		
Interest expense on lease liabilities	1,209	1,210
Interest expense on bank loan	358	–
Interest expense on short-term loans	1,723	–
Interest expense on trust loans	14,500	9,047
Interest expense on consideration payable	1,035	–
	<u>18,825</u>	<u>10,257</u>
Other items		
Auditor's remuneration	650	538
Cost of inventories sold	216,954	193,634
Depreciation of		
– property, plant and equipment	3,331	2,387
– right-of-use assets	6,436	10,649
Amortisation of intangible asset	–	518
Government grant	(115)	(2,090)
Interest income from		
– bank	(44)	(241)
– other loan receivables	(337)	(3,450)
– promissory note receivable	(2,707)	(2,693)
Net foreign exchange (gain) loss	(28)	82
Gain on lease modification	(24)	–
Staff costs (including directors' remuneration)	41,879	37,501

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 June 2020: nil).

8. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss attributable to owners of the Company of approximately HK\$8,351,000 (six months ended 30 June 2020: approximately HK\$49,770,000) and the weighted average of approximately 1,321,325,000 ordinary shares (six months ended 30 June 2020: 1,166,394,000 (as adjusted to reflect the impact of the shares consolidation completed on 2 September 2020 and the rights issue completed on 14 July 2021)) in issue during the period.

9. FINANCE LEASE RECEIVABLES

All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Finance lease receivables	50,589	50,935
<i>Less:</i> allowance for impairment of finance lease receivables	<u>(35,580)</u>	<u>(34,988)</u>
Finance lease receivables, net	<u>15,009</u>	<u>15,947</u>
Analysed for reporting purposes as current assets	<u>15,009</u>	<u>15,947</u>
	Present value of minimum lease payments	
	Minimum lease payments	
	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Finance lease receivables comprise:		
Within one year and present value of minimum lease payment receivables	<u>15,009</u>	<u>15,947</u>
	<u>15,009</u>	<u>15,947</u>

Effective interest rates of the above finance leases is 6% (31 March 2021: 6%) per annum. As at 30 September 2021 and 31 March 2021, finance lease receivables are secured over the motor vehicles and plant and machinery leased and for certain corporate lessees, equity interest of the lessees are required as additional security.

Before accepting any finance lease arrangement, the Group assesses the financial strength of the lessee and considers the credit limit granted to the lessee. In addition, the Group may request for the guarantor with strong financial status where necessary.

As at 30 September 2021, finance lease receivables before allowance for impairment of approximately RMB41,928,000, equivalent to approximately HK\$50,589,000 (31 March 2021: approximately RMB39,448,000, equivalent to approximately HK\$46,805,000) was past due. Included in the carrying amount of the above finance lease receivables as at 30 September 2021 are two individually impaired receivables of approximately RMB29,489,000, equivalent to approximately HK\$35,580,000 (31 March 2021: approximately RMB29,489,000, equivalent to approximately HK\$34,988,000) which impairment was made due to customers' default in payment. The Group has taken legal actions against these customers and considered the legal opinion from independent legal advisers during impairment assessment. For the remaining past due amount of approximately RMB12,439,000, equivalent to approximately HK\$15,009,000 (31 March 2021: approximately RMB9,959,000, equivalent to approximately HK\$11,817,000), the Group is still negotiating practicable repayment terms and schedules subsequent to the end of the reporting period. Accordingly, the directors considered no further impairment loss needs to be recognised.

Management closely monitors the credit quality of finance lease receivables. As at 30 September 2021, the age of the finance lease receivables was over three years (31 March 2021: over three years) based on the effective dates of the relevant lease contracts.

