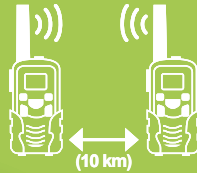




照現生態
ZHAOXIAN SHENGTAI

Zhao Xian Business Ecology International Holdings Limited
照現生態國際控股有限公司

(Formerly known as On Real International Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8245)



2022
INTERIM REPORT

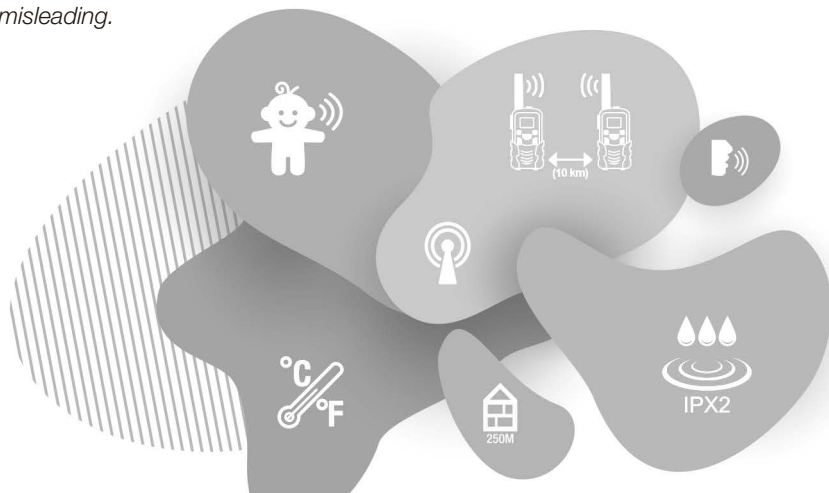
CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of Zhao Xian Business Ecology International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



Contents

Corporate Information	3
Financial Highlights (Unaudited)	5
Management Discussion and Analysis	6
Other Information	13
Unaudited Condensed Consolidated Financial Statements	18
Notes to Unaudited Condensed Consolidated Interim Financial Information	24



CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Au Yeung Yiu Chung (appointed on 3 May 2022 and resigned on 30 September 2022)

Mr. Yeung Shing Wai

Ms. Zhu Xiu Zhi (Re-designated from Independent Non-executive Director to Executive Director on 21 June 2022)

Ms. Wong Ming Kwan Victoria (appointed on 2 September 2022)

Independent

Non-executive Directors:

Mr. Choi Pun Lap (appointed on 21 April 2022)

Mr. Sheng Wei (appointed on 16 May 2022)

Ms. Ip Sin Nam Ingrid (appointed on 2 September 2022)

Mr. Chan Shiu Man (retired on 2 September 2022)

AUDIT COMMITTEE

Mr. Choi Pun Lap (*Chairman*)

Mr. Sheng Wei

Ms. Ip Sin Nam Ingrid

REMUNERATION COMMITTEE

Mr. Sheng Wei (*Chairman*)

Mr. Choi Pun Lap

Ms. Ip Sin Nam Ingrid

NOMINATION COMMITTEE

Mr. Choi Pun Lap (*Chairman*)

Mr. Sheng Wei

Ms. Ip Sin Nam Ingrid

COMPANY SECRETARY

Mr. Lo Cheuk Fei Jeffrey (appointed on 1 April 2022)

COMPLIANCE OFFICER

Mr. Yeung Shing Wai

AUTHORISED REPRESENTATIVES

Mr. Lo Cheuk Fei Jeffrey (appointed on 1 April 2022)

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111 Cayman Islands

**PRINCIPAL PLACE
OF BUSINESS
IN HONG KONG**

G/F., 200 Hennessy Road
Wan Chai
Hong Kong

**PRINCIPAL SHARE
REGISTRAR AND
TRANSFER OFFICE IN
THE CAYMAN ISLANDS**

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111 Cayman Islands

**HONG KONG BRANCH
SHARE REGISTRAR
AND TRANSFER
OFFICE**

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

AUDITOR

Elite Partners CPA Limited
10/F., 8 Observatory Road
Tsim Sha Tsui, Kowloon
Hong Kong

STOCK CODE

8245

COMPANY'S WEBSITE

www.zhaoxian-int.com

FINANCIAL HIGHLIGHTS

- Revenue of the Company for the six months ended 30 September 2022 amounted to approximately HK\$58.6 million, representing an increase of approximately 7.3% as compared with that of approximately HK\$54.6 million for the six months ended 30 September 2021.
- Profit attributable to the owner of the Company for the six months ended 30 September 2022 amounted to approximately HK\$2.9 million as compared to a loss of approximately HK\$24.9 million for the six months ended 30 September 2021.
- Basic and diluted earning per share for the six months ended 30 September 2022 amounted to approximately HK cents 0.43 (for the six months ended 30 September 2021: loss HK cents 4.15).
- The Board does not recommend the payment of any dividend for the six months ended 30 September 2022 (for the six months ended 30 September 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2022, together with the unaudited comparative figures for the corresponding period in 2021.

BUSINESS REVIEW

The Group is a two-way radio product designer and manufacturer established in 2001. We derive revenue principally from designing, manufacturing and selling two-way radios and baby monitor products on original design manufacturing basis.

