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

(Incorporated in Bermuda with limited liability)

(Stock Code: 370)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board of directors (the “Board”) of China Best Group Holding Limited (the “Company”) would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2022 together with the comparative figures for the six months ended 30 September 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Notes	Six months ended	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	283,956	488,450
Revenue:	3		
– Trading of goods		113,353	220,196
– Provision of international air and sea freight forwarding services		859	500
– Consultancy income from finance leases		547	1,138
– Interest income from money lending		3,685	6,980
– Brokerage commission and consultancy income from securities and futures brokerage related services		153	166
– Brokerage commission and consultancy income from property brokerage service		497	–
– Heating and cooling supply by geothermal energy		3,468	3,710
– Construction contracting services fee income		110,974	199,052
– Heating supply and industrial steam income		12,981	13,512
– Project management service income		15,961	22,358
– Interior design service income		3,279	8,572
– Rental income		3,368	3,819
– Data analytical service income		14,831	8,447
		283,956	488,450

* For identification purpose only

	Notes	Six months ended	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Operating costs:			
– Cost of trading goods sold		(111,676)	(216,954)
– Cost of providing international air and sea freight forwarding services		(561)	(308)
– Cost of providing securities and futures brokerage related services		(1)	(1)
– Cost of providing property brokerage and consultancy services		(654)	(763)
– Cost of heating and cooling supply by geothermal energy		(3,673)	(4,250)
– Cost of providing construction contracting services		(97,681)	(178,135)
– Cost of providing heating supply and industrial steam		(12,533)	(9,663)
– Cost of providing project management service		(2,731)	(3,917)
– Cost of providing interior design services		–	(1,018)
– Cost of providing data analytical services		(5,197)	–
		<u>(234,707)</u>	<u>(415,009)</u>
Other income		3,549	3,600
Administrative and other expenses		(27,108)	(23,721)
Staff costs		(39,004)	(41,879)
Finance costs	6	(20,753)	(18,825)
Fair value (loss)/gain on step acquisition of subsidiaries		(1,059)	4,198
Share of (loss)/profit of associates		(284)	787
Share of profit of a joint venture		–	97
		<u>(35,410)</u>	<u>(2,302)</u>
Income tax expense	5	(2,207)	(6,505)
Loss for the period	6	<u>(37,617)</u>	<u>(8,807)</u>
Other comprehensive income/(expense):			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(59,719)	8,600
Translation reserve released upon deemed disposal of a joint venture		51	–
Translation reserve released upon deemed disposal of associates		–	7
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Fair value loss on financial assets at fair value through other comprehensive income		(1,870)	(1,800)
		<u>(1,870)</u>	<u>(1,800)</u>
		<u>(61,538)</u>	<u>6,807</u>
Total comprehensive expense for the period		<u>(99,155)</u>	<u>(2,000)</u>

		Six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(37,303)	(8,351)
Non-controlling interests		<u>(314)</u>	<u>(456)</u>
		<u>(37,617)</u>	<u>(8,807)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(93,807)	(1,544)
Non-controlling interests		<u>(5,348)</u>	<u>(456)</u>
		<u>(99,155)</u>	<u>(2,000)</u>
Loss per share			
Basic and diluted (<i>HK cents</i>)	8	<u>(2.45)</u>	<u>(0.63)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		30 September 2022	31 March 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		252,883	286,958
Right-of-use assets		11,521	17,663
Investment properties		115,603	129,026
Goodwill		265,523	273,707
Intangible asset		811	811
Interests in associates		21,745	24,572
Interests in joint ventures		–	5,192
Financial assets at fair value through profit or loss		26,550	29,633
Financial assets at fair value through other comprehensive income		6,770	8,640
Loans receivables	10	73,382	30,113
Regulatory deposits		205	205
Deferred tax assets		8,430	9,410
		783,423	815,930
Current assets			
Inventory		3,325	4,430
Finance lease receivables	9	4,403	4,914
Loans and interest receivables	10	336,790	369,117
Other loan and interest receivables		30,812	9,252
Trade and other receivables	11	568,709	624,359
Contract assets		329,968	370,760
Promissory note receivable		30,000	90,000
Amounts due from a joint venture		–	2,222
Bank balances and cash – trust and segregated accounts		3,865	3,855
Bank balances and cash – general accounts		65,703	46,049
		1,373,575	1,524,958

		30 September	31 March
		2022	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	12	588,329	655,202
Contract liabilities		14,534	10,805
Lease liabilities		12,312	14,944
Trust loans		221,251	246,940
Short term loans		9,199	27,286
Bank loans		112,838	88,900
Amounts due to a joint venture		–	123
Tax liabilities		30,808	32,339
		<u>989,271</u>	<u>1,076,539</u>
Net current assets		<u>384,304</u>	<u>448,419</u>
Total assets less current liabilities		<u>1,167,727</u>	<u>1,264,349</u>
Non-current liabilities			
Lease liabilities		–	3,841
NET ASSETS		<u>1,167,727</u>	<u>1,260,508</u>
Capital and reserves			
Share capital		152,529	152,529
Share premium and reserves		969,463	1,056,896
Equity attributable to owners of the Company		1,121,992	1,209,425
Non-controlling interests		45,735	51,083
TOTAL EQUITY		<u>1,167,727</u>	<u>1,260,508</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2021/22 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2022.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2022. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

