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華邦科技控股有限公司

HUABANG TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3638)

**INTERIM RESULTS FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2022**

The board of Directors (the “Board”) of Huabang Technology Holdings Limited (the “Company”) is pleased to announce the following unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2022 (“Current Period”) together with the unaudited comparative figures for the corresponding periods in 2021 (“Last Corresponding Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2022

		Unaudited	
		Six months	
		ended 30 September	
		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	125,883	1,242,516
Cost of sales		<u>(119,501)</u>	<u>(1,216,712)</u>
Gross profit		6,382	25,804
Selling expenses		(9)	(346)
General and administrative expenses		(19,397)	(30,581)
Expected credit loss on financial assets, net	5	(61,150)	(69,618)
Other income and gains, net		<u>718</u>	<u>1,084</u>
Operating loss		(73,456)	(73,657)
Finance costs	6	<u>(3,125)</u>	<u>(3,385)</u>
Loss before income tax	7	(76,581)	(77,042)
Income tax credit	8	<u>8,648</u>	<u>10,318</u>
Loss for the period		<u>(67,933)</u>	<u>(66,724)</u>
Attributable to:			
Owners of the Company		(68,972)	(68,210)
Non-controlling interests		<u>1,039</u>	<u>1,486</u>
		<u>(67,933)</u>	<u>(66,724)</u>
Loss per share attributable			
to owners of the Company			(Restated)
Basic	9	HK(15.68) cent	HK(15.71) cent
Diluted	9	HK(15.68) cent	HK(15.71) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Unaudited Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Loss for the period	(67,933)	(66,724)
Other comprehensive income		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>(536)</u>	<u>120</u>
Total comprehensive expense for the period	<u>(68,469)</u>	<u>(66,604)</u>
Attributable to:		
Owners of the Company	(69,508)	(68,090)
Non-controlling interests	<u>1,039</u>	<u>1,486</u>
	<u>(68,469)</u>	<u>(66,604)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	213,430	218,885
Intangible assets	<i>12</i>	–	3,391
Right-of-use assets	<i>11</i>	1,054	–
Deposits, prepayments and other receivables	<i>15</i>	573	497
Deferred tax assets		<u>46,971</u>	<u>38,034</u>
		<u>262,028</u>	<u>260,807</u>
Current assets			
Inventories		18,784	14,740
Loan receivables	<i>13</i>	54,848	57,865
Account receivables	<i>14</i>	21,375	79,315
Deposits, prepayments and other receivables	<i>15</i>	44,724	39,266
Financial assets at fair value through profit or loss		780	847
Income tax recoverable		589	2,782
Bank balances held on behalf of clients		17,753	12,492
Cash and cash equivalents		<u>61,068</u>	<u>46,660</u>
		<u>219,921</u>	<u>253,967</u>
Total assets		<u><u>481,949</u></u>	<u><u>514,774</u></u>
EQUITY			
Share capital	<i>16</i>	4,385	3,654
Other reserves		559,429	538,775
Accumulated losses		<u>(325,417)</u>	<u>(256,445)</u>
Total equity attributable to owners of the Company		238,397	285,984
Non-controlling interests		<u>9,755</u>	<u>8,716</u>
Total equity		<u><u>248,152</u></u>	<u><u>294,700</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2022

		Unaudited 30 September 2022 <i>HK\$'000</i>	Audited 31 March 2022 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		420	–
Deferred tax liabilities		219	200
		639	200
Current liabilities			
Account payables	17	60,895	29,305
Other payables and accrued expenses	17	2,520	7,076
Contract liabilities		5,604	5,437
Borrowings	18	162,570	177,373
Lease liabilities		616	–
Income tax payables		953	683
		233,158	219,874
Total liabilities		233,797	220,074
Total equity and liabilities		481,949	514,774
Net current (liabilities)/assets		(13,237)	34,093
Total assets less current liabilities		248,791	294,900

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Unaudited Attributable to owners of the Company											
	Other reserves										Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Merger reserve HK\$'000 Note (a)	Capital reserve HK\$'000 Note (b)	Statutory reserve HK\$'000 Note (c)	Exchange reserve HK\$'000	Sub total HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
For 6 months ended 30 September 2021												
Balance as at 1 April 2021 (audited)	3,654	502,332	(21,630)	50,374	2,480	1,042	3,934	538,532	(15,427)	526,759	7,117	533,876
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(68,210)	(68,210)	1,486	(66,724)
Other comprehensive income												
Currency translation differences	-	-	-	-	-	-	120	120	-	120	-	120
Total comprehensive income/(expense)	-	-	-	-	-	-	120	120	(68,210)	(68,090)	1,486	(66,604)
Balance as at 30 September 2021 (unaudited)	3,654	502,332	(21,630)	50,374	2,480	1,042	4,054	538,652	(83,637)	458,669	8,603	467,272
For 6 months ended 30 September 2022												
Balance as at 1 April 2022 (audited)	3,654	502,332	(21,630)	50,374	2,480	1,042	4,177	538,775	(256,445)	285,984	8,716	294,700
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(68,972)	(68,972)	1,039	(67,933)
Other comprehensive income												
Currency translation differences	-	-	-	-	-	-	(536)	(536)	-	(536)	-	(536)
Total comprehensive (expense)/income	-	-	-	-	-	-	(536)	(536)	(68,972)	(69,508)	1,039	(68,469)
Transaction with owners												
Issuance of shares upon placement	731	21,190	-	-	-	-	-	21,190	-	21,921	-	21,921
Balance as at 30 September 2022 (unaudited)	4,385	523,522	(21,630)	50,374	2,480	1,042	3,641	559,429	(325,417)	238,397	9,755	248,152

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2022

Notes:

(a) Merger reserve

The Group's merger reserve represents the difference between the share capital of the Company and the aggregate amount of share capital of other companies comprising the Group, after elimination of intra-group investments.

(b) Capital reserve

The Group's capital reserve represents deemed contribution by the Controlling Shareholders as a shareholder acquired the remaining non-controlling interests of a subsidiary and contributed to the Group at no cost prior to 1 April 2011.