10. LOANS AND INTEREST RECEIVABLES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Loans receivables:		
Secured	40,000	40,000
Unsecured	367,685	372,215
	407,685	412,215
Interest receivables	46,943	42,149
<i>Less:</i> allowance for impairment of loan and interest receivables	(43,466)	(43,466)
	411,162	410,898
Analysed for reporting purposes as:		
– Non-current assets	4,000	17,000
– Current assets	407,162	393,898
	411,162	410,898

As at 30 September 2021, secured loans before allowance for impairment of HK\$40,000,000 (31 March 2021: HK\$40,000,000) were secured by assets charges provided by borrowers. The Group does not hold any collateral over the unsecured loans. The remaining loans amount before allowance for impairment of approximately HK\$367,685,000 (31 March 2021: approximately HK\$372,215,000) represents unsecured loans certain of which are accompanied by personal or corporate guarantee. The loans advanced to the borrowers under the Group's money lending business normally had loan periods from 6 to 54 months (31 March 2021: 6 to 54 months). The loans provided to borrowers bore interest rate ranging from 8% – 15% per annum (31 March 2021: 8% – 15% per annum), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers (where necessary). The loans provided to borrowers are repayable in accordance with the loan agreements, in which the principal amounts are repayable on maturity and the interests are repayable half-yearly, yearly or on maturity.

The following is an aged analysis of loans and interest receivables (net of allowance for impairment), presented based on the dates which loans are granted to borrowers and interests are accrued.

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Within 90 days	2,821	4,721
91 – 180 days	6,873	2,831
181 – 365 days	8,950	27,112
Over 365 days	392,518	376,234
	<u>411,162</u>	<u>410,898</u>

As at 30 September 2021, loans and interest receivables before allowance for impairment of approximately HK\$356,074,000 (31 March 2021: approximately HK\$322,986,000) were past due. Included in the carrying amount of the above loans and interest receivables as at 30 September 2021 is an individually impaired receivables of approximately HK\$43,466,000 (31 March 2021: approximately HK\$43,466,000) which impairment was made due to borrower's default in payment. The remaining past due amount of approximately HK\$312,608,000 are due from several borrowers with whom the Group is negotiating practicable repayment terms and schedules. The directors assessed their creditworthiness and financial position and are of view that no impairment loss is necessary. The Group's neither past due nor impaired loan receivables mainly represented loans granted to creditworthy customers for whom there was no recent history of default. Accordingly, the directors considered that no further impairment loss is necessary. Save for the aforesaid secured loans, the Group does not hold collateral over other balances.

11. TRADE AND OTHER RECEIVABLES

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables arising from trading business	183,754	174,798
Trade receivables arising from the securities and futures brokerage business	227	227
Trade receivables arising from finance leasing business	3,559	2,314
Trade receivables arising from geothermal energy business	646	237
Trade receivables arising from building construction contracting business	6,142	12,426
Trade receivables arising from centralised heating business	182	858
Trade receivables arising from property development and project management business	23,534	13,158
Trade receivables arising from customised technical support business	25,607	1,221
Trade receivables arising from property brokerage business	16,878	20,190
Trade receivables arising from property investment business	3,819	–
Trade receivables arising from international air and sea freight forwarding business	1,536	1,548
Less: allowance for impairment	(1,456)	(1,453)
	80	95
Prepayments	40,788	37,500
Value-added tax recoverable	13,229	12,558
Deposit and other receivables	160,595	95,599
	479,040	371,181

The Group allows an average credit period normally ranging from 30 days to 180 days (31 March 2021: 30 days to 180 days) to its customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debt) presented based on the invoice date or the payment date as stated in the respective contracts at the end of the reporting period, which approximates the respective revenue recognition date.

	Trading business <i>HK\$'000</i>	Finance leasing business <i>HK\$'000</i>	International air and sea freight forwarding business <i>HK\$'000</i>	Geothermal energy business <i>HK\$'000</i>	Building construction contracting business <i>HK\$'000</i>	Centralised heating business <i>HK\$'000</i>	Property development and project management business <i>HK\$'000</i>	Customised technical support business <i>HK\$'000</i>	Property brokerage business <i>HK\$'000</i>	Property investment business <i>HK\$'000</i>
30 September 2021(Unaudited):										
Within 30 days	37,204	201	50	–	–	–	3,898	7,438	–	636
31 – 60 days	–	201	10	–	–	–	2,348	60	–	636
61 – 90 days	–	201	8	–	100	–	1,202	17,555	–	636
Over 90 days	146,550	2,956	12	646	6,042	182	16,086	554	16,878	1,911
	183,754	3,559	80	646	6,142	182	23,534	25,607	16,878	3,819