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

3. TURNOVER AND REVENUE

An analysis of the Group's turnover for the period is as follows:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Trading of goods	113,353	220,196
Provision of international air and sea freight forwarding services	859	500
Consultancy income from finance leases	547	1,138
Interest income from money lending	3,685	6,980
Brokerage commission and consultancy income from securities and futures brokerage related services	153	166
Brokerage commission and consultancy income from property brokerage service	497	–
Heating and cooling supply by geothermal energy	3,468	3,710
Construction contracting services fee income	110,974	199,052
Interior design service income	3,279	8,572
Project management service income	15,961	22,358
Heating supply and industrial steam income	12,981	13,512
Rental income	3,368	3,819
Data analytical service income	14,831	8,447
	<u>283,956</u>	<u>488,450</u>

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

	For the six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers (<i>Note (a)</i>)	276,903	477,651
Revenue from other sources		
– Interest income from money leading	3,685	6,980
– Rental income from investment properties	3,368	3,819
	283,956	488,450
	283,956	488,450
Timing of recognition of revenue from contracts with customers		
At a point in time	114,213	220,697
Over time	162,690	256,954
	276,903	477,651
	276,903	477,651

Note:

(a) Disaggregation of revenue from contracts with customers:

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Securities and futures brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Heating and cooling supply of geothermal energy <i>HK\$'000</i>	Building construction contracting <i>HK\$'000</i>	Customised technical support <i>HK\$'000</i>	Project management <i>HK\$'000</i>	Centralised heating <i>HK\$'000</i>	Property brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 September 2022											
(Unaudited):											
Geographical markets											
Hong Kong	-	-	153	-	-	-	-	-	-	-	153
People's Republic of China (the "PRC")	113,353	547	-	-	3,468	110,974	18,110	15,961	12,981	497	275,891
Singapore	-	-	-	859	-	-	-	-	-	-	859
	<u>113,353</u>	<u>547</u>	<u>153</u>	<u>859</u>	<u>3,468</u>	<u>110,974</u>	<u>18,110</u>	<u>15,961</u>	<u>12,981</u>	<u>497</u>	<u>276,903</u>
Major products/services											
Trading of electronic products	113,353	-	-	-	-	-	-	-	-	-	113,353
Financial services	-	547	153	-	-	-	-	-	-	-	700
International air and sea freight forwarding services	-	-	-	859	-	-	-	-	-	-	859
Heating and cooling supply by geothermal energy	-	-	-	-	3,468	-	-	-	-	-	3,468
Building construction contracting services	-	-	-	-	-	110,974	-	-	-	-	110,974
Interior design services	-	-	-	-	-	-	3,279	-	-	-	3,279
Data analytical services	-	-	-	-	-	-	14,831	-	-	-	14,831
Project management services	-	-	-	-	-	-	-	15,961	-	-	15,961
Heating supply and industrial steam	-	-	-	-	-	-	-	-	12,981	-	12,981
Property brokerage and consultancy services	-	-	-	-	-	-	-	-	-	497	497
	<u>113,353</u>	<u>547</u>	<u>153</u>	<u>859</u>	<u>3,468</u>	<u>110,974</u>	<u>18,110</u>	<u>15,961</u>	<u>12,981</u>	<u>497</u>	<u>276,903</u>
Timing of recognition of revenue from contracts with customers											
At a point in time	113,353	-	1	859	-	-	-	-	-	-	114,213
Over time	-	547	152	-	3,468	110,974	18,110	15,961	12,981	497	162,690
	<u>113,353</u>	<u>547</u>	<u>153</u>	<u>859</u>	<u>3,468</u>	<u>110,974</u>	<u>18,110</u>	<u>15,961</u>	<u>12,981</u>	<u>497</u>	<u>276,903</u>

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

Trading of goods

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

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

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

Finance leasing

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

Securities and futures brokerage

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

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

International air and sea freight forwarding

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

Property brokerage

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

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

Heating and cooling supply by geothermal energy

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

Building construction contracting

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

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

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

Customised technical support

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

Project management

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

Centralised heating

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

4. SEGMENT INFORMATION

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

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

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

- (l) Building construction contracting segment engages in provision of building construction contracting service on project basis in the PRC; and
- (m) Centralised heating segment engages in the business of using coal-fired boilers to provide centralised heating, including industrial steam, through centralised pipe networks in the PRC.

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

The following tables present revenue and segment results regarding the Group's operating segments for the six months ended 30 September 2022 and 2021, respectively.

	Trading of goods	Finance leasing	Money lending	International Securities and futures brokerage	air and sea freight forwarding	Securities trading	Property investment	Customised technical support	Property brokerage	Project management	Geothermal energy	Building construction contracting	Centralised heating	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 September 2022 (Unaudited):														
Turnover	113,353	547	3,685	153	859	-	3,368	18,110	497	15,961	3,468	110,974	12,981	283,956
Revenue from the external customers	113,353	547	3,685	153	859	-	3,368	18,110	497	15,961	3,468	110,974	12,981	283,956
Reportable segment profit/(loss)	(6,589)	(166)	1,775	(2,320)	(77)	-	2,860	4,943	(1,138)	(7,591)	(4,415)	5,182	(4,690)	(12,226)
Share of loss of associates														(284)
Fair value loss on step acquisition of subsidiaries														(1,059)
Unallocated corporate income														2,921
Unallocated corporate expenses														(24,762)
Loss before tax														<u>(35,410)</u>

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

No provision for Singapore and the United States of America Profits Tax has been made as the Group did not generate any assessable profits in Singapore and the United States of America for the six months ended 30 September 2022 and 2021.