(c) Statutory reserve

The Company's subsidiary in the People's Republic of China (the "PRC") is required to transfer 10% of its profit after income tax calculated in accordance with the PRC accounting standards and regulations to the statutory reserve until the balance reaches 50% of its respective registered capital, where further transfers will be at its directors' discretion. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to equity holders of the PRC subsidiary in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory reserve after such issue is no less than 25% of share capital of the PRC subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Unaudited	
	Six months	
	ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows generated from operating activities	10,054	19,135
Net cash flows generated from investing activities	638	1,515
Net cash flows generated from/(used in) financing activities	<u>3,765</u>	<u>(980)</u>
Net increase in cash and cash equivalents	14,457	19,670
Cash and cash equivalents as at 1 April	46,660	68,286
Effect of foreign exchange rate changes, net	<u>(49)</u>	<u>(84)</u>
Cash and cash equivalents as at 30 September	<u><u>61,068</u></u>	<u><u>87,872</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 February 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 309, Uglan House, Grand Cayman, KY1- 1104, Cayman Islands and the principal place of business is 33/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in (i) trading business (including computer and peripheral products and electronics products business) and (ii) financial services business (including securities brokerage business, advisory services business and money lending business).

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The interim condensed consolidated financial information are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company. All values are rounded to the nearest thousands, unless otherwise stated.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It should be read in conjunction with the annual financial statements for the year ended 31 March 2022, prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2022, except for the adoption of new and amended standards as set out below.

The following amendments to standards are mandatory for the first time for the financial period beginning 1 April 2022 and currently relevant to the Group:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The adoption of the above amendments to standards has had no significant effect on the interim condensed consolidated financial information and there have been no significant changes to the accounting policies applied in the interim condensed consolidated financial information.

4. REVENUE AND SEGMENT INFORMATION

Revenue

An analysis of revenue is as follows:

	Unaudited	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Revenue from contracts with customers (Note i)	122,670	1,224,693
Revenue from other sources		
<i>Interest income calculated using the effective interest method from:</i>		
– loan receivables	2,930	8,955
– cash client receivables	283	8,868
	3,213	17,823
Total revenue	125,883	1,242,516

Note:

(i) *Disaggregated revenue information for revenue from contracts with customers*

	Unaudited	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Type of goods or services		
<i>Sales of goods</i>	122,615	1,224,355
<i>Service income</i>		
– Provision of underwriting and placing services	–	195
<i>Commission income</i>		
– Provision of securities brokerage services	55	143
	122,670	1,224,693
Timing of revenue recognition		
A point in time	122,670	1,224,693

All the sales of goods, service income and commission income have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Company. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports.

The CODM considers that the Group has two operating and reporting segments which are (i) trading business (including computer and peripheral products and electronics products business) and (ii) financial services business (including securities brokerage business, advisory services business and money lending business).

The CODM assesses the performance of the operating segments based on segment (loss)/profit. Expenses, where appropriate, are allocated to operating segments with reference to revenue contributions of the respective segments. Unallocated expenses are not included in the result for each operating segment that is reviewed by the CODM.

Segment assets consist primarily of intangible assets, right-of-use assets, inventories, account receivables, loan receivables, allocated deposits, prepayments and other receivables where appropriate, financial assets at fair value through profit or loss where appropriate, cash and cash equivalents where appropriate and bank balances held on behalf of clients. They exclude interest in an associate, property, plant and equipment, deferred tax assets, income tax recoverable and other unallocated assets, which are managed centrally.

Segment liabilities consist primarily of lease liabilities, account payables, allocated borrowings where appropriate, allocated other payables and accrued expenses where appropriate and contracts liabilities. They exclude deferred tax liabilities, income tax payables and other unallocated liabilities, which are managed centrally.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Unaudited		
	For the six months ended 30 September 2022		
	Trading business HK\$'000	Financial services business HK\$'000	Total HK\$'000
Revenue from external customers	122,615	3,268	125,883
Cost of sales from external customers	(119,501)	–	(119,501)
	3,114	3,268	6,382
Selling expenses	(9)	–	(9)
General and administrative expenses	(2,673)	(5,979)	(8,652)
Expected credit loss on financial assets, net	–	(61,150)	(61,150)
Other income and gains, net	219	46	265
Finance costs	(2,281)	–	(2,281)
Segment loss	(1,630)	(63,815)	(65,445)
Finance costs			(844)
Unallocated expenses			(10,292)
Loss before income tax			(76,581)
Income tax credit			8,648
Loss for the period			(67,933)

Unaudited
For the six months ended 30 September 2021

	Trading business <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	1,224,355	18,161	1,242,516
Cost of sales from external customers	<u>(1,216,712)</u>	<u>–</u>	<u>(1,216,712)</u>
	7,643	18,161	25,804
Selling expenses	(260)	(86)	(346)
General and administrative expenses	(3,752)	(13,006)	(16,758)
Expected credit loss on financial assets, net	11	(69,629)	(69,618)
Other (expenses)/income and (losses)/gains, net	(74)	585	511
Finance costs	<u>(1,959)</u>	<u>(80)</u>	<u>(2,039)</u>
Segment profit/(loss)	<u>1,609</u>	<u>(64,055)</u>	(62,446)
Finance costs			(1,346)
Unallocated expenses			<u>(13,250)</u>
Loss before income tax			(77,042)
Income tax credit			<u>10,318</u>
Loss for the period			<u><u>(66,724)</u></u>

Interest revenue of HK\$3,213,000 (Last Corresponding Period: HK\$17,823,000) was included in revenue from external customers, wholly contributed by financial services business segment.

Segment assets and liabilities

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

	Unaudited		
	As at 30 September 2022		
	Trading	Financial	
	business	services	Total
	HK\$'000	business	HK\$'000
		HK\$'000	HK\$'000
Segment assets	<u>92,867</u>	<u>116,217</u>	<u>209,084</u>
Segment liabilities	<u>203,057</u>	<u>18,195</u>	<u>221,252</u>

	Audited		
	As at 31 March 2022		
	Trading	Financial	
	business	services	Total
	HK\$'000	business	HK\$'000
		HK\$'000	HK\$'000
Segment assets	<u>72,650</u>	<u>182,188</u>	<u>254,838</u>
Segment liabilities	<u>199,687</u>	<u>12,876</u>	<u>212,563</u>

The reconciliations of segment assets to total assets and segment liabilities to total liabilities are provided as follows:

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Segment assets	209,084	254,838
Cash and cash equivalents	18,183	8,155
Property, plant and equipment	205,416	209,995
Deposits, prepayments and other receivables	1,418	637
Financial assets at fair value through profit or loss	288	333
Deferred tax assets	46,971	38,034
Income tax recoverable	<u>589</u>	<u>2,782</u>
Total assets	<u>481,949</u>	<u>514,774</u>
Segment liabilities	221,252	212,563
Deferred tax liabilities	219	200
Income tax payables	953	683
Borrowings	10,000	–
Other unallocated liabilities	<u>1,373</u>	<u>6,628</u>
Total liabilities	<u>233,797</u>	<u>220,074</u>

The Group's operations are located in Hong Kong and the PRC.