	Trading business <i>HK\$'000</i>	Finance leasing business <i>HK\$'000</i>	International air and sea freight forwarding business <i>HK\$'000</i>	Geothermal energy business <i>HK\$'000</i>	Building construction contracting business <i>HK\$'000</i>	Centralised heating business <i>HK\$'000</i>	Property development and project management business <i>HK\$'000</i>	Customised technical support business <i>HK\$'000</i>	Property brokerage business <i>HK\$'000</i>
31 March 2021 (Audited):									
Within 30 days	-	198	51	-	4,969	-	10,904	677	-
31 – 60 days	-	198	16	12	7,457	679	1,127	-	-
61 – 90 days	44,074	198	16	-	-	179	1,127	-	20,190
Over 90 days	130,724	1,720	12	225	-	-	-	544	-
	<u>174,798</u>	<u>2,314</u>	<u>95</u>	<u>237</u>	<u>12,426</u>	<u>858</u>	<u>13,158</u>	<u>1,221</u>	<u>20,190</u>

The settlement term of trade receivables arising from the securities brokerage business are two trade days after the trade execution date. The trade receivables from futures brokers are repayable on demand which represent amounts deposited for trade execution purpose.

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK\$191,817,000 (31 March 2021: HK\$133,225,000) which were past due at the end of the reporting period and for which the Group has not provided for doubtful debt. The Group does not hold any collateral over these balances.

The aging analysis of trade receivables that were past due but not impaired based on the invoice date or the payment date as stated in the respective contracts at the end of the reporting date, which approximately the respective revenue recognition date, is as follow:

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Over 90 days	<u>191,817</u>	<u>133,225</u>

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

12. TRADE AND OTHER PAYABLES

	30 September	31 March
	2021	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables arising from the securities and futures brokerage business	4,241	4,269
Trade payables arising from international air and sea freight forwarding business	651	705
Trade payables arising from property brokerage business	223	3,018
Trade payables arising from geothermal energy business	45,163	43,206
Trade payables arising from centralised heating business	12,206	15,232
Trade payables arising from building construction contracting business	310,960	227,615
Earnest money from finance lease receivables	1,930	1,898
Accrued charges	20,194	19,065
Consideration payables	127,466	137,728
Advance from subcontractors	107,595	80,678
Trust loans interest payable	18,593	4,027
Other payables	27,188	39,995
	<u>676,410</u>	<u>577,436</u>

For trade payables arising from the securities and futures brokerage business, no aging analysis is disclosed for the Group's margin and cash clients as these clients were carried on an open account basis, the aging analysis does not give additional value in the view of the nature of business of securities and futures brokerage. Also, the settlement terms of clearing house is two trading days after the transaction date.

For trade payables arising from the property brokerage business, no aging analysis is disclosed as the Group is yet to receive invoices at the end of the reporting period. The payables is accrued based on the monthly statements agreed with the respective agents. According to the relevant agency contracts, the invoices will be billed in the following month and the settlement terms is within 3 business days from the invoices date.

The average credit period on the international air and sea freight forwarding services is normally ranging from 30 days to 90 days (31 March 2021: 30 days to 90 days). For trade payables arising from geothermal energy business, centralised heating business and building construction contracting business, they are mainly accrued and settled based on the progress of performance and the settlement obligation as stipulated in the respective contracts. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is an aged analysis of trade payables from the international air and sea freight forwarding business, geothermal energy business, centralised heating business and building construction contracting business presented based on the invoice date and/or the settlement obligation as stipulated in the respective contracts at the end of the reporting period:

	International air and sea freight forwarding business HK\$'000	Geothermal energy business HK\$'000	Centralised heating business HK\$'000	Building construction contracting business HK\$'000
30 September 2021 (Unaudited):				
Within 30 days	30	–	3,181	279,022
31-60 days	–	6	1,346	2,370
61-90 days	–	–	315	–
Over 90 days	<u>621</u>	<u>45,157</u>	<u>7,364</u>	<u>29,568</u>
	<u>651</u>	<u>45,163</u>	<u>12,206</u>	<u>310,960</u>
	International air and sea freight forwarding business HK\$'000	Geothermal energy business HK\$'000	Centralised heating business HK\$'000	Building construction contracting business HK\$'000
31 March 2021 (Audited):				
Within 30 days	85	–	9,503	223,236
31-60 days	–	–	274	81
61-90 days	–	–	5,056	1,980
Over 90 days	<u>620</u>	<u>43,206</u>	<u>399</u>	<u>2,318</u>
	<u>705</u>	<u>43,206</u>	<u>15,232</u>	<u>227,615</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	Six months ended	
	30 September 2021 <i>HK\$'M</i>	30 June 2020 <i>HK\$'M</i>
Financial Results Highlight		
Turnover	488.5	267.2
Total operating costs	(415.0)	(248.0)
Total expenses	(84.4)	(76.7)
Net loss before taxation & non-controlling interests	(2.3)	(52.4)
Loss for the period attributable to owners of the Company	(8.4)	(49.8)
	30 September 2021 <i>HK\$'M</i>	31 March 2021 <i>HK\$'M</i>
Extract of Financial Position		
Total assets	2,275.7	2,072.9
Total liabilities	(1,026.6)	(923.2)
Net current assets	499.5	483.4
Bank and cash balances	69.2	50.3
Net assets	1,249.1	1,149.7

Overview

For the six months ended 30 September 2021, the Group's turnover was approximately HK\$488.5 million, representing an increase of approximately 82.8% as compared with approximately HK\$267.2 million for the six months ended 30 June 2020. The net loss for the period attributable to owners of the Company was approximately HK\$8.4 million as compared with approximately HK\$49.8 million for the six months ended 30 June 2020. The decrease in loss was mainly attributable to, among other things, income growth from the expanded business activities, in particular from the Group's real-estate related businesses.

BUSINESS AND FINANCIAL REVIEW

Finance Leasing Business

The Group commenced its finance leasing business in July 2015 and has been engaged in providing finance lease and related consultancy services in the PRC. The principal focus of the Group's finance leasing business is to provide an alternative way of financing to corporate clients in the PRC via a sale and lease-back arrangement of tangible assets, like plant and equipment, as well as to render consultancy services with respect of finance leasing. For the six months ended 30 September 2021, the turnover of the Group's finance leasing business amounted to approximately HK\$1.1 million (30 June 2020: approximately HK\$1.2 million) whereas segment loss of approximately HK\$1.0 million was incurred (30 June 2020: approximately HK\$2.9 million).

Money Lending Business

The Group holds a money lenders licence in Hong Kong and provides loan facilities to prospective customers including enterprises and individuals. This segment has begun to generate returns to the Group since April 2016. For the six months ended 30 September 2021, the turnover of the Group's money lending business amounted to approximately HK\$7.0 million (30 June 2020: approximately HK\$12.8 million). Corresponding segment profit of approximately HK\$4.6 million was made for the six months ended 30 September 2021 (30 June 2020: approximately HK\$9.1 million).

Securities and Futures Brokerage Business

The Group has been providing brokerage services for securities and futures traded on exchanges in Hong Kong and major overseas countries since August 2017. For the six months ended 30 September 2021, the turnover of the Group's securities and futures brokerage business amounted to approximately HK\$0.2 million (30 June 2020: approximately HK\$1,000). Corresponding segment loss of approximately HK\$2.7 million was incurred for the six months ended 30 September 2021 (30 June 2020: approximately HK\$3.6 million).

Trading Business

With the established distribution channels and upstream suppliers network in niche market of electronics, the trading of goods business mainly focuses on trading of semi-finished electronic components produced in mainland China and Taiwan which are equippable to mobile electronic appliances and laptops computers. For the six months ended 30 September 2021, the turnover of the Group's trading business amounted to approximately HK\$220.2 million (30 June 2020: approximately HK\$195.8 million) whereas the gross profit was approximately HK\$3.2 million (30 June 2020: approximately HK\$2.2 million). The Group recorded a loss of approximately HK\$4.2 million (30 June 2020: approximately HK\$3.1 million) in this segment.

Securities Investment Business

It represents trading of listed equity securities in the Hong Kong stock market and dividend income (if any) from such listed equity securities. For the six months ended 30 September 2021, the Group did not trade any listed equity securities and hence no turnover and realised gain/loss of the Group's securities investment business was generated (30 June 2020: nil). As the Group did not hold any trading securities during the period and at the end of the reporting period (31 March 2021: nil), the Group did not receive any dividend income (30 June 2020: nil) and record any unrealised fair value gain/loss on the Group's securities investment for the six months ended 30 September 2021 (30 June 2020: recorded an unrealised fair value loss of the listed securities of approximately HK\$0.5 million).

