

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Unity Group Holdings International Limited
知行集團控股國際有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1539)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Leasing services of energy saving systems	3,310	3,710
Trading of energy saving products	2,272	25,953
Consultancy service	–	9,185
	5,582	38,848
Gross profit	2,445	18,792
EBITDA <i>(Note 1)</i>	(58,156)	(47)
EBIT <i>(Note 1)</i>	(59,565)	(2,655)
Loss attributable to owners of the Company	(62,240)	(21,720)
Basic loss per share <i>(HK cents)</i>	(2.6)	(1.4)
Diluted loss per share <i>(HK cents)</i>	(2.6)	(1.4)
		(Restated)
Adjusted loss attributable to owners of the Company excluding some major extraordinary or non-operating income and expenses <i>(Note 2)</i>	(23,478)	(10,636)
Basic loss per share <i>(HK cents)</i>	(1.0)	(0.7)
Diluted loss per share <i>(HK cents)</i>	(1.0)	(0.7)

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Total assets	<u>355,733</u>	417,811
Total liabilities	<u>273,737</u>	272,170
Net assets	<u><u>81,996</u></u>	<u><u>145,641</u></u>

Note 1: EBITDA is defined as earnings before interest expenses and other finance costs, tax, and depreciation. EBIT is defined as earnings before interest expenses and other finance costs and tax.

Note 2: Amounts are calculated based on adjusted loss after excluding some major extraordinary or non-operating income and expenses as defined by the Group's management, the details of which can be referred to page 21 of this announcement.

- The Group's revenue decreased by 85.6% from approximately HK\$38.8 million for the six months ended 30 September 2021 to approximately HK\$5.6 million for the six months ended 30 September 2022.
- The Group's gross profit decreased by 87.2% from approximately HK\$18.8 million for the six months ended 30 September 2021 to approximately HK\$2.4 million for the six months ended 30 September 2022.
- The Group's loss attributable to the owners of the Company amounted to approximately HK\$21.7 million for the six months ended 30 September 2021 while the loss attributable to the owners of the Company amounted to approximately HK\$62.2 million for the six months ended 30 September 2022.

- Excluding some major extraordinary or non-operating income and expenses, the Group's adjusted loss attributable to the owners of the Company amounted to approximately HK\$10.6 million for the six months ended 30 September 2021 while the adjusted loss attributable to the owners of the Company amounted to approximately HK\$23.5 million for the six months ended 30 September 2022.

- Basic or diluted loss per share was approximately HK1.4 cents for the six months ended 30 September 2021 while basic or diluted loss per share was approximately HK2.6 cents for the six months ended 30 September 2022. Adjusted basic or diluted loss per share calculated with reference to adjusted loss was approximately HK0.7 cents for the six months ended 30 September 2021 while adjusted basic or diluted loss per share calculated with reference to adjusted loss was approximately HK1.0 cents for the six months ended 30 September 2022.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Unity Group Holdings International Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022 together with the comparative figures for the corresponding period in 2021 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3(a)	5,582	38,848
Cost of sales		<u>(3,137)</u>	<u>(20,056)</u>
Gross profit		2,445	18,792
Other income and gains	3(b)	453	1,576
Administrative expenses		(18,511)	(10,581)
Selling and distribution costs		(3,035)	(1,376)
Finance costs	4	(12,087)	(22,577)
Other expenses		(41,692)	(15,269)
Share of results of associates		<u>775</u>	<u>4,202</u>
Loss before income tax		(71,652)	(25,233)
Income tax credit	5	<u>8,831</u>	<u>3,013</u>
Loss for the period		<u>(62,821)</u>	<u>(22,220)</u>