The Group’s revenue increased from approximately HK\$54.6 million for the six months ended 30 September 2021 to approximately HK\$58.6 million for the six months ended 30 September 2022, representing an increase of approximately 7.3%. Such increase was mainly due to order increasing from our customers.

The Group’s revenue of two-way radios decreased by approximately 31.6% from approximately HK\$39.2 million for the six months ended 30 September 2021 to approximately HK\$26.8 million for the six months ended 30 September 2022. The reason for the decrease was that the sales orders were delayed due to the knockdown of transportation and the lack of raw materials under the effect of COVID-19 during the six months ended 30 September 2022.

The Group’s revenue of baby monitors decreased by approximately 66.7% from approximately HK\$0.3 million for the six months ended 30 September 2021 to approximately HK\$0.1 million for the six months ended 30 September 2022 mainly due to the decrease in demand of our audio baby monitor products.

The Group’s revenue of other products increased by approximately 111.3% from approximately HK\$15.0 million for the six months ended 30 September 2021 to approximately HK\$31.7 million for the six months ended 30 September 2022 mainly due to increase in demand from our other products.

The Company will continue to diversify the revenue stream and expand the customer base by expanding product offerings and exploring business opportunity with current and potential customers.

The following table sets forth the breakdown of the revenue of the Group by product/service categories for the six months ended 30 September 2022 and 2021:

Unaudited						
Six months ended 30 September						
	2022		2021		Increase (decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Two-way radio	26,773	45.7	39,234	71.9	(12,461)	(31.8)
Baby monitors	106	0.2	321	0.6	(215)	(67.0)
Service business	—	—	—	—	—	—
Other products	31,738	54.1	15,001	27.5	16,737	111.6
Total	58,617	100	54,556	100.0	4,061	7.4

PROSPECT

Our business objectives are to grow our existing business by strengthening our product portfolio, enhancing our information management system and enhancing our marketing efforts. We will continue to look for opportunities to diversify our revenue stream, search for new product and to leverage our developed sales channels and network for distributing related products.

In coming year, the Group will continue to spend effort in research and development on new product line and seek for new customers and sales channels. We will also continue to subcontract partial of our manufacturing and operation activities to reduce the fix overhead and to enhance the flexibility in terms of fixed cost commitment. We will continue to put effort in developing new model of our products and diversify our revenue streams which are expected to bring growth potential for turnover to the Group and returns to the shareholders of the Company (the “Shareholders”). The Group will enhance our business revenue and profitability by introducing new product categories and/or leveraging our research and development capability to provide design engineering service to our customers. The Group will look for and consider potential investment business opportunities from time to time.

The economic downturn caused by impact of COVID-19 has brought about additional uncertainties to the Group's operating environment and may impact the Group's operations and financial position. The Group will continue to keep track of development of the COVID-19 and to evaluate the impacts on the Group's financial position, cash flows and operating results. The Group holds a positive and optimistic attitude to react proactively to its possible impact on Group's performance.

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of raw material cost, direct labour costs and subcontracting fees. Our cost of sales decreased by approximately 5.3% from HK\$53.0 million for the six months ended 30 September 2021 to HK\$50.2 million for the six months ended 30 September 2022. The gross profit ratio increased from approximately 2.9% for the six months ended 30 September 2021 to approximately 14.4% for the six months ended 30 September 2022. The reason for the increase in gross profit was that the proportion of the increase in revenue outweigh the fixed overhead especially the staff costs.

Selling and Distribution Expenses

The selling and distribution expenses decreased from approximately HK\$0.8 million for the six months ended 30 September 2021 to approximately HK\$0.1 million for the six months ended 30 September 2022, which was mainly due to less transportation expenses and certification cost incurred compared with the corresponding period in 2021.

Administrative Expenses

The administrative expenses decreased from approximately HK\$25.7 million for the six months ended 30 September 2021 to approximately HK\$7.4 million for the six months ended 30 September 2022, which was mainly due to decrease in staff costs.

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company for the six months ended 30 September 2022 amounted approximately HK\$2.9 million compared with loss of approximately HK\$24.9 million for the six months ended 30 September 2021. The reason for the increase in the profit was mainly contributed by the proportion of the increase in revenue which outweigh the fixed overhead especially the staff costs and decrease in staff costs.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As at 30 September 2022, we had various short term borrowings, bank borrowings and lease liabilities of approximately HK\$9.0 million (as at 31 March 2022: approximately HK\$5.9 million), representing an increase of approximately HK\$3.1 million as compared to that as at 31 March 2022.

Net current liabilities decreased from approximately HK\$28.3 million as at 31 March 2022 to approximately HK\$23.0 million as at 30 September 2022, which was mainly due to decrease in trade and other payables during the six months ended 30 September 2022.

The Company requires cash primarily for working capital needs. As at 30 September 2022, the Company had approximately HK\$1.7 million in cash and bank balances (as at 31 March 2022: approximately HK\$7.9 million), representing a decrease of approximately HK\$6.2 million as compared to that as at 31 March 2022.