Majority of the Group's revenue were derived from operations located in Hong Kong.

Other segment information

	Unaudited For the six months ended 30 September 2022		
	Trading business HK\$'000	Financial services business HK\$'000	Total HK\$'000
Additions to property, plant and equipment	3	–	3
Depreciation of property, plant and equipment	809	70	879
Impairment of goodwill	–	3,391	3,391
Reversal of inventories impairment	(1,313)	–	(1,313)

Unaudited
For the six months ended 30 September 2021

	Trading business <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
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Additions to property, plant and equipment	100	–	100
Depreciation of property, plant and equipment	804	70	874
Amortisation of intangible assets	–	114	114
Impairment of goodwill	–	8,844	8,844

5. EXPECTED CREDIT LOSS ON FINANCIAL ASSETS, NET

	Unaudited Six months ended 30 September	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loan receivables	3,017	367
Cash client receivables	55,003	69,296
Trade receivables	–	(11)
Interest receivables	3,130	(34)
	<u>61,150</u>	<u>69,618</u>

6. FINANCE COSTS

	Unaudited Six months ended 30 September	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance costs		
– Interest expenses on bank and other borrowings	3,125	3,385
	<u>3,125</u>	<u>3,385</u>

7. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging/(crediting):

	Unaudited	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Cost of inventories sold	120,814	1,216,712
Auditor's remuneration	614	589
Depreciation of property, plant and equipment	5,249	5,821
Amortisation of intangible assets	–	113
Employee benefit expenses (Note)	5,151	8,190
Service fees for broker supplied systems	563	680
Impairment of goodwill	3,391	8,844
Reversal of impairment of inventories	(1,313)	–

Note:

For the six months ended 30 September 2022, COVID-19 related government grants under “Employment Support Scheme” of the Hong Kong government, amounting to HK\$456,000, has been offset against employee benefit expenses.

8. INCOME TAX (CREDIT)/EXPENSE

	Unaudited	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	270	1,459
Deferred income tax	(8,918)	(11,777)
	<u>(8,648)</u>	<u>(10,318)</u>

Under the two-tiered Hong Kong Profits Tax rates regime, the first HK\$2 million of assessable profits of the qualifying group entity are taxed at 8.25%, and assessable profits above HK\$2 million are taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime are charged at a flat rate of 16.5%.

The Group has no assessable profit in PRC during the reporting periods and is not subject to any PRC corporate income tax. The PRC corporate income tax rate during the reporting periods is 25%.

9. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company for share award scheme.

	Unaudited	
	Six months ended 30 September	
	2022	2021
Loss attributable to owners of the Company (HK\$'000)	<u>(68,972)</u>	<u>(68,210)</u>
		(Restated)
Weighted average number of ordinary shares in issue	<u>439,953,570</u>	<u>434,203,800</u>
		(Restated)
Basic loss per share	<u>HK(15.68) cent</u>	<u>HK(15.71) cent</u>

The weighted average number of ordinary shares for the purposes of calculating basic loss per share have been retrospectively adjusted for the effects of share consolidation completed on 18 March 2022.

(b) Diluted

Diluted loss per share for the Current Period and the Last Corresponding Period was same as the basic loss per share as there were no potential dilutive ordinary shares in existence during the reporting periods.

10. DIVIDENDS

The Board does not recommend any interim dividend for the Current Period (Last Corresponding Period: nil).

11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

- a) During the Current Period, there was additions of approximately HK\$3,000 (Last Corresponding Period: approximately HK\$100,000) for property, plant and equipment.

Also, during the Current Period, the Group disposed of certain property, plant and equipment with the aggregate carrying amount of approximately HK\$350,000 which resulting in a gain on disposal of HK\$307,000. During the Last Corresponding Period, there was no disposal of property, plant and equipment which resulting in no gain/loss on disposal.

- b) The Group leases director and staff quarter (31 March 2022: nil) for its operation. Lease contract is entered into for fixed term of 2 years. The Group is required to make fixed monthly payments. During the current period, the Group recognised HK\$1,264,000 (31 March 2022: nil) of right-of-use assets and HK\$1,238,000 (31 March 2022: nil) of lease liabilities.

12 INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Money lending license <i>HK\$'000</i>	Contractual customer relationship <i>HK\$'000</i>	Total <i>HK\$'000</i>
30 September 2022				
Opening carrying amount	3,391	–	–	3,391
Impairment	<u>(3,391)</u>	<u>–</u>	<u>–</u>	<u>(3,391)</u>
Closing carrying amount	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 September 2022				
Cost	56,654	1,703	2,756	61,113
Accumulated amortisation and impairment	<u>(56,654)</u>	<u>(1,703)</u>	<u>(2,756)</u>	<u>(61,113)</u>
Net carrying amount	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
31 March 2022				
Opening carrying amount	52,013	113	–	52,126
Amortisation	–	(113)	–	(113)
Impairment	<u>(48,622)</u>	<u>–</u>	<u>–</u>	<u>(48,622)</u>
Closing carrying amount	<u>3,391</u>	<u>–</u>	<u>–</u>	<u>3,391</u>
At 31 March 2022				
Cost	56,654	1,703	2,756	61,113
Accumulated amortisation and impairment	<u>(53,263)</u>	<u>(1,703)</u>	<u>(2,756)</u>	<u>(57,722)</u>
Net carrying amount	<u>3,391</u>	<u>–</u>	<u>–</u>	<u>3,391</u>

For the six months ended 30 September 2022, amortisation charge of HK\$nil (31 March 2022: HK\$113,000) was included in general and administrative expenses in the consolidated income statement.

During the Current Period, there was no additions for intangible assets (Last Corresponding Period: nil).

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The Group recognised goodwill of HK\$52,013,000 during the year ended 31 March 2018 as a result of acquisition of the equity interest in Huabang Securities Limited. Huabang Securities Limited is principally engaged in the securities brokerage business in Hong Kong (the “Securities Brokerage CGU”).

With assistance from an independent professional valuer, the Group assessed the recoverable amount of the CGU based on value-in-use calculation using discounted cash flow method to perform the analysis. The calculation used cash flow projections based on financial budgets approved by the management covering a 5-year period (2022: 5-year). Cash flows beyond the one-year period are projected for the next four-year period using the estimated growth in revenue. Thereafter, the cash flows are extrapolated using the terminal growth rate not exceeding the long-term average growth rate for the business in which the CGU operates. The rationale of selecting such method was that the active market or information on recent transaction prices or results for similar assets in the same industry was unavailable. Impairment assessment using the method of fair value less disposal expenses was restricted in practice and subject to market practice of assessment.