		Six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
– Exchange difference arising on translation of financial statements of foreign operations		(776)	189
– Share of other comprehensive income of associates		(48)	(84)
		<u>(824)</u>	<u>105</u>
Other comprehensive income for the period, net of tax		<u>(824)</u>	<u>105</u>
Total comprehensive income for the period		<u>(63,645)</u>	<u>(22,115)</u>
Loss for the period attributable to:			
Owners of the Company		(62,240)	(21,720)
Non-controlling interests		(581)	(500)
		<u>(62,821)</u>	<u>(22,220)</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		(63,448)	(21,536)
Non-controlling interests		(197)	(579)
		<u>(63,645)</u>	<u>(22,115)</u>
Loss per share attributable to owners of the Company			
Basic (<i>HK cents</i>)	7	(2.6)	(1.4)
Diluted (<i>HK cents</i>)	7	(2.6)	(1.4)
		<u>(2.6)</u>	<u>(1.4)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		5,753	6,979
Interests in associates		66,522	65,795
Equity investment at fair value through profit or loss ("FVTPL")		29,140	29,140
Trade receivables	8	10,458	16,087
Finance lease receivables		713	2,184
Deposits and other receivables		676	693
Deferred tax assets		<u>50,604</u>	<u>43,365</u>
		<u>163,866</u>	<u>164,243</u>
Current assets			
Inventories		1,109	1,257
Trade receivables	8	138,055	186,559
Finance lease receivables		5,156	7,903
Deposits, prepayments and other receivables		15,037	12,530
Due from an associate		13,688	19,008
Cash and cash equivalents		<u>18,822</u>	<u>26,311</u>
		<u>191,867</u>	<u>253,568</u>

	<i>Notes</i>	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Current liabilities			
Trade payables	<i>9</i>	29,978	31,636
Contract liabilities		428	546
Accruals, other payables and deposits received	<i>10</i>	148,279	122,696
Borrowings	<i>11</i>	28,799	32,999
Lease liabilities		2,421	2,404
Due to a related company		184	280
Due to directors		–	12,135
Provision for taxation		–	2,548
Financial liabilities at FVTPL		–	3,717
		210,089	208,961
Net current (liabilities)/assets		(18,222)	44,607
Total assets less current liabilities		145,644	208,850
Non-current liabilities			
Trade payables	<i>9</i>	1,378	2,263
Deposits received		2,107	2,849
Lease liabilities		1,780	3,100
Notes payable	<i>12</i>	54,997	54,997
Financial liabilities at FVTPL		3,386	–
		63,648	63,209
Net assets		81,996	145,641
EQUITY			
Share capital		23,857	23,857
Reserves		70,655	134,103
Equity attributable to owners of the Company		94,512	157,960
Non-controlling interests		(12,516)	(12,319)
Total equity		81,996	145,641

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of compliance

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2022 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are effective for the annual period beginning on 1 April 2022, as disclosed in the annual financial statements for the year ended 31 March 2022. The adoption of these new and revised HKFRSs does not have a significant impact on the Group’s results and financial position.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual report for the year ended 31 March 2022.

(b) Adoption of New and Revised Hong Kong Financial Reporting Standards

The following new/revised HKFRSs, potentially relevant to the Group’s unaudited condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Business Combination: Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract

(c) Basis of measurement

These unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values.

(d) **Functional and presentation currency**

These unaudited condensed consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, financial information relating to these operations is reported internally and is regularly reviewed by the executive director, being the chief operating decision maker, based on the following segments:

- (1) Provision of leasing service of energy saving systems;
- (2) Trading of energy saving products; and
- (3) Provision of consultancy service on leasing service of energy saving systems (“**Consultancy service**”).

Segment revenue below represents revenue from external customers. There were no inter-segment sales during the period.