6. LOSS FOR THE PERIOD

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

	For the six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Finance costs		
Interest expense on lease liabilities	971	1,209
Interest expense on bank loans	3,860	358
Interest expense on short-term loans	316	1,723
Interest expense on trust loans	15,051	14,500
Interest expense on consideration payable	555	1,035
	<u>20,753</u>	<u>18,825</u>
Other items		
Auditor's remuneration	650	650
Cost of inventories sold	111,676	216,954
Depreciation of		
– property, plant and equipment	5,385	3,331
– right-of-use assets	7,366	6,436
Gain on disposal of fixed assets	(60)	–
Government grant	(628)	(115)
Interest income from		
– bank	(18)	(44)
– other loan receivables	(398)	(337)
– promissory note receivable	(2,241)	(2,707)
Net foreign exchange loss (gain)	844	(28)
Gain on lease modification	–	(24)
Staff costs (including directors' remuneration)	<u>39,004</u>	<u>41,879</u>

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: nil).

8. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss attributable to owners of the Company of approximately HK\$37,303,000 (six months ended 30 September 2021: approximately HK\$8,351,000) and the weighted average of approximately 1,525,285,000 ordinary shares (six months ended 30 September 2021: 1,321,325,000) in issue during the period.

The computation of diluted earnings per share for the six months ended 30 September 2022 does not assume the exercise of the Company's outstanding share options because the exercise price of those options is higher than the average market price of the Company's shares.

There were no dilutive potential ordinary shares during six months ended 30 September 2021, and therefore, diluted loss per share is same as basis loss per share.

9. FINANCE LEASE RECEIVABLES

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

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Finance lease receivables	46,383	51,769
Less: allowance for impairment of finance lease receivables	(41,980)	(46,855)
Finance lease receivables, net	<u>4,403</u>	<u>4,914</u>
Analysed for reporting purposes as current assets	<u>4,403</u>	<u>4,914</u>
	Present value of minimum lease payments	
	Minimum lease payments	
	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Finance lease receivables comprise:		
Within one year and present value of minimum lease payment receivables	<u>4,403</u>	<u>4,914</u>
	<u>4,403</u>	<u>4,914</u>

As at 30 September 2022, there were a total of 4 (31 March 2022: 4) outstanding finance leases, with outstanding principal amount of from approximately HK\$4,403,000 (31 March 2022: approximately HK\$4,914,000) to approximately HK\$19,421,000 (31 March 2022: approximately HK\$21,676,000), amounting to a total outstanding principal amount of approximately HK\$46,383,000 (31 March 2022: approximately HK\$51,769,000). To the best knowledge, information and belief of the directors of the Company, all these corporate borrowers and their respective ultimate beneficial owners are independent of the Company and its connected persons (as ascribed under the Listing Rules).

Effective interest rates of the above finance leases is 6% (31 March 2022: 6%) per annum. As at 30 September 2022 and 31 March 2022, all the finance leases are secured by the leased assets, such as motor vehicle, plant and machinery and/or share pledges, and/or are guaranteed by individual who is the corporation's owner or connected person of the owner, and/or other corporation which is a related party to the corporate client.

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

As at 30 September 2022, finance lease receivables before allowance for impairment of approximately RMB41,928,000, equivalent to approximately HK\$46,383,000 (31 March 2022: approximately RMB41,928,000, equivalent to approximately HK\$51,769,000) was past due. Included in the carrying amount of the above finance lease receivables as at 30 September 2022 are three individually impaired receivables of approximately RMB37,948,000, equivalent to approximately HK\$41,980,000 (31 March 2022: approximately RMB37,948,000, equivalent to approximately HK\$46,855,000) which impairment was made due to customers' default in payment. The Group has either taken legal actions or assessed the latest operating and financial position by site visit against these customers and considered the legal opinion from independent legal advisers during impairment assessment. For the remaining past due amount of approximately RMB3,980,000, equivalent to approximately HK\$4,403,000 (31 March 2022: approximately RMB3,980,000, equivalent to approximately HK\$4,914,000), the Group is still negotiating practicable repayment terms and schedules subsequent to the end of the reporting period. Accordingly, the directors considered no further impairment loss needs to be recognised.

Management closely monitors the credit quality of finance lease receivables. As at 30 September 2022, the age of the finance lease receivables was over three years (31 March 2022: over three years) based on the effective dates of the relevant lease contracts.