The key assumptions used in value-in-use calculation are as follows:

	As at 30 September 2022	As at 31 March 2022
Terminal growth rate	3.0%	3.0%
Discount rate (pre-tax)	19.8%	16.4%

Other key assumption used in the value-in-use calculation is the revenue growth rate. For the year ended 31 March 2022, the forecast revenue growth rate ranges -33.6% to 0.3% was used in the value-in-use calculation. For the six months period ended 30 September 2022, the cash client receivables net of specific provision for credit-impaired clients of the Securities Brokerage CGU has decreased compared to that for the year ended 31 March 2022. As a result, the valuer adjusted the revenue downward for the forecast period from the year ended 31 March 2023 to the year ended 31 March 2027 on the basis of the cash client receivables net of specific provision for credit-impaired clients for the six months period ended 30 September 2022, and the corresponding forecast revenue growth rate ranges from -88% to 44.7%. Future cash flows are expected to be lowered than those projected in previous years.

There were no significant changes in the value of inputs and assumptions from those previously adopted, other than the updates in the Company's management's estimate of the future revenue growth. There are no subsequent changes to the valuation methods.

Based on the assessment, the recoverable amount of the Securities Brokerage CGU, as included in the financial services business segment, was determined to be approximately HK\$nil. The carrying amount of the CGU has been reduced to the recoverable amount accordingly and an impairment loss of approximately HK\$3.4 million was recognised in the profit or loss for the Current Period (Last Corresponding Period: HK\$8.8 million). As at 30 September 2022, total accumulated impairment loss of HK\$52.0 million (31 March 2022: HK\$48.6 million) was recognised. No other write-down of the assets of the Securities Brokerage CGU was considered necessary.

13. LOAN RECEIVABLES

	Unaudited 30 September 2022 <i>HK\$'000</i>	Audited 31 March 2022 <i>HK\$'000</i>
Loan receivables	194,530	194,530
Less: Impairment		
– Stage 1	–	–
– Stage 2	(12,930)	(18,239)
– Stage 3	(126,752)	(118,426)
	<u>54,848</u>	<u>57,865</u>
Loan receivables, net	<u><u>54,848</u></u>	<u><u>57,865</u></u>

The Group's loan receivables, which arise from its money lending business in Hong Kong, are denominated in Hong Kong dollars, unsecured, bearing fixed interest rate from 8% to 18%, and recoverable within one year from the dates of inception of the loan agreements.

14. ACCOUNT RECEIVABLES

	Unaudited 30 September 2022 <i>HK\$'000</i>	Audited 31 March 2022 <i>HK\$'000</i>
Trade receivables (Note)	87,677	87,677
Cash client receivables	241,296	244,146
Due from clearing house	–	87
	<u>328,973</u>	<u>331,910</u>
Less: Impairment		
– Trade receivables	(87,677)	(87,677)
– Cash client receivables	(219,921)	(164,918)
	<u>21,375</u>	<u>79,315</u>
	<u><u>21,375</u></u>	<u><u>79,315</u></u>

Account receivables are denominated in the following currencies:

	Unaudited 30 September 2022 <i>HK\$'000</i>	Audited 31 March 2022 <i>HK\$'000</i>
HK\$	<u>21,375</u>	<u>79,315</u>
	<u><u>21,375</u></u>	<u><u>79,315</u></u>

Note:

The Group generally grants credit periods up to 60 days to the customers of trading business. The aging analysis of relevant trade receivables based on invoice date is as follows:

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
1 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	–	–
91 – 180 days	–	–
Over 180 days	<u>87,677</u>	<u>87,677</u>
	87,677	87,677
Less: Impairment	<u>(87,677)</u>	<u>(87,677)</u>
	<u>–</u>	<u>–</u>

No aging analysis is disclosed for account receivables from cash clients and clearing house as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the business.

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Non-current		
Other non-current deposits	368	292
Other assets	<u>205</u>	<u>205</u>
	<u>573</u>	<u>497</u>
Current		
Prepayments	2,549	1,789
Deposits and other receivables	35,554	30,656
Interest receivables	<u>17,169</u>	<u>14,239</u>
	55,272	46,684
Less: Impairment	<u>(10,548)</u>	<u>(7,418)</u>
	<u>44,724</u>	<u>39,266</u>
Total deposits, prepayments and other receivables	<u><u>45,297</u></u>	<u><u>39,763</u></u>

Deposits, prepayments and other receivables are denominated in the following currencies:

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
HK\$	40,649	35,115
RMB	824	824
US\$	<u>3,824</u>	<u>3,824</u>
	<u>45,297</u>	<u>39,763</u>

16. SHARE CAPITAL

Authorised shares:

As at 30 September 2022, the total authorised number of ordinary shares is 9,600 million shares (31 March 2022: 9,600 million shares) with a par value of HK\$0.00833 per share (31 March 2022: HK\$0.00833 per share).

	Number of shares '000	Amount HK\$'000
As at 1 April 2021	4,384,782	3,654
Share consolidation (<i>Note a</i>)	<u>(3,946,304)</u>	<u>–</u>
As at 31 March 2022, 1 April 2022	438,478	3,654
Issuance of shares upon placement (<i>Note b</i>)	<u>87,684</u>	<u>731</u>
As at 30 September 2022	<u>526,162</u>	<u>4,385</u>

Notes:

- (a) With effect from 18 March 2022, every ten (10) issued and unissued shares of par value of HK\$0.0008333 each in the share capital of the Company were consolidated into one (1) consolidated share of par value of HK\$0.00833 of the Company (the “Share Consolidation”). Further details of the Share Consolidation are set out in the announcements of the Company dated 11 February 2022 and 17 March 2022 and the circular of the Company dated 24 February 2022.
- (b) On 19 September 2022, the Company issued 87,684,000 ordinary shares of HK\$0.00833 each at price of HK\$0.25 each through placement for an aggregate consideration of approximately HK\$21,900,000.

17. ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Trade payables	43,142	16,662
Cash client payables (Note a)	17,749	12,556
Due to clearing house (Note b)	<u>4</u>	<u>87</u>
Total account payables	60,895	29,305
Accrued expenses	2,447	3,021
Other payables	<u>73</u>	<u>4,055</u>
Total other payables and accrued expenses	2,520	7,076
Total account payables, other payables and accrued expenses	63,415	36,381

Notes:

- (a) The settlement terms of payables arising from securities brokerage business are normally two to three days after trade date or specific terms agreed. The majority of the cash client payables are unsecured, non-interest-bearing and repayable on demand, except where certain balances represent trades pending settlement or cash received from clients for their trading activities under the normal course of business.
- (b) In presenting the amounts due to Hong Kong Securities Clearing Company Limited (“HKSCC”), the Group has offset the gross amount of the account receivables from and the gross amount of the account payables to HKSCC.
- (c) As at 30 September 2022 and 31 March 2022, all trade payables were aged within two months, based on invoice date. No aging analysis is disclosed for cash client payables and due to clearing house as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the business.

Account payables, other payables and accrued expenses of the Group are denominated in the following currencies:

	Unaudited 30 September 2022 <i>HK\$'000</i>	Audited 31 March 2022 <i>HK\$'000</i>
HK\$	20,242	19,674
RMB	24	24
US\$	<u>43,149</u>	<u>16,683</u>
	<u>63,415</u>	<u>36,381</u>

Other than those disclosed in Note (a) above, account payables and other payables are unsecured, non-interest-bearing and repayable on demand.

18. BORROWINGS

	Unaudited 30 September 2022 <i>HK\$'000</i>	Audited 31 March 2022 <i>HK\$'000</i>
Bank borrowings	152,570	177,373
Other borrowings	<u>10,000</u>	<u>—</u>
	<u>162,570</u>	<u>177,373</u>
Analysed as:		
– Secured	152,570	177,373
– Unsecured	<u>10,000</u>	<u>—</u>
	<u>162,570</u>	<u>177,373</u>

As at 30 September 2022, the Group's bank borrowings of HK\$152,570,000 are secured by the Group's leasehold properties situated in Hong Kong of HK\$205,062,000. Other borrowings of HK\$10,000,000 borrowed from another financial institute were guaranteed by the personal guarantee provided by the spouse of a substantial shareholder of the Company.

As at 31 March 2022, the Group's bank borrowings of HK\$177,373,000 are secured by the Group's leasehold properties situated in Hong Kong of HK\$209,103,000.

The Group's secured bank borrowings, which contain a clause giving the lender an unconditional right to demand repayment at any time, have been classified as current liabilities irrespective of the probability that the lenders will invoke the clause without cause.

The maturities of the bank borrowings that contain repayable on demand clause and other borrowings in accordance with the scheduled repayment dates are as follows:

	Unaudited 30 September 2022 <i>HK\$'000</i>	Audited 31 March 2022 <i>HK\$'000</i>
The carrying amounts of other borrowings are repayable:		
-Within one year	<u>10,000</u>	—
	<u>10,000</u>	—
The carrying amounts of bank borrowings that contain a repayment on demand clause (shown under current liabilities) are repayable:		
– Within one year	137,049	157,373
– Between one and two years	4,478	4,478
– Between two and five years	<u>11,043</u>	<u>15,522</u>
	<u>152,570</u>	<u>177,373</u>
	<u>162,570</u>	<u>177,373</u>

The exposure of the Group's borrowings are as follows:

	Unaudited 30 September 2022 <i>HK\$'000</i>	Audited 31 March 2022 <i>HK\$'000</i>
Variable-rate borrowings	152,570	177,373
Fixed-rate borrowings	<u>10,000</u>	—
	<u>162,570</u>	<u>177,373</u>

As at 30 September 2022, the Group's variable-rate bank borrowings carry interest at a floating interest rate plus credit spread per annum (31 March 2022: same).

As at 30 September 2022, the Group's variable rate bank borrowings of approximately HK\$4,915,000, HK\$109,650,000 and HK\$38,005,000 are carrying interest at 1-month USD SOFR plus premium, 3-month USD SOFR plus premium and 3-month HIBOR plus premium respectively.

As at 31 March 2022, the Group's variable rate bank borrowings of approximately HK\$134,816,000 and HK\$42,557,000 are carrying interest at 3-month USD LIBOR plus premium and 3-month HIBOR respectively.

As at 30 September 2022, other borrowings of HK\$10,000,000 was interest bearing at a fixed rate per annum and repayable within one year.

Borrowings of the Group are denominated in the following currencies:

	Unaudited 30 September 2022 <i>HK\$'000</i>	Audited 31 March 2022 <i>HK\$'000</i>
HK\$	48,005	42,557
US\$	114,565	134,816
	<u>162,570</u>	<u>177,373</u>

19. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	Unaudited 30 September 2022 <i>HK\$'000</i>	Audited 31 March 2022 <i>HK\$'000</i>
Contracted, but not provided for:		
Leasehold improvements	<u>186</u>	<u>186</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group was principally engaged in (i) trading business and (ii) financial services business.

(i) Trading business

The trading business segment that the Group operates includes computer and peripheral products and electronics products business.

During the period under review, there are various factors such as the continuous threat of COVID-19 pandemic and its variants, the increase of interest rates by major economies such as US to curb inflation, the disruption in supply chain, the continuous trade disputes between China and US, and the geopolitical tension in various regions, the Mainland China economic slowdown due to continuous lockdowns of major cities such as Guangzhou, Shenzhen, Shanghai, all these factors adversely affect the overall economic and business environment which slowed down global economy and hampered international trade. It has continuously generated unprecedented challenges and uncertainties to the overall trading business environment in which the Group operates during the period under review. Attributed to these market conditions, the Group's overall revenue in the trading business segment decreased accordingly during the period under review, decreased by approximately HK\$1,101.8 million to approximately HK\$122.6 million, representing an diminishing of approximately 90%. In view of such market conditions, the Group continuously keeps on tight control of its operations. The Group focused on enhancing operation efficiency and implementing various cost control measures. The Group also managed to further enhance its long-term and close business relationships with suppliers and customers. For the Current Period, the Group recorded a segment loss of approximately HK\$1.6 million (Last Corresponding Period: segment profit of approximately HK\$1.6 million) for the trading business segment. The Group continues to monitor the market trends and takes prompt and appropriate actions to adjust our business strategies and allocates resources effectively under different market conditions.

(ii) Financial services business

The financial services business segment that the Group operates mainly includes securities brokerage business, advisory services business and money lending business. For the Current Period, the Group recorded an overall revenue of approximately HK\$3.3 million (Last Corresponding Period: approximately HK\$18.2 million) and a segment loss of approximately HK\$63.8 million (Last Corresponding Period: approximately HK\$64.1 million) for the business segment of financial services business.