	Leasing services of energy saving systems <i>HK\$'000</i>	Trading of energy saving products <i>HK\$'000</i>	Consultancy service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 September 2022 (Unaudited)				
Revenue from external customers	<u><u>3,310</u></u>	<u><u>2,272</u></u>	<u><u>–</u></u>	<u><u>5,582</u></u>
Six months ended 30 September 2021 (Unaudited)				
Revenue from external customers	<u><u>3,710</u></u>	<u><u>25,953</u></u>	<u><u>9,185</u></u>	<u><u>38,848</u></u>

The Group's non-current assets are mainly located in Hong Kong and Malaysia, which are divided into the following geographical areas (other than financial assets and deferred tax assets):

	Specified non-current assets	
	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Hong Kong (domiciled)	68,873	68,924
Malaysia	3,342	3,338
Others	60	512
	<u>72,275</u>	<u>72,774</u>

3. REVENUE AND OTHER INCOME AND GAINS

- (a) Revenue represents the income from trading of energy saving products and provision of leasing and consultancy service. An analysis of revenue is as follows:

	Six months ended	
	30 September 2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customer within the scope of HKFRS 15		
Trading of energy saving products	2,272	25,953
Consultancy service income	–	9,185
	<u>2,272</u>	<u>35,138</u>
Revenue from other sources		
Leasing service income	3,310	3,710
	<u>5,582</u>	<u>38,848</u>
Timing of revenue recognition		
At a point in time	<u>2,272</u>	<u>35,138</u>

(b) An analysis of the Group's other income and gains is as follows:

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income		
– From bank deposits	110	–
– From other receivables	199	199
	<u>309</u>	<u>199</u>
Government grants	49	23
Net foreign exchange gain	–	1,151
Others	95	203
	<u>453</u>	<u>1,576</u>

4. FINANCE COSTS

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on financial liabilities carried at amortised cost		
– Interest on other payables	7,116	7,015
– Interest on borrowings	3,983	9,987
– Interest on notes payable	691	5,157
– Interest on lease liabilities	82	93
– Interest on bonds payable	–	100
	<u>11,872</u>	<u>22,352</u>
Interest on financial liabilities at FVTPL	215	225
	<u>12,087</u>	<u>22,577</u>

5. INCOME TAX CREDIT

Income tax credit in the unaudited condensed consolidated statement of comprehensive income represents:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Over-provision in respect of prior years	(1,592)	–
Deferred tax		
– Current period	<u>(7,239)</u>	<u>(3,013)</u>
Income tax credit	<u>(8,831)</u>	<u>(3,013)</u>

Hong Kong profits tax is calculated at the rate of 16.5% (six months ended 30 September 2021: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 of qualified entity's assessable profit being calculated at 8.25%, which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2018/19.

Provision for the enterprise income tax in the People's Republic of China (the "PRC") is calculated based on a statutory tax rate of 25% (six months ended 30 September 2021: 25%) of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

A subsidiary in Malaysia has elected to pay a lump sum income taxation charge of Malaysian Ringgit ("RM") 20,000 per annum. Another subsidiary in Malaysia has been granted pioneer status under the Promotion of Investments Act, 1986 by the Malaysian Investment Development Authority which exempts 100% of statutory income in relation to its principal activity of provision of energy management systems solutions.

6. DIVIDENDS

No dividend has been paid or declared by the Company during each of the six months ended 30 September 2022 (for the six months ended 30 September 2021: Nil).

7. LOSS PER SHARE

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(62,240)</u>	<u>(21,720)</u>

	Six months ended 30 September	
	2022	2021
	'000	'000
	(Unaudited)	(Unaudited) (Restated)
Number of shares		
Weighted average number of shares for the purpose of calculating basic loss per share	<u>2,385,668</u>	<u>1,508,251</u>

For the six months ended 30 September 2022 and 2021, diluted loss per share is the same as basic loss per share. There are no dilutive effects on the impact of the exercise of the share options as they are anti-dilutive.

8. TRADE RECEIVABLES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Trade receivables	457,791	469,330
Less: Provision for impairment loss	<u>(309,278)</u>	<u>(266,684)</u>
Trade receivables, net	<u>148,513</u>	<u>202,646</u>
Classified as:		
Non-current assets	10,458	16,087
Current assets	<u>138,055</u>	<u>186,559</u>
	<u>148,513</u>	<u>202,646</u>

The Group's trading terms with its customers are mainly on credit. Generally, the credit period is ranging from cash on delivery to 365 days, except for a customer who has been granted the settlement schedule of 84 months from the Group.