As of 30 September 2022, the deficit equity attributable to the owners of the Company were approximately negative HK\$7.9 million, of which share capital was approximately HK\$9.0 million, capital reserve was approximately HK\$1.5 million, PRC statutory surplus reserve was approximately HK\$2.7 million, exchange reserve was approximately HK\$5.3 million and accumulated loss were approximately HK\$135.1 million. The deficit equity attributable to the owners of the Company decreased by approximately 71.9% from negative approximately HK\$28.1 million as at 31 March 2022 to negative approximately HK\$7.9 as at 30 September 2022. There were no debt securities issued by the Group during the six months ended 30 September 2022.

Capital Commitments

As at 30 September 2022, the Company had no any capital commitments on acquisition of property, plant and equipment (as at 31 March 2022: nil).

Gearing Ratio

As at 30 September 2022, the gearing ratio of the Group was negative approximately 111.4% (as at 31 March 2022: negative approximately 20.0%). The gearing ratio is calculated based on the borrowings divided by the deficit equity attributable to owners of the Company as at 30 September 2022. The decrease of the negative gearing ratio was mainly attributable to the decrease in net liabilities.

Pledged of Assets

As at 30 September 2022 and 31 March 2022, the Group's banking facilities were secured by:

- (i) pledged bank deposits with carrying amount of approximately HK\$Nil; and
- (ii) a corporate guarantee from the Company with an aggregate amount of approximately HK\$Nil.

Contingent Liabilities

On 20 January 2020, the Company received a third-party notice with legal case no. HCA1643/2019 between the Barton Eagle Limited (the "**Plaintiff**"), Lam Tak Hung (the "**Defendant**") and the Company. The Plaintiff claimed against the Defendant approximately HK\$8 million under a guarantee for debts own by the Company. The Defendant claims against the Company to be indemnified against the Plaintiff's claim and the cost of this action on the grounds that the Company are the principal debtor of the alleged debt. The management of the Company is seeking the legal opinion for the above case.

Up to the date of this report, the outcome of the proceedings is still uncertain. As the Directors considered it is premature and not practical to draw a conclusion of the outcome of the claims and that the ultimate liability, if any, will not have a material adverse impact on the Group's consolidated financial position, no provision was made as at 30 September 2022 (as at 31 March 2022: nil).

Apart from the contingent liabilities disclosed on the above, the Company has no significant contingent liabilities as at 30 September 2022 (as at 31 March 2022: nil).

Financial Risk Management

During the six months ended 30 September 2022, the Group regularly reviewed the risk and credit control systems of its profit centres in order to improve the overall controlling system and mitigate credit risk.

Risk management is carried out by finance department under policies approved by the Board. Finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Company did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure as of 30 September 2022.

FOREIGN EXCHANGE EXPOSURE

The Group operates in the PRC and Hong Kong with all of the transactions settled in Renminbi (“**RMB**”), U.S Dollar, Euro and Hong Kong Dollar during the six months ended 30 September 2022. Therefore, the Group considers the risk exposure to foreign currency fluctuation would be essentially in line with the performance of the exchange rate of above-mentioned currencies. During the six months ended 30 September 2022, the Group did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

On 24 June 2022, a direct wholly-owned subsidiary of the Company entered into the sale and purchase agreement to acquire 100% equity interest in World Smarts Co. Limited (“**World Smarts**”) (“**Acquisition**”) from vendors (“**Vendors**”) namely Wong Ming Kwan Victoria and DD Innovation Limited, independent third parties to the Group, at a consideration of HK\$15,000,000 which was satisfied by the issue of the Consideration Shares by the Company to the Vendors upon Completion. World Smart is a limited company incorporated in Hong Kong in 2014 and is principally engaged in the production and sales of OEM, ODM and OBM plastic products with specialty in 3D items, infants and children products. During the six months period 30 September 2022, the Group obtained control in World Smarts on 24 June 2022.

More details are set out in the Company’s announcement dated 2 June 2022, 14 June 2022 and 24 June 2022.

The Group did not have any other immediate plans for material investment and capital assets as at the date of this report.

Dividend

The Board does not recommend the payment of a dividend for the six months ended 30 September 2022 (2021: nil).

Employees and Remuneration Policies

Total staff costs (including Directors' emoluments) were approximately HK\$4.5 million for the six months ended 30 September 2022 (30 September 2021: HK\$14.6 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus will be paid to employees as recognition of and reward for their contributions according to individual performance. Other benefits include share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

FUND RAISING ACTIVITIES

Placing of New Shares Under General Mandate

On 20 June 2022, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has agreed to place, on a best effort basis, to not less than six independent Placees for up to 6,000,000 new Shares at a price of HK\$0.230 per Placing Share, for and on behalf of the Company.

On 8 July 2022, the Placing was completed and 6,000,000 new Shares were issued to not less than six Placees at the Placing Price.

More details are set out in the Company's announcement dated 20 June 2022 and 8 July 2022.