Freight Forwarding Business

The freight forwarding business of the Group provides international air and sea freight forwarding and logistic services to local customers in Singapore and United States of America which consist of small and medium trading companies and forwarders. During the period, the freight forwarding business in United States of America was faded out for the reason of resources reallocation. For the six months ended 30 September 2021, the turnover of the Group's freight forwarding business amounted to approximately HK\$0.5 million (30 June 2020: approximately HK\$0.7 million). Corresponding gross profit of approximately HK\$0.2 million and segment loss of approximately HK\$0.2 million were made for the six months ended 30 September 2021 respectively (30 June 2020: gross profit of approximately HK\$0.3 million and segment loss of approximately HK\$0.4 million).

Property Investment Business

The Group acquired a group of companies which mainly hold the investment properties in the PRC for rental income and capital appreciation since January 2019. For the six months ended 30 September 2021, the rental income generated from such investment properties amounted to approximately HK\$3.8 million (30 June 2020: nil). Corresponding profit of approximately HK\$3.0 million (30 June 2020: segment loss of approximately HK\$0.3 million) was made in this segment. As at 30 September 2021, the fair value of the investment properties was approximately HK\$119.6 million (31 March 2021: approximately HK\$117.6 million).

Property Brokerage Business

The Group has been engaged in provision of residential and commercial property brokerage services in the PRC since June 2019. Currently, the major places of business activities are in Xi'an, Shaanxi Province and Xiangshan City, Zhejiang Province of the PRC. During the period, due to the re-bounce of coronavirus (COVID-19) cases in mainland China, the sentiment of real estate market was inevitably affected, which further disrupted the implementation of plans and projects of the Group. For the six months ended 30 September 2021, no turnover of the Group's property brokerage business was generated (30 June 2020: approximately HK\$9.6 million) and the gross loss of approximately HK\$0.8 million was recorded (30 June 2020: gross profit of approximately HK\$3.1 million). Corresponding loss of approximately HK\$3.1 million was incurred in this segment (30 June 2020: approximately HK\$0.02 million).

Customised Technical Support Business

After the Group acquired a group of companies which are principally engaged in the provision of financial information, solutions and data analytical services to customers in finance and property related field in the PRC in August 2021, the Group combined such newly acquired business with its building architecture and interior design business so as to provide customised technical support services to customers in the PRC. For the six months ended 30 September 2021, the turnover of the Group's customised technical support business amounted to approximately HK\$17.0 million (30 June 2020: nil) and the gross profit was approximately HK\$16.0 million (30 June 2020: nil). Segment profit of approximately HK\$12.7 million was made in this segment (30 June 2020: segment loss of approximately HK\$5.9 million).

Property Development and Project Management Business

The Group acquired a company in March 2020 which is principally engaged in property development in the PRC and holds land use rights of a land parcel at Haiyong Road, Haiyong Country, Haimen City, Jiangsu Province, with a total site area of 47,519 square meters and for commercial use. The Group is planning to develop properties for sale on such land parcel. For the six months ended 30 September 2021, the properties were still under the development process and hence no turnover of the Group's property development business was generated. The costs incurred in the course of properties development have been capitalised and the capitalisation will go on until the properties are developed and sold. As at 30 September 2021, the amount of properties under development for sale was approximately HK\$90.9 million (31 March 2021: approximately HK\$86.3 million). The Group has commenced to provide project management services in the PRC since July 2020. For the six months ended 30 September 2021, the turnover of the Group's project management business amounted to approximately HK\$22.4 million (30 June 2020: nil). Segment loss of approximately HK\$15.4 million was incurred in this segment (30 June 2020: approximately HK\$1.6 million).

Geothermal Energy Business

The Group acquired a group of companies, which are principally engaged in developing and utilising geothermal energy in provision of heating and cooling supply to various buildings located in residential areas in the PRC, in March 2020. Currently, the major places of business activities are in Xi'an, Shaanxi Province and Henan Province of the PRC. For the six months ended 30 September 2021, the turnover of the Group's geothermal energy business amounted to approximately HK\$3.7 million (30 June 2020: approximately HK\$1.3 million) whereas the gross loss of approximately HK0.5 million (30 June 2020: approximately HK\$3.2 million) was incurred. Corresponding segment loss of approximately HK\$5.6 million (30 June 2020: approximately HK\$8.8 million) was incurred in this segment.