Based on invoices date, ageing analysis of the Group's trade receivables (net of provision for impairment loss) is as follows:

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
0 to 30 days	3,980	34,333
31 to 90 days	3,961	8,132
91 to 180 days	8,373	6,939
181 to 365 days	41,311	38,656
Over 365 days	<u>90,888</u>	<u>114,586</u>
	<u>148,513</u>	<u>202,646</u>

9. TRADE PAYABLES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables	<u>31,356</u>	<u>33,899</u>
Classified as:		
Non-current liabilities	1,378	2,263
Current liabilities	<u>29,978</u>	<u>31,636</u>
	<u>31,356</u>	<u>33,899</u>

Based on goods receipts date, ageing analysis of the Group's trade payables is as follows:

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
0 to 30 days	960	15,038
31 to 90 days	–	19
91 to 180 days	13,064	662
181 to 365 days	587	590
Over 365 days	<u>16,745</u>	<u>17,590</u>
	<u>31,356</u>	<u>33,899</u>

10. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

In 2017, the Company issued certain notes to two companies (the “Creditors”), which became overdue on 22 July 2020. As such, the Company subsequently entered into a deed of settlement with each of the Creditors (collectively, “Deeds of Settlement”) in respect of the notes on 22 July 2020. The payables with the Creditors are intended to be settled, along with certain other borrowings (Note 11) and other liabilities, through a scheme of arrangement (the “Scheme”), which once becomes effective, (1) the principal amounts of the payables will be settled over 30 months from the effective date of the Scheme, or settled by issuance of shares of the Company; and (2) the relevant interest payables recognised before the effective date of the Scheme will be forfeited.

11. BORROWINGS

		As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Unsecured and guaranteed bank loan			
Amounts repayable within one year	(a)	1,063	2,849
Secured and guaranteed other loan			
Amounts repayable within one year	(b)	13,800	13,800
Unsecured and guaranteed other loans			
Amounts repayable within one year	(c)	<u>13,936</u>	<u>16,350</u>
Total borrowings		<u>28,799</u>	<u>32,999</u>

Notes:

- (a) As at 30 September 2022, the balance was overdue. The balance is intended to be settled through the Scheme (Note 10).
- (b) As at 30 September 2022, the balance was overdue. The balance is intended to be settled through the Scheme (Note 10).
- (c) As at 30 September 2022, the balance amounted to HK\$12,747,000 (31 March 2022: HK\$12,783,000) was overdue, out of which an amount of HK\$12,461,000 is intended to be settled through the Scheme (Note 10).

12. NOTES PAYABLE

As at 30 September 2022, the notes payable was HK\$54,997,000 (31 March 2022: HK\$54,997,000). The notes payable comprised of the followings:

(a) 9.5% notes

During the year ended 31 March 2022, the Company issued unsecured guaranteed notes with a principal amount of HK\$14,270,000 at 9.5% interest rate per annum with a term of 24 months. The 9.5% notes are guaranteed by Mr. Wong Man Fai Mansfield.

(b) 0% notes

During the year ended 31 March 2022, the Company issued unsecured guaranteed notes with a principal amount of HK\$40,727,000 with a term of 24 months and non-interest bearing. The 0% notes are guaranteed by Mr. Wong Man Fai Mansfield.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit

The total revenue of the Group was approximately HK\$5.6 million for the six months ended 30 September 2022, representing a decrease of approximately 85.6% as compared to that for the six months ended 30 September 2021. The decrease in revenue was mainly attributable to (i) the decrease in revenue in the trading of energy saving products segment by approximately 91.2% as the clients (including our associated company) have substantially finished their deployment in their lighting works and as such reduced their purchase of lighting products from the Group; and (ii) the decrease in revenue in the consultancy service segment from HK\$9.2 million during the six months ended 30 September 2021 to nil for the six months ended 30 September 2022 as there were no relevant services contracts for the period. Gross profit margin decreased from approximately 48.4% for the six months ended 30 September 2021 to approximately 43.8% for the six months ended 30 September 2022. The decrease was mainly due to the decrease in revenue in the consultancy service segment which has a much higher gross profit ratio than the trading of energy saving products segment.