As at 30 September 2022, the net proceeds of the Placing had been utilised as follows:

	Actual net proceeds allocated	Amount utilised up to 30 September 2022	Balance as at 30 September 2022
	HK\$ Million	HK\$ Million	HK\$ Million
General working capital	1.35	1.35	—

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the date of this report, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/nature	No. of shares held in the associated corporation	% of shareholding in the associated corporation
Ms. Wong Ming Kwan Victoria	DD Innovation Limited	Beneficial interest	1	100%

Save as disclosed above, as at 30 September 2022, none of the Directors or chief executive of the Company or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange. There were no debt securities issued by the Group during the six months ended 30 September 2022.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2022, so far as known to the Directors, the following shareholders had, or were deemed to have, interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of Shares interested or held	Percentage of interest
DD Innovation Limited ("DD Innovation") (Note 1)	Beneficial owner	95,590,909	13.45%
Ms. Wong Ming Kwan Victoria ("Ms. Wong") (Note 1)	Beneficial owner and interest in a controlled corporation	113,636,364	15.82%
Solution Smart Holdings Limited ("Solution Smart") (Note 2)	Beneficial owner	112,589,600	18.81%
Mr. Chung Wai Sum ("Mr. Chung") (Note 2)	Interest in a controlled corporation	112,589,600	18.81%
SMK Investment Company Limited ("SMK") (Note 3)	Beneficial owner	90,997,600	15.20%
Mr. Kor Sing Mung Michael (Note 3)	Interest in a controlled corporation	90,997,600	15.20%

Notes:

- Ms. Wong is the sole beneficial shareholder of DD Innovation. Therefore, Ms. Wong is deemed to be interested in the Shares in which DD Innovation is interested for the purpose of the SFO. In addition, Ms. Wong directly holds 17,045,455 shares of the Company.
- Mr. Chung Wai Sum is the sole beneficial shareholder of Solution Smart. Therefore, Mr. Chung is deemed to be interested in 112,589,600 shares of the Company held by Solution Smart under the SFO.
- Mr. Kor Sing Mung Michael, is the sole beneficial shareholder of SMK. Therefore, Mr. Kor Sing Mung Michael is deemed to be interested in 90,997,600 shares of the Company held by SMK under the SFO.
- All interests stated above represent long positions.

Save as disclosed above, the Directors are not aware of any other person who had an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 September 2022.

CORPORATE GOVERNANCE

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 September 2022. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the six months ended 30 September 2022.

The Company fully complied with all the code provisions set out in the CG Code throughout the six months ended 30 September 2022.

DIRECTORS’ SECURITIES TRANSACTIONS

The Group had adopted Rules 5.46 to Rules 5.67 Rules of the GEM Listing Rules (“**Model Code**”) as its own code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiry with all the Directors and all the Directors of the Company had confirmed compliance with the required standard of dealings set out in the Model Code and the code of conduct for Directors’ securities transactions during the six months ended 30 September 2022.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the six months ended 30 September 2022. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2022.

SHARE OPTION SCHEME

The share option scheme of the Company ("**Scheme**") was adopted pursuant to a resolution passed by the Company's shareholders on 16 September 2015 for the primary purpose is to attract, retain and motivate talented participants, to strive for future developments and expansion of the Group. Eligible participants of the Scheme include any employees, any executives, non-executive Directors (including independent non-executive Directors), advisors, consultants of the Company or any of its subsidiaries.

The Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Scheme is adopted, after which period no further share options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and share options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue. The principal terms of which were summarized in the paragraph headed "Share Option Scheme" in Appendix IV to the prospectus of the Company dated 18 September 2015. No share options had been granted, agreed to be granted, exercised, cancelled, expired or lapsed under the Scheme during the six months ended 30 September 2022. The Company did not have any outstanding share options, warrants and convertible instruments into shares as at 30 September 2022 and the date of this report. The total number of shares of the Company which may be issued upon the exercise of all options to be granted under the Scheme was 26,880,000 shares (adjusted as a result of share consolidation effected on 6 February 2020) of the Company, representing approximately 3.7% of the issued share capital of the Company as at 30 September 2022 and the date of this report.

AUDIT COMMITTEE

The existing audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, chaired by Mr. Choi Pun Lap and the other two members are Mr. Sheng Wei and Ms. Ip Sin Nam Ingrid.

The unaudited interim financial results of the Group for the six months ended 30 September 2022 have been reviewed by the Audit Committee.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events since 30 September 2022 and up to the date of this report.

By Order of the Board

Zhao Xian Business Ecology International Holdings Limited

Zhu Xiu Zhi

Executive Director

Hong Kong, 14 November 2022

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2022

The Board is pleased to announce the unaudited consolidated results of the Group for the three months and six months ended 30 September 2022, together with the comparative figures for the corresponding period in 2021 which have been reviewed and approved by the Audit Committee, as follows:

	Notes	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	6	14,277	26,973	58,617	54,556
Cost of sales		(5,879)	(26,578)	(50,165)	(52,997)
Gross profit		8,398	395	8,452	1,559
Other income	7	1,080	210	1,229	445
Other gains and (losses)	8	523	22	906	(164)
Selling and distribution expenses		(31)	(124)	(144)	(794)
Administrative expenses		(3,086)	(20,791)	(7,398)	(25,665)
Finance costs	9	(91)	(76)	(191)	(238)
Profit (loss) before income tax	10	6,793	(20,364)	2,854	(24,857)
Income tax expense	11	—	—	—	—
Profit (loss) for the period		6,793	(20,364)	2,854	(24,857)
Other comprehensive income (expense)					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		9,254	(21)	961	521
Total comprehensive income (expense) for the period		16,047	(20,385)	3,815	(24,336)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2022