Building Construction Contracting Business

The Group acquired a company, which is principally engaged in building construction contracting on project basis in the PRC, in May 2020. For the six months ended 30 September 2021, the turnover of the Group's building construction contracting business amounted to approximately HK\$199.1 million (30 June 2020: approximately HK\$45.7 million) and the gross profit of approximately HK\$20.9 million (30 June 2020: approximately HK\$2.8 million) was made. Corresponding profit of approximately HK\$15.8 million (30 June 2020: approximately HK\$1.2 million) was achieved in this segment.

Centralised Heating Business

The Group started the centralised heating business after becoming the reorganisation investor of a company, which is principally engaged in the business of providing the heat and steam supply services in the licensed area of Yuncheng, Shanxi through centralised pipe networks, in September 2020. The Group was further granted an exclusive license for the provision of centralised heating service in Yuncheng City for 30 years from 1 January 2021. For the six months ended 30 September 2021, the turnover of the Group's centralised heating business amounted to approximately HK\$13.5 million (30 June 2020: nil) and the gross profit of approximately HK\$3.8 million (30 June 2020: nil) was made. The Group record a loss of approximately HK\$1.5 million (30 June 2020: nil) in this segment.

OUTLOOK

In order to increase the profitability of the Group and enhance its sustainability, the Group has continuously improved its real estate-related businesses layout while developing its existing main businesses. Driven by new income streams from its real estate-related businesses, the Group's losses for the period was narrowed considerably. The Group will keep on reviewing and considering its existing resources, including the experience, expertise and social network of the directors and management of the Company, with the aim of further expanding the current principal businesses and exploring possible inter-segment development and collaboration.

Looking forward, with the pandemic situation mostly under control in mainland China and Hong Kong, focus of enterprises has shifted from business continuity to thriving under the new business environment. The Group will endeavour to strengthen its client base and diversify its products and services mix among different business segments. The Group firmly believes that challenges and opportunities coexist in the current situation. The Group will adopt prudent measures to control operating risks and continue to expand its businesses by exploring new opportunities.

LIQUIDITY AND CASHFLOW RESOURCES

As at 30 September 2021, the equity and net current assets of the Group amounted to approximately HK\$1,249.1 million (31 March 2021: approximately HK\$1,149.7 million) and approximately HK\$499.5 million (31 March 2021: approximately HK\$483.4 million) respectively. On the same date, the Group had bank and cash balances of approximately HK\$69.2 million (31 March 2021: approximately HK\$50.3 million) and the current ratio was 1.50 (31 March 2021: 1.53). As at 30 September 2021, the Group has (i) secured trust loans of approximately HK\$241.3 million (31 March 2021: approximately HK\$237.3 million) bearing fixed interest rate at 12% per annum and to be repaid in March 2022, (ii) secured bank loan of approximately HK\$12.1 million (31 March 2021: approximately HK\$11.9 million) bearing fixed interest rate at 5.8% per annum and to be repaid in January 2022, (iii) unsecured short-term loans from an independent lender of approximately HK\$20.5 million (31 March 2021: approximately HK\$20.2 million) bearing fixed interest rate at 16.8% per annum and to be repaid in February and March 2022, (iv) interest-free and unsecured loan from a joint venture of approximately HK\$0.1 million (31 March 2021: approximately HK\$0.1 million) to be repaid in December 2021 and (v) interest-free and unsecured advance payment from subcontractor of approximately HK\$107.6 million to be repaid on demand (31 March 2021: interest-free and unsecured advance payment from an associate and subcontractor of approximately HK\$16.6 million and HK\$80.7 million respectively to be repaid on demand).

As at 30 September 2021, the gearing ratio of the Group was approximately 0.17 (31 March 2021: approximately 0.18). The gearing ratio is measured on the basis of the total amount of interest bearing and interest free borrowings/advance payments over the amount of total assets. As at 30 September 2021, the total amount of interest bearing and interest free borrowings/advance payments and the amount of total asset of the Group amounted to approximately HK\$381.6 million (31 March 2021: approximately HK\$366.8 million) and approximately HK\$2,275.7 million (31 March 2021: approximately HK\$2,072.9 million) respectively.