10. LOANS AND INTEREST RECEIVABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Loans receivables:		
Secured	40,000	40,000
Unsecured	388,601	365,249
	428,601	405,249
Interest receivables	48,024	60,434
Less: allowance for impairment of loan and interest receivables	(66,453)	(66,453)
	410,172	399,230
Analysed for reporting purposes as:		
– Non-current assets	73,382	30,113
– Current assets	336,790	369,117
	410,172	399,230

As at 30 September 2022, there were a total of 15 (31 March 2022: 15) outstanding loans, out of which 7 (31 March 2022: 7) loans were loans to individuals and 8 (31 March 2022: 8) loans were loans to corporations, with principal amount per loan ranging from HK\$4,000,000 (31 March 2022: HK\$4,000,000) to approximately HK\$44,731,000 (31 March 2022: approximately HK\$45,222,000). Loans to the top customer and top 5 customers constituted approximately 11% and 50% (31 March 2022: approximately 13% and 58%) of the total outstanding principal and interest amount of the loans respectively as at 30 September 2022. To the best knowledge, information and belief of the directors of the Company, all these borrowers and their respective ultimate beneficial owners (in case of corporate clients) are independent of the Company and its connected persons (as ascribed under the Listing Rules).

The loans to individuals in aggregate amount of approximately HK\$150,438,000 (31 March 2022: approximately HK\$150,929,000) are unsecured and unguaranteed. Considering the corporation is in the nature of limited liability, the loans to corporations in aggregate amount of approximately HK\$278,163,000 (31 March 2022: approximately HK\$254,320,000) are either secured or guaranteed. Among the loans to corporations, one loan in the amount of HK\$40,000,000 (31 March 2022: HK\$40,000,000) is secured by a segregated portfolio account of an investment fund and the remaining loans in the total amount of approximately HK\$238,163,000 (31 March 2022: approximately HK\$214,320,000) are backed by guarantees respectively provided by individual who is the corporation's owner or connected person of the owner, and/or other corporation which is a related party to the corporate borrower.

The loans advanced to the borrowers under the Group's money lending business normally had loan periods from 6 to 54 months (31 March 2022: 6 to 54 months). The loans provided to borrowers bore interest rate ranging from 8%-15% per annum (31 March 2022: 8%-15% per annum), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers (where necessary). The loans provided to borrowers are repayable in accordance with the loan agreements, in which the principal amounts are repayable on maturity and the interests are repayable half-yearly, yearly or on maturity.

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

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Within 90 days	14,982	15,170
91-180 days	28,642	1,129
181-365 days	2,136	10,037
Over 365 days	364,412	372,894
	<u>410,172</u>	<u>399,230</u>

As at 30 September 2022, loans and interest receivables before allowance for impairment of approximately HK\$382,862,000 (31 March 2022: approximately HK\$420,558,000) were past due. Included in the carrying amount of the above loans and interest receivables as at 30 September 2022 is four individually impaired receivables of approximately HK\$66,453,000 (31 March 2022: approximately HK\$66,453,000) which impairment was made due to borrower's default in payment. Subsequent to the end of the reporting period, approximately HK\$2,931,000 were settled. The remaining past due amount of approximately HK\$313,478,000 are due from several borrowers with whom the Group is negotiating practicable repayment terms and schedules. The directors assessed their creditworthiness and financial position. The Group's neither past due nor impaired loan receivables mainly represented loans granted to creditworthy customers for whom there was no recent history of default. Accordingly, the directors considered that no further impairment loss is necessary. Save for the aforesaid secured loans, the Group does not hold collateral over other balances.

11. TRADE AND OTHER RECEIVABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade receivables arising from trading business	173,651	169,565
Trade receivables arising from the securities and futures brokerage business	228	228
Trade receivables arising from finance leasing business	4,923	4,877
Less: allowance for impairment	(498)	(556)
	4,425	4,321
Trade receivables arising from geothermal energy business	1,284	1,619
Trade receivables arising from building construction contracting business	17,822	21,570
Trade receivables arising from centralised heating business	–	2
Trade receivables arising from project management business	52,232	37,776
Trade receivables arising from customised technical support business	30,260	14,488
Trade receivables arising from property brokerage business	13,969	15,772
Trade receivables arising from international air and sea freight forwarding business	1,498	1,487
Less: allowance for impairment	(1,467)	(1,463)
	31	24
Prepayments	49,315	89,778
Value-added tax recoverable	5,438	16,205
Deposit and other receivables	80,149	96,862
Receivables from disposal of a subsidiary	23,748	26,505
Construction deposits	116,157	129,644
	<u>568,709</u>	<u>624,359</u>

The Group allows an average credit period normally ranging from 30 days to 180 days (31 March 2022: 30 days to 180 days) to its customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debt) presented based on the invoice date or the payment date as stated in the respective contracts at the end of the reporting period, which approximates the respective revenue recognition date.

	Trading business HK\$'000	Finance leasing business HK\$'000	International air and sea freight forwarding business HK\$'000	Geothermal energy business HK\$'000	Building construction contracting business HK\$'000	Centralised heating business HK\$'000	Project management business HK\$'000	Customised technical support business HK\$'000	Property brokerage business HK\$'000
30 September 2022 (Unaudited):									
Within 30 days	-	-	19	-	263	-	3,452	7,401	-
31-60 days	-	-	-	-	-	-	2,041	3,717	-
61-90 days	-	-	-	-	-	-	3,452	4,967	-
Over 90 days	173,651	4,425	12	1,284	17,559	-	43,287	14,175	13,969
	<u>173,651</u>	<u>4,425</u>	<u>31</u>	<u>1,284</u>	<u>17,822</u>	<u>-</u>	<u>52,232</u>	<u>30,260</u>	<u>13,969</u>