	Notes	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit (loss) for the period attributable to:					
Owners of the Company		6,793	(20,364)	2,854	(24,857)
Non-controlling interests		—	—	—	—
		6,793	(20,364)	2,854	(24,857)
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		16,047	(20,385)	3,815	(24,336)
Non-controlling interests		—	—	—	—
		16,047	(20,385)	3,815	(24,336)
Earning (loss) per share (HK cents)					
Basic and diluted	12	0.95	(3.40)	0.43	(4.15)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	14	99	94
Right-of-use assets		34	125
Goodwill	22	14,983	—
		15,116	219
Current assets			
Inventories	16	—	18,637
Trade and other receivables	15	19,291	29,476
Bank balances and cash		1,746	7,949
		21,037	56,062
Current liabilities			
Trade and other payables	17	35,050	73,704
Borrowings	18	8,818	5,600
Amount due to a related company	19	—	4,712
Lease liabilities		141	316
Income tax payables		—	—
		44,009	84,332

	<i>Notes</i>	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Net current liabilities		(22,972)	(28,270)
Total assets less current liabilities		(7,856)	(28,051)
Net liabilities		(7,856)	(28,051)
Capital and reserves			
Share capital	20	8,976	7,481
Reserves		(16,895)	(35,595)
Equity attributable to owners of the Company		(7,919)	(28,114)
Non-controlling interests		63	63
Total deficit equity		(7,856)	(28,051)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total deficit equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	PRC statutory reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
Balance at 1 April 2022 (Audited)	7,481	93,897	1,465	2,670	4,373	(138,000)	(28,114)	63	(28,051)
Profit for the period	-	-	-	-	-	2,854	2,854	-	2,854
Other comprehensive income									
Exchange difference arising on translation of foreign operations	-	-	-	-	961	-	961	-	961
Total comprehensive income	-	-	-	-	961	2,854	3,815	-	3,815
Acquisition of subsidiaries (Note 22)	1,420	13,580	-	-	-	-	15,000	-	15,000
Placing (Note 20)	75	1,305	-	-	-	-	1,380	-	1,380
Balance at 30 September 2022 (Unaudited)	8,976	108,782	1,465	2,670	5,334	(135,146)	(7,919)	63	(7,856)

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	PRC statutory reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
Balance at 1 April 2021 (Audited)	7,481	93,897	1,465	2,670	3,034	(77,553)	30,994	63	31,057
Loss for the period	-	-	-	-	-	(24,857)	(24,857)	-	(24,857)
Other comprehensive income									
Exchange difference arising on translation of foreign operations	-	-	-	-	521	-	521	-	521
Total comprehensive income (expense)	-	-	-	-	521	(24,857)	(24,336)	-	(24,336)
Balance at 30 September 2021 (Unaudited)	7,481	93,897	1,465	2,670	3,555	(102,410)	6,658	63	6,721

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash (used in) generated from operating activities	(6,714)	7,447
Net cash generated from investing activities	6	53
Net cash (used in) financing activities	(473)	(9,676)
Net decrease in cash and cash equivalents	(7,181)	(2,176)
Cash and cash equivalents at beginning of the period	7,949	12,973
Effect on foreign exchange rates change	978	524
Cash and cash equivalents at end of the period	1,746	11,321
Analysis of cash and cash equivalents		
Bank balances and cash	1,746	11,321

1 CORPORATION INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

(a) General information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised), of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is G/F, 200 Hennessy Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are designing, trading and manufacturing of two-way radios, baby monitors, other communication devices and servicing business of the above products.

The Company was listed on the GEM on 30 September 2015.

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated.

(b) Basis of presentation

The presentation applied are consistent with those of the consolidated annual financial statements for the year ended 31 March 2022.

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2022 (“**Interim Period**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”).

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Interim Period are consistent with those used in the audited financial statements of the Group for the year ended 31 March 2022 and should be used in conjunction with the audited consolidated financial statements for the year ended 31 March 2022.

2 BASIS OF PREPARATION (CONTINUED)

HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the Interim Period. There have been no significant changes to the accounting policies applied in these financial statements for the Interim Period presented as a result of these developments.

The unaudited condensed consolidated financial statements for the Interim Period have not been audited by the Company's independent auditor but have been reviewed by the Company's audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Interim Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

ADOPTION OF NEW AND AMENDED HKFRSs

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 operation and effective for its accounting period beginning on 1 April 2022. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. A number of new or amended standards are effective from 1 April 2022 but they do not have a material effect on the Group's unaudited condensed consolidated interim financial statements.