The Group has sufficient and readily available financial resources for both general working capital purposes and existing business operation.

PLEDGE OF ASSETS

As at 30 September 2021 and 31 March 2021, none of the Group's securities were pledged to brokers to secure the margin loan. As at 30 September 2021, the properties under development for sale in amount of approximately HK\$90.9 million (including the land use rights of approximately HK\$27.7 million) was pledged to independent lender to secure the trust loans borrowed to the Group (31 March 2021: approximately HK\$86.3 million including the land use rights of approximately HK\$27.2 million).

CONTINGENT LIABILITIES

As at 30 September 2021 and 31 March 2021, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE

During the six months ended 30 September 2021, the Group incurred approximately HK\$7.0 million (30 June 2020: approximately HK\$18.7 million) as capital expenditure mainly in respect of plant and equipment situated in the PRC.

CAPITAL COMMITMENTS

As at 30 September 2021, the Group had no material capital commitment (31 March 2021: nil).

SIGNIFICANT INVESTMENTS HELD

As at 30 September 2021, the Group held financial assets at fair value through other comprehensive income of approximately HK\$6.8 million (31 March 2021: approximately HK\$8.6 million) which represented unlisted equity securities in Hong Kong. No financial assets at fair value through profit or loss in relation to equity securities was held as at 30 September 2021 (31 March 2021: nil). During the six months ended 30 September 2021, the Group recorded a fair value loss of approximately HK\$1.8 million on securities investments that are not held for trading in other comprehensive income.

The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the stock market and susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board will continue to closely monitor the performance of its investment portfolio (if any) from time to time.

As at 30 September 2021, the Company did not hold any significant investments in an investee company with a value of 5% or more of the Company's total assets.

FOREIGN CURRENCY EXPOSURE

The Group's monetary assets and transactions are principally denominated in Hong Kong dollars, Renminbi and US dollars. During the period under review, there was no significant fluctuation in the exchange rates of Hong Kong dollars and US dollars whereas Renminbi had an upward adjustment, resulting in an exchange gain of approximately HK\$8.6 million recognised as other comprehensive income of the Group. The Group will take a prudent approach against any impact arising from the fluctuation in exchange rates but currently is not engaged in any derivative activities and not committed to any financial instruments to hedge its balance sheet exposure.

EMPLOYEES AND HUMAN RESOURCES POLICY

As at 30 September 2021, the Group had 300 staff (30 June 2020: 309 staff). The total staff costs incurred for the six months ended 30 September 2021 was approximately HK\$41.9 million (30 June 2020: approximately HK\$37.5 million). The remuneration of employees was determined with reference to the qualification and experience of individual staff member, market circumstances and the Group's performance. In accordance with the Listing Rules, the staff of the Company's accounting and financial reporting function have adequate training programmes and budget.

Pursuant to a share option scheme adopted on 1 September 2021 (the "2021 Share Option Scheme"), the Board may grant options to, among other, directors (including non-executive directors and independent non-executive directors) and employees of the Company and any of its subsidiaries or associated companies, to subscribe for shares of the Company. During the period under review, no options were granted under the 2021 Share Option Scheme.

MATERIAL ACQUISITION OR DISPOSAL

On 10 August 2021, China Best Financial Holdings Limited, a wholly owned subsidiary of the Company, entered into share transfer agreement with independent third party to acquire 42% of the issued share capital of Treasure Cart Holdings Limited at a consideration of HK\$90 million (the "Treasure Cart Acquisition"). The major subsidiaries of Treasure Cart Holdings Limited are principally engaged in the provision of financial information, solutions and data analytical services to customers in finance and property related field in the PRC. Before the acquisition, Treasure Cart Holdings Limited and its subsidiaries (collectively as "Treasure Cart Group") are associates of the Company with 25% equity interest held. After the completion of the acquisition on 12 August 2021, the Group held 67% equity interest in Treasure Cart Holdings Limited and Treasure Cart Group become non-wholly owned subsidiaries of the Company since then. Further details are set out in the Company's announcement dated 10 August 2021.