	Trading business HK\$'000	Finance leasing business HK\$'000	International air and sea freight forwarding business HK\$'000	Geothermal energy business HK\$'000	Building construction contracting business HK\$'000	Centralised heating business HK\$'000	Property development and project management business HK\$'000	Customised technical support business HK\$'000	Property brokerage business HK\$'000
31 March 2022 (Audited):									
Within 30 days	-	103	12	548	15,387	2	3,772	352	-
31-60 days	-	103	-	279	-	-	1,025	142	-
61-90 days	73,355	103	-	279	-	-	1,025	327	-
Over 90 days	96,210	4,012	12	513	6,183	-	31,954	13,667	15,772
	<u>169,565</u>	<u>4,321</u>	<u>24</u>	<u>1,619</u>	<u>21,570</u>	<u>2</u>	<u>37,776</u>	<u>14,488</u>	<u>15,772</u>

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

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK\$270,447,000 (31 March 2022: HK\$168,015,000) which were past due at the end of the reporting period and for which the Group has not provided for doubtful debt. The Group does not hold any collateral over these balances.

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

	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
31-60 days	5,758	–
61-90 days	8,419	–
Over 90 days	256,270	168,015
	270,447	168,015

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

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

12. TRADE AND OTHER PAYABLES

	30 September	31 March
	2022	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables arising from the securities and futures brokerage business	4,093	4,082
Trade payables arising from international air and sea freight forwarding business	704	665
Trade payables arising from property brokerage business	247	276
Trade payables arising from geothermal energy business	39,500	45,872
Trade payables arising from centralised heating business	22,278	24,379
Trade payables arising from building construction contracting business	280,328	322,759
Earnest money from finance lease receivables	1,770	1,976
Accrued charges	18,461	19,492
Consideration payables	81,099	88,183
Advance from subcontractors	99,110	110,299
Trust loans interest payable	16,079	7,939
Other payables	24,660	29,280
	588,329	655,202

For trade payables arising from the securities and futures brokerage business, no aging analysis is disclosed for the Group's margin and cash clients as these clients were carried on an open account basis, the aging analysis does not give additional value in the view of the nature of business of securities and futures brokerage.

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

The average credit period on the international air and sea freight forwarding services is normally ranging from 30 days to 90 days (31 March 2022: 30 days to 90 days). For trade payables arising from geothermal energy business, centralised heating business and building construction contracting business, they are mainly accrued and settled based on the progress of performance and the settlement obligation as stipulated in the respective contracts. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

	International air and sea freight forwarding business HK\$'000	Geothermal energy business HK\$'000	Centralised heating business HK\$'000	Building construction contracting business HK\$'000
30 September 2022 (Unaudited):				
Within 30 days	77	7	499	248,045
31-60 days	–	–	5,047	–
61-90 days	1	139	–	14,689
Over 90 days	<u>626</u>	<u>39,354</u>	<u>16,732</u>	<u>17,594</u>
	<u>704</u>	<u>39,500</u>	<u>22,278</u>	<u>280,328</u>
	International air and sea freight forwarding business HK\$'000	Geothermal energy business HK\$'000	Centralised heating business HK\$'000	Building construction contracting business HK\$'000
31 March 2022 (Audited):				
Within 30 days	41	126	14,184	287,114
31-60 days	–	–	3,030	–
61-90 days	–	–	5,051	13,608
Over 90 days	<u>624</u>	<u>45,746</u>	<u>2,114</u>	<u>22,037</u>
	<u>665</u>	<u>45,872</u>	<u>24,379</u>	<u>322,759</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	Six months ended	
	30 September	
	2022	2021
	HK\$'M	HK\$'M
	(Unaudited)	(Unaudited)
Financial Results Highlight		
Turnover	284.0	488.5
Total operating costs	(234.7)	(415.0)
Total expenses	(86.9)	(84.4)
Net loss before taxation and non-controlling interests	(35.4)	(2.3)
Loss for the period attributable to owners of the Company	(37.3)	(8.4)

	30 September	31 March
	2022	2022
	HK\$'M	HK\$'M
	(Unaudited)	(Audited)

Extract of Financial Position

Total assets	2,157.0	2,340.9
Total liabilities	(989.3)	(1,080.4)
Net current assets	384.3	448.4
Bank and cash balances – general accounts	65.7	46.0
Net assets	1,167.7	1,260.5

Overview

For the six months ended 30 September 2022, the Group's turnover was approximately HK\$284.0 million, representing a decrease of approximately 41.9% as compared with approximately HK\$488.5 million in last corresponding period. The loss for the period attributable to owners of the Company was approximately HK\$37.3 million as compared with approximately HK\$8.4 million in last corresponding period. The increase in loss was mainly attributable to, among other things, (i) the performance of the Group's various business segments was inevitably affected to a certain extent by the recurrent outbreak of the COVID-19 pandemic in the PRC; and (ii) the recognition of share-based payment of approximately HK\$6.4 million for 90,000,000 share options of the Company granted in current period.