Going concern basis

In preparing the unaudited condensed consolidated interim financial information, the directors of the Company have considered the future liquidity of the Group in view of its net current liabilities position and net liabilities position as at 30 September 2022. As at 30 September 2022, the Group net liabilities of approximately HK\$7,856,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

2 BASIS OF PREPARATION (CONTINUED)

Going concern basis (CONTINUED)

The directors of the Company have been taking measures to improve the liquidity and solvency position of the Group. These measures include:

- a) On 2 June 2022, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with independent third party for the acquisition of 100% issued shares of World Smarts Co. Limited at the consideration of HK\$15 million to be settled by the allotment and issue of the consideration shares of the Company. The acquisition (the “**Acquisition**”) was completed on 24 June 2022. Details are set out in the Company’s announcements dated 14 June 2022 and 24 June 2022;
- b) On 14 June 2022, the Company has entered into negotiations (the “**Negotiations**”) with Zhao Xian Business Ecology Platform (the “**Cooperator**”) in relation to the proposed cooperation to develop 5.0G sales network for Internet systems and value-added services in China. The cooperator is principally engaged in internet design and research and development, domestic and cross-border e-commerce platform, operation and sales in China; and
- c) On 20 June 2022, the Company entered into the Placing Agreement with the Placing Agent. The Placing Agent has agreed to place not less than six independent Placees for up to 6,000,000 new shares at a price of HK\$0.230 per placing share, for and on behalf of the Company. The placing (the “**Placing**”) has been completed on 8 July 2022.

In light of the abovesaid measures subsequent to the year-end date, the Board considers that the Acquisition represents a good opportunity to expand its current business and to develop product diversification. The Acquisition will also serve as a lateral expansion of the Group’s business in sale, trading, distribution, and processing of branded consumer products. Considering the negotiation with the Cooperator, the Board has been actively looking for business opportunities to diversify the income source of the Group. Furthermore, following the completion of the Placing and potential fund-raising activities in the future including but not limited to issuance of convertible bond and share options, further placing arrangements and obtainment of loan facilities, the Board believes that the financial position of the Company shall be strengthened in the future.

3 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for financial asset at fair value through profit or loss which is measured at fair values.

4 ESTIMATES

The preparation of unaudited condensed consolidated interim financial information 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 expense. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, 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 consolidated financial statements for the year ended 31 March 2022.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The unaudited interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2022.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the annual financial statements for the year ended 31 March 2022.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(CONTINUED)

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- 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) (level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The fair values of trade and other receivables, bank balances and cash, trade and other payables and borrowings as at 30 September 2022 approximate to their carrying amounts.

6 SEGMENT INFORMATION

Total revenue recognised during the respective period are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Sales of goods	14,277	26,973	58,617	54,556
Sales of service	—	—	—	—
	14,277	26,973	58,617	54,556

The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the condensed consolidated income statements.

6 SEGMENT INFORMATION (CONTINUED)

The Group is principally engaged in the designing, trading and manufacturing of two-way radios, baby monitors, other communication devices and servicing business of the above products.

The executive Directors have been identified as the chief operating decision makers. The executive Directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

Management of the Company considers the business from a product perspective whereby management of the Company assesses the performance of two-way radios, baby monitors, other communication products and servicing business based on gross profit arising in the course of the ordinary activities which are recurring in nature.

Capital expenditure comprises additions to property, plant and equipment.

6 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive Directors for the reportable segments are as follows:

	Two-way radios HK\$'000 (Unaudited)	Baby monitors HK\$'000 (Unaudited)	Service business HK\$'000 (Unaudited)	Other products (Note) HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
For the six months ended 30 September 2022					
Total segment revenue (from external customers)	26,773	106	—	31,738	58,617
Segment result for the period	5,892	78	—	2,482	8,452
Other segment items:					
Depreciation of property, plant and equipment	—	2	—	—	2
For the six months ended 30 September 2021					
Total segment revenue (from external customers)	39,234	321	—	15,001	54,556
Segment result for the period	922	14	—	623	1,559
Other segment items:					
Depreciation of property, plant and equipment	—	1	—	—	1

6 SEGMENT INFORMATION (CONTINUED)

	Two-way radios HK\$'000 (Unaudited)	Baby monitors HK\$'000 (Unaudited)	Service business HK\$'000 (Unaudited)	Other products (Note) HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
For the three months ended 30 September 2022					
Total segment revenue (from external customers)	5,710	104	—	8,463	14,277
Segment result for the period	4,469	78	—	3,851	8,398
Other segment items:					
Depreciation of property, plant and equipment	—	2	—	—	2
For the three months ended 30 September 2021					
Total segment revenue (from external customers)	24,180	—	—	2,793	26,973
Segment result for the period	335	1	—	59	395
Other segment items:					
Depreciation of property, plant and equipment	—	1	—	—	1

Note: Other products include transistors, integrated circuits, plastic casings, rechargeable battery chargers, ultrasonic cleansers, inductive emergency flashlights, LCD display module and accessories such as headsets, belt clips, chargers and power adaptors, etc.

6 SEGMENT INFORMATION (CONTINUED)

A reconciliation of total segment result to the loss for the respective period is provided as follows:

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Segment results	8,398	395	8,452	1,559
Other income	1,080	210	1,229	445
Other gains and (losses)	523	22	906	(164)
Selling, distribution and administrative expenses	(3,117)	(20,915)	(7,542)	(26,459)
Finance costs	(91)	(76)	(191)	(238)
Profit (loss) before income tax	6,793	(20,364)	2,854	(24,857)

6 SEGMENT INFORMATION (CONTINUED)

An analysis of revenue by geographic location, based on shipping destination, is set out below:

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Europe (Note 1)	—	2,703	—	3,886
Asia (Note 2)	14,277	24,270	58,617	50,670
	14,277	26,973	58,617	54,556

Note 1: Europe includes but is not limited to France, Italy and Belgium but excludes UK, Germany and the Netherlands.