The global economic and financial market continued to fluctuate and deteriorate and the PRC's economic slowdown which brought uncertainties to the overall business environment. During the period under review, the Group recorded a revenue of approximately HK\$0.4 million (Last Corresponding Period: approximately HK\$9.2 million) and a segment loss of approximately HK\$60.5 million (Last Corresponding Period: approximately HK\$71.7 million) respectively in respect of the Group's securities brokerage business. The revenue was HK\$nil (Last Corresponding Period: HK\$nil) and the Group recorded a segment loss of approximately HK\$0.1 million (Last Corresponding Period: approximately HK\$0.5 million) respectively in respect of the Group's advisory services business.

The Group engaged in money lending business through an indirect wholly-owned subsidiary of the Company, which holds a money lender licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. The Group is able to engage in the provision of loan financing including but not limited to personal loans and business loans under the scope of Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group recorded a revenue of approximately HK\$2.9 million (Last Corresponding Period: approximately HK\$9.0 million) and a segment loss of approximately HK\$3.2 million (Last Corresponding Period: segment profit of approximately HK\$8.1 million) in respect of the Group's money lending business.

LOOKING AHEAD

In respect of the trading business of computer and peripheral products and electronics products, the continuous threat of COVID-19 Pandemic and its variants, disruption in supply chain, the continuous lockdowns of major cities in Mainland China, economic and business environment in Mainland China generated unprecedented challenges to the global economy and negatively affected the overall business environment for the first half of 2022. However, looking ahead, it is anticipated that many countries may adopt flexible and accommodative monetary policies and fiscal stimulus to provide liquidity to counter economic downturn. We are still confident in the future development of the Group in long-term. Despite possible disruptions to the Mainland economy, we are confident about the mid-to-long-term recovery of the Mainland market. In Mainland China, it is expected that the economy will be stable with growth as the pandemic has been under control. We believe the central government will continue to provide accommodative monetary policy and fiscal stimulus necessary to support economic growth. The Group will target the market of the Mainland China, particularly in the Greater Bay Area, as a majorly market. Looking ahead, it is expected that, under the orderly pandemic prevention and control measures, resumption of work, production and business, the Mainland and domestic economy will continue to recover as well as the market demand of computer and peripheral products and electronics products in the second half of the year.

In respect of the financial services business, this business segment's financial contribution to the Group's results has fluctuated over the years as global economic conditions worsened under the impact of the COVID-19 pandemic, financial markets continued to fluctuate and deteriorate, and the PRC's economic slowdown. These factors brought uncertainties to the overall business environment for the financial services business. In view of the uncertainties faced by the financial services business, which

has particularly affected smaller brokerage business and money lending business like that operated by the Group, the Board would be receptive to any feasible proposals to dispose of, downsize or terminate these financial services business as suitable opportunities arise. Notwithstanding the Board's sentiment towards the Group's financial services business abovementioned, for the avoidance of doubt, the Company (and each of its subsidiaries) has not entered into any binding commitment in respect of the disposal, downsizing or termination of part or all of the Group's financial services business.

Looking ahead, the management is confident with the future development of the Group. The Group will continue to adhere to our principle of steady development and positively cope with any challenges and capture suitable opportunities. The Group will continue to dedicate to exploiting new business opportunities in other sectors from time to time in order to further diversify and broaden revenue sources of the Group and generate fabulous returns and long-term values for the shareholders.

FINANCIAL REVIEW

Revenue and Gross Profit Margin

Revenue by business segments for the Group's revenue for the six months ended 30 September 2022 is as follows:

- Trading business: approximately HK\$122.6 million, being a decrease of approximately HK\$1,101.8 million when compared to the Last Corresponding Period of approximately HK\$1,224.4 million
- Financial services business (including securities brokerage business, advisory services business and money lending business): approximately HK\$3.3 million, being a decrease of approximately HK\$14.9 million when compared to the Last Corresponding Period of approximately HK\$18.2 million

The Group's total revenue for the Current Period was approximately HK\$125.9 million, being a decrease of approximately HK\$1,116.6 million when compared to the previous year of approximately HK\$1,242.5 million. The decrease was mainly attributable to decrease in revenue derived from trading business.

Gross profit margin for the Current Period was approximately 5.1% (Last Corresponding Period: approximately 2.1%). Increase in gross profit margin was mainly caused by the relatively higher gross profit margin earned from trading business for the Current Period.

Selling Expenses

The decrease in selling expenses by approximately HK\$0.3 million was mainly due to the decrease in employee benefit expenses.

General and Administrative Expenses

General and administrative expenses for the Current Period decreased by approximately HK\$11.2 million from the Last Corresponding Period, which was mainly due to the decrease in impairment of goodwill of approximately HK\$5.5 million, employee benefit expenses of approximately HK\$2.8 million and legal and professional expenses of approximately HK\$1.1 million.

Expected Credit Loss on Financial Assets, net

Expected Credit Loss (“ECL”) on financial assets for the Current Period was approximately HK\$61.2 million, being a decrease of approximately HK\$8.4 million when compared to the Last Corresponding Period of approximately HK\$69.6 million. The change was mainly attributed to the change in ECL incurred from cash client receivables due to stock market volatility and the issue of recoverability as a result of the substantial deterioration of the economic environment during the Current Period. The Group did not engage any independent external valuers to perform the assessment of ECL on financial assets, instead, conducted an internal assessment and evaluation to support the impairment made. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Loan receivables (i)	3,017	367
Cash client receivables (ii)	55,003	69,296
Trade receivables	–	(11)
Interest receivables (i)	3,130	(34)
	<u>61,150</u>	<u>69,618</u>
Total ECL on financial assets recognised in profit or loss	<u>61,150</u>	<u>69,618</u>

(i) *Expected credit loss on loan receivables and interest receivables*

Loan receivables and interest receivables are arising from the money lending business. The business model of the money lending business is targeted to provide short-term loan financing to individual and corporate clients through its business network in Hong Kong under the scope of money lending licence under the Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong). The term of loans is within one year. The interest rate is within a range from 8% to 18% by reference to the market.