BUSINESS AND FINANCIAL REVIEW

Finance Leasing Business

The Group commenced its finance leasing business in July 2015 and has been engaged in providing finance lease and related consultancy services in the PRC. The finance lease customers are corporate clients which are engaged in various businesses including trading, food industry, product processing, and manufacturing of machinery and equipment. The principal focus of the Group's finance leasing business is to provide an alternative way of financing to corporate clients in the PRC via a sale and lease-back arrangement of tangible assets, like plant and equipment, as well as to render consultancy services with respect of finance leasing. For the six months ended 30 September 2022, the turnover of the Group's finance leasing business amounted to approximately HK\$0.5 million (30 September 2021: approximately HK\$1.1 million) whereas segment loss of approximately HK\$0.2 million was incurred (30 September 2021: approximately HK\$1.0 million).

Money Lending Business

The Group holds a money lenders licence in Hong Kong and provides loan facilities to prospective customers including enterprises and individuals. The money lending customers are mainly referrals from the business partners/existing clients of the Group and business contacts of the Group's senior management, who are high net worth individuals or companies engaged in various industries including investment fund, trader of hi-tech equipment, investor of tourism-related activities, etc.. This segment has begun to generate returns to the Group since April 2016. For the six months ended 30 September 2022, the turnover of the Group's money lending business amounted to approximately HK\$3.7 million (30 September 2021: approximately HK\$7.0 million). Corresponding segment profit of approximately HK\$1.8 million was made for the six months ended 30 September 2022 (30 September 2021: approximately HK\$4.6 million).

Securities and Futures Brokerage Business

The Group has been providing brokerage services for securities and futures traded on exchanges in Hong Kong and major overseas countries since August 2017. For the six months ended 30 September 2022, the turnover of the Group's securities and futures brokerage business amounted to approximately HK\$0.2 million (30 September 2021: approximately HK\$0.2 million). Corresponding segment loss of approximately HK\$2.3 million was incurred for the six months ended 30 September 2022 (30 September 2021: approximately HK\$2.7 million).

Trading Business

With the established distribution channels and upstream suppliers network in niche market of electronics, the trading of goods business mainly focuses on trading of semi-finished electronic components produced in mainland China and Taiwan which are equippable to mobile electronic appliances and laptops computers. For the six months ended 30 September 2022, the turnover of the Group's trading business amounted to approximately HK\$113.4 million (30 September 2021: approximately HK\$220.2 million) whereas the gross profit was approximately HK\$1.7 million (30 September 2021: approximately HK\$3.2 million). The Group recorded a loss of approximately HK\$6.6 million (30 September 2021: approximately HK\$4.2 million) in this segment.

Securities Investment Business

It represents trading of listed equity securities in the Hong Kong stock market and dividend income (if any) from such listed equity securities. For the six months ended 30 September 2022, the Group did not trade any listed equity securities and hence no turnover and realised gain/loss of the Group's securities investment business was generated (30 September 2021: nil). As the Group did not hold any trading securities during the period and at the end of the reporting period (31 March 2022: nil), the Group did not receive any dividend income (30 September 2021: nil) and record any unrealised fair value gain/loss on the Group's securities investment for the six months ended 30 September 2022 (30 September 2021: nil).

Freight Forwarding Business

The freight forwarding business of the Group provides international air and sea freight forwarding and logistic services to local customers in Singapore which consist of small and medium trading companies and forwarders. For the six months ended 30 September 2022, the turnover of the Group's freight forwarding business amounted to approximately HK\$0.9 million (30 September 2021: approximately HK\$0.5 million). Corresponding gross profit of approximately HK\$0.3 million and segment loss of approximately HK\$0.1 million were made for the six months ended 30 September 2022 respectively (30 September 2021: gross profit of approximately HK\$0.2 million and segment loss of approximately HK\$0.2 million).

Property Investment Business

The Group acquired a group of companies which mainly hold the investment properties in the PRC for rental income and capital appreciation since January 2019. For the six months ended 30 September 2022, the rental income generated from such investment properties amounted to approximately HK\$3.4 million (30 September 2021: approximately HK\$3.8 million). Corresponding profit of approximately HK\$2.9 million (30 September 2021: approximately HK\$3.0 million) was made in this segment. As at 30 September 2022, the fair value of the investment properties was approximately HK\$115.6 million (31 March 2022: approximately HK\$129.0 million).

Property Brokerage Business

The Group has been engaged in provision of residential and commercial property brokerage and consultancy services in the PRC since June 2019. Currently, the major places of business activities are in Xi'an, Shaanxi Province and Xiangshan City, Zhejiang Province of the PRC. For the six months ended 30 September 2022, the turnover of the Group's property brokerage business amounted to approximately HK\$0.5 million (30 September 2021: nil) and the gross loss of approximately HK\$0.2 million was recorded (30 September 2021: approximately HK\$0.8 million). Corresponding loss of approximately HK\$1.1 million was incurred in this segment (30 September 2021: approximately HK\$3.1 million).

Customised Technical Support Business

After the Group acquired a group of companies which are principally engaged in the provision of financial information, solutions and data analytical services to customers in finance and property related field in the PRC in August 2021, the Group combined such newly acquired business with its building architecture and interior design business so as to provide customised technical support services to customers in the PRC. For the six months ended 30 September 2022, the turnover of the Group's customised technical support business amounted to approximately HK\$18.1 million (30 September 2021: approximately HK\$17.0 million) and the gross profit was approximately HK\$12.9 million (30 September 2021: approximately HK\$16.0 million). Segment profit of approximately HK\$4.9 million was made in this segment (30 September 2021: approximately HK\$12.7 million).