Note 2: Asia includes but is not limited to the PRC and Hong Kong.

Revenue is allocated based on the shipping destination.

7 OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	6	25	13	89
Gain on disposal of non-current assets	—	51	46	95
Sale of scrap materials	—	12	11	16
Government subsidy	24	—	24	—
Others	1,050	122	1,135	245
	1,080	210	1,229	445

8 OTHER GAINS AND (LOSSES)

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Exchange gains (losses), net	523	22	906	(164)
Loss on disposal of subsidiary	—	—	—	—
	523	22	906	(164)

9 FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on:				
– bank and other borrowings	91	67	184	218
– lease liabilities	–	9	7	20
	91	76	191	238

10 PROFIT (LOSS) BEFORE INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories recognised as expenses	7,767	18,466	45,206	36,982
Directors' emoluments	291	339	570	678
Employee benefit expenses	1,843	10,561	4,501	14,582
Subcontracting fees	453	1,085	453	6,158
Depreciation				
– Property, plant and equipment	2	1	2	1
– Rights-of-use assets	60	47	91	94
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	593	722	807	1,233

11 INCOME TAX EXPENSE

Provision for Hong Kong Profits Tax has not been made as the Group has unused tax loss available to offset against assessable profits for the six months ended 30 September 2022.

No provision for PRC enterprise income tax has been made as the Group has unused tax loss available to offset against assessable profits for the six months ended 30 September 2022.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the six months ended 30 September 2022.

The amount of income tax expense charged to the condensed consolidated statements of profit or loss and other comprehensive income represents:

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax:				
Hong Kong Profit Tax	—	—	—	—
PRC Enterprise Income Tax	—	—	—	—

12 EARNING (LOSS) PER SHARE

(a) Basic

Basic earning (loss) per share is calculated by dividing the profit (loss) for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit (loss) attributable to owners of the Company (HK\$'000)	6,793	(20,364)	2,854	(24,857)
Weighted number of ordinary shares in issue ('000)	717,685	598,500	662,512	598,500
Basic earning (loss) per share (HK cents per share)	0.95	(3.40)	0.43	(4.15)

(b) Diluted

Diluted earning (loss) per share is the same as basic earning (loss) per share as there were no potential outstanding shares during the respective periods.

13 DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the six months ended 30 September 2022 (2021: nil).

14 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired property, plant and equipment of approximately HK\$7,000 (30 September 2021: HK\$36,000). In addition, through acquisition of subsidiaries, the Group's property, plant and equipment increased by approximately HK\$nil during the current period.

15 TRADE AND OTHER RECEIVABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade receivable (<i>Note a</i>)	5,680	14,933
Prepayment and deposits	401	698
Value-added tax receivables	3,437	13,256
Other receivables	17,942	8,758
Less: Allowance for credit losses	(8,169)	(8,169)
Total trade and other receivables	19,291	29,476
Less: non-current portion	—	—
Current portion	19,291	29,476

Note:

- (a) The carrying amounts of trade receivable approximate their fair values

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivable based on invoice date are as follows:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Within 30 days	1,669	11,878
31 to 60 days	4	20
61 to 90 days	—	203
91 to 180 days	423	2,003
Over 180 days	3,584	829
Total	5,680	14,933

16 INVENTORIES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Raw materials	—	11,584
Work in progress	—	5,989
Finished goods	—	1,064
	—	18,637

The cost of inventories recognised as expenses in “cost of sales” amounted to approximately HK\$36,982,000 and HK\$45,206,000 for the six months ended 30 September 2021 and 30 September 2022, respectively.

17 TRADE AND OTHER PAYABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade payables	13,293	43,113
Accrued expenses	10,530	16,271
Other payables	11,227	14,320
	21,757	30,591
Trade and other payables	35,050	73,704

The ageing analysis of the trade payables based on invoice date is as follows:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Within 30 days	331	12,090
31 to 60 days	11,777	4,644
61 to 90 days	7	5,696
More than 90 days	1,178	20,683
	13,293	43,113

The credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

18 BORROWINGS

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Bank borrowings (<i>Note a</i>)	1,218	—
Unsecured other borrowings (<i>Note b</i>)	2,000	—
Secured other borrowings (<i>Note c</i>)	5,600	5,600
Total borrowings	8,818	5,600

Carrying amount repayable (based on scheduled repayment dates set out in loan agreements):

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Bank borrowings and unsecured other borrowings that contain repayment on demand clause (shown as current liabilities) but repayable within a period of (<i>note</i>):		
Within one year	2,000	—
Within one and two years	—	—
Within two and three years	369	—
More than three years	849	—
Total	3,218	—
Amount shown under current liabilities	8,818	5,600
Amount shown under non-current liabilities	—	—

18 BORROWINGS (CONTINUED)

- (a) The bank borrowings are denominated in HK\$, interest bearing at Hong Kong Prime Lending Rate minus 2.25 per annum and repayable on demand, personal guarantee provided by Ms. Wong Ming Kwan Victoria.
- (b) The unsecured other borrowing is denominated in HK\$, interest bearing at 12% per annum and repayable on demand.
- (c) On 16 July 2019, the Company entered into assignment of debt agreement with the lender to factor trade receivable with the gross carrying amount of approximately HK\$7,809,000 to lender with recourse. Subsequent to entered into assignment of debt agreement, the secured other borrowings were interest-free and will be settled upon settlement of factored trade receivable with the amounts of HK\$7,308,000 (net of allowance for credit losses).