Save as disclosed above, there was no other material acquisition or disposal (including the acquisition or disposal of subsidiaries and associated companies) for the six months ended 30 September 2021.

FUND RAISING ACTIVITIES

On 11 May 2021, the Company proposed to implement the rights issue (“Rights Issue”) on the basis of one (1) rights share (“Rights Share(s)”) for every two (2) existing shares held on 16 June 2021 at the subscription price of HK\$0.2 per Rights Share. The Rights Issue was completed on 14 July 2021 with 508,428,313 Rights Shares allotted and issued and the net proceeds were approximately HK\$96.7 million. Details of the Rights Issue were set out in the prospectus of the Company dated 17 June 2021 and the announcement of the Company dated 13 July 2021. As at 30 September 2021, the Group has utilised the net proceeds from the Rights Issue of approximately HK\$65.7 million. Details of the intended and actual use of proceeds were as follows:

Intended use of proceeds	Actual use of proceeds up to 30 September 2021
(a) approximately HK\$32 million would be applied to centralized heating business;	approximately HK\$26 million was changed to settle the partial consideration of the Treasure Cart Acquisition for deploying the Group’s financial resources more effectively, and approximately HK\$1.2 million was utilized as intended and the remaining approximately HK\$4.8 million has been utilised as intended as at the date of this announcement;
(b) approximately HK\$11 million would be used for the settlement of unpaid investment sum to Tiandi Youdamei (Beijing) Cultural Tourism Company Limited* (天地有大美(北京)文旅有限公司);	approximately HK\$11 million remained unused and will be utilized as intended in 2022;
(c) approximately HK\$34 million would be used for the Treasure Cart Acquisition, and/or property related business of the Group; and	approximately HK\$34 million was utilized to settle the partial consideration of the Treasure Cart Acquisition as intended; and
(d) approximately HK\$19.7 million would be used for general working capital of the Group.	approximately HK\$4.5 million was utilized as intended, and the remaining approximately HK\$15.2 million will be fully utilized as intended by the end of March 2022.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2021 (30 June 2020: nil).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for establishing and maintaining the Group's risk management and internal control systems to safeguard shareholders' investment and reviewing the effectiveness of such on an annual basis pursuant to Code Provision C.2.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "CG Code").

CORPORATE GOVERNANCE CODE OF THE LISTING RULES

In the opinion of the Board, save as disclosed below, none of the directors of the Company are aware of any information that would reasonably indicate that the Company was not for any part of the six months ended 30 September 2021 in compliance with the CG Code.

Under Code Provision C.2.5 of the CG Code, the Group should have an internal audit function. However, due to the size of the Group and for cost effectiveness consideration, the Group currently does not have an internal audit function. Instead, the Audit Committee is responsible for a review on the internal control system annually. The review covers major financial, operational controls in rotation basis and also the risk management functions. The Group continues to review the need for an internal audit function annually.

Under Code Provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to influence of COVID-19 pandemic, three independent non-executive directors namely, Mr. Ru Xiangan, Mr. Liu Haiping and Mr. Liu Tonghui, were unable to attend the Company's annual general meeting held on 1 September 2021.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely, Mr. Ru Xiangan, Mr. Liu Haiping and Mr. Liu Tonghui.

The primary duties of the Audit Committee are to review the financial statements and reports and to review the adequacy and effectiveness of the Group's financial reporting system, internal control system and risk management system and associated procedures.

The Group's unaudited results for the six months ended 30 September 2021 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, immediately following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2021.

PUBLICATION OF INTERIM REPORT

The interim results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cbgroup.com.hk).

The 2021 Interim Report of the Company containing all the information required under Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company as well as published on the aforesaid websites in due course.

By Order of the Board
China Best Group Holding Limited
Mr. Qin Jie
Executive Director and Chief Executive Officer

Hong Kong, 29 November 2021

As at the date of this announcement, the Board comprises five executive directors, namely, Ms. Wang Yingqian (Chairman), Mr. Qin Jie (Chief Executive Officer), Mr. Liu Wei, Mr. Chen Wei and Mr. Fan Jie, and three independent non-executive directors, namely, Mr. Liu Haiping, Mr. Liu Tonghui and Mr. Ru Xiangan.