Project Management Business

The Group has commenced to provide project management services in the PRC since July 2020. For the six months ended 30 September 2022, the turnover of the Group's project management business amounted to approximately HK\$16.0 million (30 September 2021: approximately HK\$22.4 million) and the gross profit of approximately HK\$13.2 million was recorded (30 September 2021: approximately HK\$18.4 million). Segment loss of approximately HK\$7.6 million was incurred in this segment (30 September 2021: approximately HK\$15.4 million).

Geothermal Energy Business

The Group acquired a group of companies, which are principally engaged in developing and utilising geothermal energy in provision of heating and cooling supply to various buildings located in residential areas in the PRC, in March 2020. Currently, the major places of business activities are in Xi'an, Shaanxi Province and Henan Province of the PRC. For the six months ended 30 September 2022, the turnover of the Group's geothermal energy business amounted to approximately HK\$3.5 million (30 September 2021: approximately HK\$3.7 million) whereas the gross loss of approximately HK\$0.2 million (30 September 2021: approximately HK\$0.5 million) was incurred. Corresponding segment loss of approximately HK\$4.4 million (30 September 2021: approximately HK\$5.6 million) was incurred in this segment.

Building Construction Contracting Business

The Group acquired a company, which is principally engaged in building construction contracting on project basis in the PRC, in May 2020. For the six months ended 30 September 2022, the turnover of the Group's building construction contracting business amounted to approximately HK\$111.0 million (30 September 2021: approximately HK\$199.1 million) and the gross profit of approximately HK\$13.3 million (30 September 2021: approximately HK\$20.9 million) was made. Corresponding profit of approximately HK\$5.2 million (30 September 2021: approximately HK\$15.8 million) was achieved in this segment.

Centralised Heating Business

The Group started the centralised heating business after becoming the reorganisation investor of a company, which is principally engaged in the business of providing the heat and steam supply services in the licensed area of Yuncheng, Shanxi through centralised pipe networks, in September 2020. The Group was further granted an exclusive license for the provision of centralised heating service in Yuncheng City for 30 years from 1 January 2021. For the six months ended 30 September 2022, the turnover of the Group's centralised heating business amounted to approximately HK\$13.0 million (30 September 2021: approximately HK\$13.5 million) and the gross profit of approximately HK\$0.4 million (30 September 2021: approximately HK\$3.8 million) was made. The Group record a loss of approximately HK\$4.7 million (30 September 2021: approximately HK\$1.5 million) in this segment.

OUTLOOK

Looking forward the second half of the year, the global economic situation and market sentiment is still vulnerable in the shadow of the continuing coronavirus pandemic and the military and political conflicts among the world superpowers. The Group will keep on reviewing and considering its existing resources, including the experience, expertise and social network of the directors and management of the Company, with the aim of further expanding the current principal businesses and exploring possible inter-segment development and collaboration. The Group will endeavour to strengthen its client base and diversify its products and services mix among different business segments. Meanwhile, the Group will further discuss and formulate business plans for possible development in the metaverse related business. On the other hand, the Group will enhance costs control in order to improve its profit margin.

LIQUIDITY AND CASHFLOW RESOURCES

As at 30 September 2022, the total equity and net current assets of the Group amounted to approximately HK\$1,167.7 million (31 March 2022: approximately HK\$1,260.5 million) and approximately HK\$384.3 million (31 March 2022: approximately HK\$448.4 million), respectively. On the same date, the Group had bank and cash balances of approximately HK\$65.7 million (31 March 2022: approximately HK\$46.0 million) and the current ratio was 1.39 (31 March 2022: 1.42). As at 30 September 2022, the Group has (i) secured trust loans of approximately HK\$221.3 million (31 March 2022: approximately HK\$246.9 million) bearing fixed interest rate at 12% per annum and to be repaid by March 2023, (ii) secured bank loans of approximately HK\$112.8 million (31 March 2022: approximately HK\$88.9 million) bearing fixed interest rate ranged from 3.8% to 5.6% per annum and to be repaid from November 2022 to March 2023, (iii) unsecured short-term loans from an independent lender of approximately HK\$3.7 million (31 March 2022: approximately HK\$3.7 million) bearing fixed interest rate at 6% per annum and to be repaid on demand, (iv) interest-free and unsecured advance payments from an independent third party and subcontractor of approximately HK\$5.5 million (31 March 2021: approximately HK\$13.7 million) and HK\$99.1 million (31 March 2021: approximately HK\$110.3 million) respectively to be repaid on demand.

As at 30 September 2022, the gearing ratio of the Group was approximately 0.21 (31 March 2022: approximately 0.20). The gearing ratio is measured on the basis of the total amount of interest bearing and interest free borrowings/advance payments over the amount of total assets. As at 30 September 2022, the total amount of interest bearing and interest free borrowings/advance payments and the amount of total asset of the Group amounted to approximately HK\$442.4 million (31 March 2022: approximately HK\$473.5 million) and approximately HK\$2,157.0 million (31 March 2022: approximately HK\$2,340.9 million), respectively.

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

PLEDGE OF ASSETS

As at 30 September 2022 and 31 March 2022, none of the Group's securities were pledged to brokers to secure the margin loan. As at 30 September 2022 and 31 March 2022, certain flats of the investment properties held by the Group were pledged to banks to secure the bank loans borrowed to the Group.