For the six months ended 30 September 2022, the Group recorded an expected credit loss on loans receivables and interest receivables of approximately HK\$3.0 million (Last Corresponding Period: approximately HK\$0.4 million) and approximately HK\$3.1 million (Last Corresponding Period: approximately HK\$0.1 million), respectively. The increase was mainly due to the gross carrying amount of loan receivables of approximately HK\$20.0 million and respective loan interest of approximately HK\$3.2 million past due over 60 days and recoverability issue occurred. After assessing the relevant borrowers' financial background, repayment abilities and expected future cash flows, the directors of the Group considered they are credit-impaired and an ECL of approximately HK\$5.7 million and HK\$2.4 million were provided for loan receivables and interest receivables during the Current Period, respectively.

(ii) Expected credit loss on cash client receivables

Cash client receivables are arising from the securities brokerage business. For cash client receivables, the Group considers there has been a significant increase in credit risk when clients cannot meet the loan call requirement and use the loan-to-collateral value ("LTV") to make its assessment.

The Group considers a cash client receivable is in default when LTV is larger than a defined benchmark. However, in certain cases, the Group may also consider a cash client receivable to be in default when there is a significant shortfall which indicates the Group is unlikely to receive the outstanding contractual amounts in full taking into account the pledged securities held by the Group. A cash client receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

For the six months ended 30 September 2022, the Group recorded an expected credit loss on cash client receivables of approximately HK\$55.0 million (Last Corresponding Period: approximately HK\$69.3 million). The change was mainly due to stock market volatility and the economic downturn during the year. The market value of the pledged securities of each client decreased significantly and repayment abilities deteriorated.

Other Income and Gains, net

The Group's other income and gains for the Current Period was approximately HK\$0.7 million, being a decrease of approximately HK\$0.4 million when compared to the other income and gains in Last Corresponding Period of approximately HK\$1.1 million. The change was mainly due to the decrease in realised gain on disposal of equity investments at fair value through profit or loss during the Current Period.

Gain on Disposal of Property, Plant and Equipment

Gain on disposal of property, plant and equipment for the Current Period was approximately HK\$0.3 million (Last Corresponding Period: HK\$nil). The change was mainly due to the Group disposed of certain property, plant and equipment with the aggregate carrying amount of HK\$0.4 million during the Current Period.

Impairment of Goodwill

The Group engaged an independent professional valuer to determine the value-in-use of securities brokerage CGU. The recoverable amount of securities brokerage CGU is determined based on the value-in-use calculation which uses discounted cash flow method derived from financial budgets covering a 5-year period. Cash flows beyond the one-year period are projected for the next four-year period using the estimated growth in revenue. Thereafter, the cash flows are extrapolated using the terminal growth rate not exceeding the long-term average growth rate for the business in which the CGU operate.

For the six months ended 30 September 2022, the combined effect of the COVID-19 pandemic and the stock market volatility, market value of the pledged securities of clients decreased significantly and financial conditions of the counterparties deteriorated. As a result, the cash client receivables net of specific provision for credit-impaired clients of the securities brokerage CGU has decreased compared to that for the year ended 31 March 2022. Accordingly, the valuer adjusted the revenue downward for the forecast period from the year ended 31 March 2023 to the year ended 31 March 2027 on the basis of the cash client receivables net of special provision for credit-impaired clients for the six months ended 30 September 2022, and the corresponding forecast revenue growth rate ranges from -88% to 44.7%. Future cash flows are expected to be lowered than those projected in previous years due to deterioration in overall economic environment.

Based on the assessment, the recoverable amount of the securities brokerage CGU, as included in the financial services business segment, was determined to be approximately HK\$nil. The carrying amount of the CGU has been reduced to the recoverable amount accordingly and an impairment loss of approximately HK\$3.4 million was recognised in the profit or loss for the Current Period (Last Corresponding Period: approximately HK\$8.8 million). As at 30 September 2022, total accumulated impairment loss of approximately HK\$52.0 million (31 March 2022: approximately HK\$48.6 million) was recognised. No other write-down of the assets of the Securities Brokerage CGU was considered necessary.

Finance Costs

Finance costs for the Current Period was approximately HK\$3.1 million, being a decrease of approximately HK\$0.3 million when compared to the Last Corresponding Period of approximately HK\$3.4 million. The reduction was mainly attributable to the decrease in bank borrowings during the Current Period.

Income Tax Credit

Income tax credit for the Current Period was approximately HK\$8.6 million (Last Corresponding Period: approximately HK\$10.3 million). The change was mainly due to the decrease in the assessable profits and increase in deferred tax assets for the Current Period.

Loss for the Period

The Group recorded a loss of approximately HK\$67.9 million for the Current Period, as compared to loss of approximately HK\$66.7 million for the Last Corresponding Period.

Loss for the Period Attributable to Owners of the Company

The loss for the Current Period attributable to the owners of the Company amounted to approximately HK\$69.0 million (Last Corresponding Period: approximately HK\$68.2 million), resulted in a basic loss per share for the Current Period of HK15.68 cent (Last Corresponding Period: HK15.71 cent (after share consolidation)) and diluted loss per share for the Current Period of HK15.68 cent (Last Corresponding Period: HK15.71 cent (after share consolidation)).

Inventories, Loan Receivables and Account Receivables

The Group has enhanced the inventory control policy to manage business risks associated with its principal activities. Inventories as at 30 September 2022 was approximately HK\$18.8 million (31 March 2022: approximately HK\$14.7 million). The overall inventories turnover days remained healthy and reasonable for the period under review. The Group recorded a reversal impairment of inventories of approximately HK\$1.3 million for the Current Period.

As at 30 September 2022, the Group's loan receivables amounted to HK\$54.8 million (31 March 2022: approximately HK\$57.9 million), which arise from its money lending business in Hong Kong. The Group recorded an expected credit loss of approximately HK\$3.0 million for the Current Period.

The Group continues to closely monitor the settlements from its customers on an ongoing basis to manage the credit risk from time to time. As at 30 September 2022, include in the account receivables, there are trade receivables, cash client receivables and clearing house receivables, which amounted to HK\$nil (31 March 2022: HK\$nil), approximately HK\$21.4 million (31 March 2022: approximately HK\$79.3 million) and HK\$nil (31 March 2022: approximately HK\$0.1 million), respectively. Trade receivables are arising from its trading business. Cash client receivables and clearing house receivables are arising from its securities brokerage business. The Group recorded no expected credit loss on trade receivables and recorded an expected credit loss on cash client receivables of approximately HK\$55.0 million and no expected credit loss for clearing house receivables for the Current Period.