19 AMOUNT DUE TO A RELATED COMPANY

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Xinxing On Time Electronics Limited	—	4,712

As at 31 March 2022, the balances are unsecured, interest-free and repayable on demand.

20 SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.0125 each at 31 March 2022 (audited), 1 April 2022 and 30 September 2022 (unaudited) (2021: HK\$0.0125)	3,120,000	39,000
Issued and fully paid:		
Ordinary shares of HK\$0.0125 each at 31 March 2022 (audited) and 1 April 2022 (unaudited)	598,500	7,481
Addition:		
Acquisition of subsidiary (<i>note 22</i>)	113,636	1,420
Placing (<i>note</i>)	6,000	75
As at 30 September 2022	718,136	8,976

On 20 June 2022, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has agreed to place, on a best effort basis, to not less than six independent Placees for up to 6,000,000 new Shares at a price of HK\$0.230 per Placing Share, for and on behalf of the Company.

On 8 July 2022, the Placing was completed and 6,000,000 new Shares were issued to not less than six Placees at the Placing Price.

More details are set out in the Company's announcement dated 20 June 2022 and 8 July 2022.

21 RELATED-PARTY TRANSACTIONS

For the purposes of these unaudited condensed consolidated interim financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the three months and six months ended 30 September 2022 and 30 September 2021.

(a) Transactions with related parties

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Rental expenses charged by a related company	101	671	391	1,192

Note:

Rental expenses charged was paid to Xinxing On Time Electronics Limited. Mr. Tam Wing Ki ("Mr. Tam"), the ex-director and ex-chairman of the Company, has direct interest in the relevant party. Subsequent to the resignation of the director and chairman of the Company, Mr. Tam is still acting as director of certain subsidiaries and one of the key management personnel of the Group.

(b) Key management compensation

For the six months period ended 30 September 2022, the Directors considered they are the sole management personnel of the Group, and their remuneration during the six months period ended 30 September 2022 is disclosed in note 10 to condensed consolidated financial statements. The remuneration of the Directors is determined by the remuneration committee having regard to the performance of individual and market trends.

22 ACQUISITION OF SUBSIDIARY

World Smarts Co. Limited

On 24 June 2022, a direct wholly-owned subsidiary of the Company entered into the sale and purchase agreement to acquire 100% equity interest in World Smarts Co. Limited (“**World Smarts**”) (“**Acquisition**”) from vendors (“**Vendors**”) namely Wong Ming Kwan Victoria and DD Innovation Limited, an independent third party to the Group, at a consideration of HK\$15,000,000 which was satisfied by the issue of the Consideration Shares by the Company to the Vendors upon Completion. World Smart is a limited company incorporated in Hong Kong in 2014 and is principally engaged in the production and sales of OEM, ODM and OBM plastic products with specialty in 3D items, infants and children products. During the six months period 30 September 2022, the Group obtained control in World Smarts on 24 June 2022.

Consideration transferred

The consideration in total was approximately HK\$15,000,000 being 113,636,364 shares at HK\$0.132 issued to the vendors as directed in full settlement of the consideration of the Acquisition.

The assets acquired and liabilities recognised at the date of the Acquisition were trade and other receivables of approximately HK\$4,973,000, bank balances and cash of approximately HK\$88,000, other payables of approximately HK\$3,769,000 and bank loan of approximately HK\$1,275,000. The net assets were approximately HK\$17,000.

Acquisition-related costs amounting to approximately HK\$50,000 have been excluded from the consideration transferred and have been recognized as an expenses in the current period.

The provisional value as well as the gross contractual amount of trade and other receivables at the date of acquisition of approximately HK\$4,973,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected was HK\$nil.

22 ACQUISITION OF SUBSIDIARY (CONTINUED)

Net cash inflow on acquisition of World Smarts

The net cash outflow on the acquisition was HK\$ nil, as the Acquisition was settled by issuance of Consideration Shares, and less the cash and cash equivalents acquired of approximately HK\$88,000, a net cash inflow of approximately HK\$88,000 was recognized on the Acquisition.

Included in the loss for the six months reporting period was profit of approximately HK\$223,000.00 attributable to the additional business generated by World Smarts after the acquisition date.

Goodwill arising on acquisition of World Smarts

The goodwill arising on acquisition of Worlds Smarts would be approximately HK\$14,983,000, being the consideration transferred less the fair value of identifiable net assets acquired.

The provisional values recognised on acquisition as shown above, including but not limited to the provisional value of the Consideration Shares, may be adjusted upon the completion of the initial accounting for the business combination during the measurement period, which shall not exceed one year from the acquisition date.

The goodwill arising on acquisition of World Smarts is determined on a provisional basis as the Group is in the process of completing a valuation to assess the fair values of the identifiable assets acquired and liabilities assumed.

23 EVENTS AFTER REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 September 2022 and up to the date of this interim report.

24 APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements were approved and authorised for issue by the Board on 14 November 2022.