CONTINGENT LIABILITIES

As at 30 September 2022 and 31 March 2022, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE

During the six months ended 30 September 2022, the Group incurred approximately HK\$0.8 million (30 September 2021: approximately HK\$7.0 million) as capital expenditure mainly in respect of plant and equipment situated in the PRC.

CAPITAL COMMITMENTS

As at 30 September 2022, the Group had no material capital commitment (31 March 2022: nil).

SIGNIFICANT INVESTMENTS HELD

As at 30 September 2022, the Group held financial assets at fair value through other comprehensive income of approximately HK\$6.8 million (31 March 2022: approximately HK\$8.6 million) which represented unlisted equity securities in Hong Kong. No financial assets at fair value through profit or loss in relation to equity securities were held as at 30 September 2022 (31 March 2022: nil). During the six months ended 30 September 2022, the Group recorded a fair value loss of approximately HK\$1.9 million on securities investments that are not held for trading in other comprehensive income.

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

As at 30 September 2022, the Company did not hold any significant investments in an investee company with a value of 5% or more of the Company's total assets.

FOREIGN CURRENCY EXPOSURE

The Group's monetary assets and transactions are principally denominated in Hong Kong dollars, Renminbi and US dollars. During the period under review, there was no significant fluctuation in the exchange rates of Hong Kong dollars and US dollars whereas Renminbi had a downward adjustment, resulting in an exchange loss of approximately HK\$59.7 million recognised as other comprehensive expense of the Group. The Group will take a prudent approach against any impact arising from the fluctuation in exchange rates but currently is not engaged in any derivative activities and not committed to any financial instruments to hedge its balance sheet exposure.

EMPLOYEES AND HUMAN RESOURCES POLICY

As at 30 September 2022, the Group had 254 staff (30 September 2021: 300 staff). The total staff costs incurred for the six months ended 30 September 2022 was approximately HK\$39.0 million (30 September 2021: approximately HK\$41.9 million). The remuneration of employees was determined with reference to the qualification and experience of individual staff member, market circumstances and the Group's performance. In accordance with the Listing Rules, the staff of the Company's accounting and financial reporting function have adequate training programmes and budget.

Pursuant to a share option scheme adopted on 1 September 2021 (the "2021 Share Option Scheme"), the Board may grant options to, among other, directors (including non-executive directors and independent non-executive directors) and employees of the Company and any of its subsidiaries or associated companies, to subscribe for shares of the Company. During the period, 30,000,000 share options were granted to certain employees of the Group under the 2021 Share Option Scheme.

MATERIAL ACQUISITION OR DISPOSAL

There was no material acquisition or disposal (including the acquisition or disposal of subsidiaries and associated companies) for the six months ended 30 September 2022.

FUND RAISING ACTIVITIES AND USE OF PROCEEDS

The Company did not conduct any fund raising activities in relation to issue of equity securities during the six months ended 30 September 2022.

As at 30 September 2022, the amount of approximately HK\$11 million out of net proceeds from the Company's rights issue, which was completed on 14 July 2021, remained unused and is expected to be utilized as intended in 2023 for the settlement of unpaid investment sum to Tiandi Youdamei (Beijing) Cultural Tourism Company Limited* (天地有大美(北京)文旅有限公司).

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2022 (30 September 2021: nil).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2022.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group has adopted and followed a series of internal control procedures to regulate the money lending business and the finance leasing business to ensure a comprehensive risk management, so as to safeguard the interests of the Company and its shareholders, including (i) credit risk assessment by the business team, (ii) formulation of the preliminary business proposal by the business team, (iii) assessment by the risk control and compliance department, (iv) credit approval, and (v) ongoing monitoring of loan recoverability and loan collection.

CORPORATE GOVERNANCE CODE OF THE LISTING RULES

In the opinion of the Board, save as disclosed below, none of the directors of the Company are aware of any information that would reasonably indicate that the Company was not for any part of the six months ended 30 September 2022 in compliance with the CG Code.

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

Under Code Provision C.1.6 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to influence of COVID-19 pandemic, three independent non-executive directors, namely, Mr. Ru Xiangang (ceased on 11 October 2022), Mr. Liu Tonghui and Ms. Yin Meiqun, were unable to attend the Company's annual general meeting held on 2 September 2022.

AUDIT COMMITTEE

As at 29 November 2022, the Audit Committee of the Company comprises three independent non-executive directors, namely, Mr. Liu Tonghui, Ms. Yin Meiqun and Mr. Ye Jianmu (appointed on 11 October 2022).

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

The Group's unaudited results for the six months ended 30 September 2022 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors’ securities transactions. All directors of the Company have confirmed, immediately following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2022.

PUBLICATION OF INTERIM REPORT

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

The 2022 Interim Report of the Company containing all the information required under Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company as well as published on the aforesaid websites in due course.

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

Hong Kong, 29 November 2022

As at the date of this announcement, the Board comprises five executive directors, namely, Ms. Wang Yingqian (Chairman), Mr. Qin Jie (Chief Executive Officer), Mr. Fan Jie, Mr. Li Haitao and Ms. Tao Lei, and three independent non-executive directors, namely, Mr. Liu Tonghui, Ms. Yin Meiqun and Mr. Ye Jianmu.