Liquidity, Financial Resources, Working Capital and Treasury Policy

The Group maintained a solid financial position during the Current Period. As at 30 September 2022, cash and cash equivalents of the Group amounted to approximately HK\$61.1 million (31 March 2022: approximately HK\$46.7 million), and the Group's net assets amounted to approximately HK\$248.2 million (31 March 2022: approximately HK\$294.7 million). As at 30 September 2022, there was approximately HK\$162.6 million outstanding borrowings balance (31 March 2022: approximately HK\$177.4 million).

As at 30 September 2022, non-current assets of the Group amounted to approximately HK\$262.0 million (31 March 2022: approximately HK\$260.8 million), the Group's current assets amounted to approximately HK\$219.9 million (31 March 2022: approximately HK\$254.0 million), and net current liabilities as at 30 September 2022 amounted to approximately HK\$13.2 million (31 March 2022: net current assets approximately HK\$34.1 million). As at 30 September 2022, the current ratio was approximately 0.9 (31 March 2022: approximately 1.2) (calculated by dividing the total current assets by the total current liabilities).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital (the sum of total equity and net debt), as shown in the consolidated statement of financial position. Net debt is calculated as total borrowings less cash and cash equivalents and pledged bank deposits. The gearing ratio as at 30 September 2022 was approximately 29.0% (31 March 2022: approximately 30.7%).

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the Current Period. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

The Group's financial resources are sufficient to support its business operations.

Capital Structure and Fund Raising Activities

The capital of the Company comprises only ordinary shares.

On 19 September 2022, 87,684,000 ordinary shares were issued by the Company. Shares were issued at a price of HK\$0.25 giving the gross proceeds of approximately HK\$21.9 million. The net proceeds of approximately HK\$21.6 million from the Placing are intended to be used for trading business of the Group for the payment for procurement of computer and peripheral products.

As at 30 September 2022, net proceeds of approximately HK\$6.3 million had been utilised as intended for the payment for procurement of computer and peripheral products for trading business. As at the date of this Announcement, all of the net proceeds of approximately HK\$21.6 million had been fully utilised as intended for the payment for procurement of computer and peripheral products for trading business.

As at 30 September 2022, the number of ordinary shares of the Company issued and fully paid was 526,162,200 (31 March 2022: 438,478,200 (after share consolidation)).

Capital Commitments

Other than disclosed in Note 19 to the consolidated financial information, the Group had no other capital commitments as at 30 September 2022.

Pledge of Assets

As at 30 September 2022, the Group's bank borrowings of HK\$152.6 million is secured by Group's leasehold properties situated in Hong Kong of HK\$205.1 million.

As at 31 March 2022, the Group's bank borrowings of HK\$177.4 million is secured by Group's leasehold properties situated in Hong Kong of HK\$209.1 million.

Foreign Currency Exposure

The Group is exposed to certain foreign currency risk primarily with respect to Renminbi ("RMB") and United States dollar ("US\$") as most of the transactions are denominated in Hong Kong dollar ("HK\$"), RMB and US\$. The Group is exposed to foreign exchange risk primarily through expenses transactions that are denominated in currencies other than the functional currencies of the group companies. During the Current Period, the Group recorded a foreign exchange gain of approximately HK\$0.4 million (Last Corresponding Period: foreign exchange loss of approximately HK\$0.2 million). The Group manages its exposure to foreign currency transactions by monitoring the level of foreign currency receipts and payments and ensures that the net exposure to foreign exchange risk is kept to an acceptable level. During the Current Period, the Group has not used any forward exchange contract to hedge against foreign exchange risk as management considers its exposure as not significant. The Group will continue to manage the net exposure of foreign exchange risk to keep it at an acceptable level from time to time.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2022.

Employees and Emolument Policy

As at 30 September 2022, the Group had a total of 28 employees. Employee benefits expenses, including Directors' remuneration for the Current Period, totally amounted to approximately HK\$5.2 million (Last Corresponding Period: approximately HK\$8.2 million). The Group's remuneration policy is based on the position, duties and performance of the employees. The employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. In addition, the Group has adopted a share option scheme and a share award scheme for providing incentives and rewards to eligible persons who contribute to the success of the Group's operations. The Group has also adopted other employee benefits including a provident fund scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance, and has participated in employee pension schemes organised and governed by the relevant local governments for its employees in the PRC.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Current Period.

Subsequent Event after the Reporting Period

On 3 October 2022 (after trading hours), Excel Goal Limited (“Excel Goal”), a wholly-owned subsidiary of the Group, entered into the Share Transfer Agreement with the Vendor pursuant to which Excel Goal has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Companies, at the total consideration of HK\$25 million which will be settled by the payment to the Vendor of the Earnest Money and the Cash Consideration. The proposed acquisitions are still in progress as of the date of this announcement. Reference is made to the announcements of the Company dated 3 October 2022 and 24 October 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings according to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company had made specific enquiries of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the Current Period.

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

During the Current Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company’s shareholders and to enhance corporate value and accountability. During the Current Period, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules, except in relation to CG Code provisions A.2.1, as more particularly described below.

CG Code provision A.2.1

Code provision A.2.1 stipulates that the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. During the Current Period from 1 April 2022 to 6 May 2022, the Chairman and CEO of the Company was Mr. George Lu. The Board believes that vesting the roles of both Chairman and CEO in the same person will not impair the balance of power and authority between the Directors and the management of the Company. Mr. George Lu has extensive experience in the industry which is beneficial and of great value to the overall development of the

Company. The Board is of the view that although the Chairman is also the CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meets from time to time to discuss issues affecting operation of the Company. The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Reference is made to the announcement of the Company dated 6 May 2022, Mr. George Lu has resigned as an Executive Director, Chairman and CEO of the Company with effect from 6 May 2022.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference set out in the CG Code. The principle duties of the audit committee include the review and supervision of the Group's financial reporting matters, risk management and internal control procedures. The audit committee of the Board (the "**Audit Committee**") comprises three independent Non-Executive Directors, namely Mr. Loo Hong Shing Vincent (Chairman of the Audit Committee), Mr. Zhu Shouzhong and Mr. Li Huaqiang. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim condensed consolidated financial information of the Group for the Current Period with the Directors of the Company.

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

This unaudited interim results announcement is published on the websites of the Stock Exchange and the Company, and the interim report of the Company for the Current Period containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Huabang Technology Holdings Limited
Liu Qiaosong
Vice Chairman and Executive Director

Hong Kong, 25 November 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. Liu Qiaosong and Mr. Qu Hongqing, and the independent Non-Executive Directors of the Company are Mr. Loo Hong Shing Vincent, Mr. Zhu Shouzhong and Mr. Li Huaqiang.