The situation is expected to improve as the Group continues its efforts in the project in Malaysia in relation to the collaboration with Malaysian state government agency to achieve green initiatives (please refer to the Company's announcements dated 17 February 2022 and 13 July 2022 for details) and other business opportunities.

Other income and gains

The other income and gains of the Group was approximately HK\$0.5 million for the six months ended 30 September 2022, representing a decrease of approximately 68.8% from approximately HK\$1.6 million for the six months ended 30 September 2021. The decrease in other income and gains was mainly due to the decrease in net foreign exchange gain from approximately HK\$1.2 million for the six months ended 30 September 2021 to nil for the six months ended 30 September 2022, as the net foreign exchange difference was a loss during the six months ended 30 September 2022 and such loss was charged as administrative expenses.

Selling and distribution costs

The Group's selling and distribution costs for the six months ended 30 September 2022 were approximately HK\$3.0 million, representing an increase of approximately 114.3% from approximately HK\$1.4 million for the six months ended 30 September 2021. The increase was mainly due to the increase of advertising expenses by approximately HK\$1.1 million during the six months ended 30 September 2022. The increase of advertising expenses was mainly attributable to the Group's marketing efforts for the re-branding of the Group and in the projects in Malaysia.

Administrative expenses

The Group's administrative expenses for the six months ended 30 September 2022 were approximately HK\$18.5 million, representing an increase of approximately 74.5% from approximately HK\$10.6 million for the six months ended 30 September 2021. The increase in administrative expenses was mainly attributable to (i) the foreign exchange loss of approximately HK\$4.4 million which was mainly due to the depreciation of Indonesian rupiah against Hong Kong dollar during the six months ended 30 September 2022; (ii) the increase in legal and professional fee of approximately HK\$1.8 million due to the preparation for a proposed scheme of arrangement between the Company and its creditors; and (iii) the increase in staff cost by approximately HK\$1.0 million, as a result of increase in number of staff in the Group.

Finance costs

The Group's finance costs were approximately HK\$12.1 million for the six months ended 30 September 2022, representing a decrease of approximately 46.5% from approximately HK\$22.6 million for the six months ended 30 September 2021. The decrease was mainly due to the decrease of interest expenses on notes payables and borrowings from approximately HK\$5.2 million and HK\$10.0 million respectively for the six months ended 30 September 2021 to approximately HK\$0.7 million and HK\$4.0 million respectively for the six months ended 30 September 2022, as a result of reduction of relevant interest-bearing debts.

Other expenses

The Group's other expenses increased to approximately HK\$41.7 million for the six months ended 30 September 2022 from approximately HK\$15.3 million for the six months ended 30 September 2021.

The increase of approximately HK\$26.4 million was mainly due to the increase of the provision for expected credit loss from HK\$15.2 million for the six months ended 30 September 2021 to HK\$41.7 million for the six months ended 30 September 2022 which was mainly due to longer ageing of trade receivables using the same set of expected credit loss rates applied as at 31 March 2022.

The situation is expected to improve in the near future as the Group is in active discussion with the relevant clients and is putting its best efforts to accelerate the recovery of aged trade receivables from these clients.

Income tax credit

The Group's income tax credit for the six months ended 30 September 2022 was approximately HK\$9.8 million while the Group's income tax credit for the year ended 30 September 2021 was approximately HK\$3.0 million. The increase is the result of estimated tax impact as a result of the increase of the provision for expected credit loss.

Share of results of associates

The Group's share of results of associates for the six months ended 30 September 2022 was approximately HK\$0.8 million while the Group's share of results of associates for the six months ended 30 September 2021 was approximately HK\$4.2 million. The decrease was mainly due to the decrease in sales of the customised LED products in the retail outlets of a major retailer in South Africa as the deployment of lighting works were substantially completed.

EBITDA/EBIT

As a result of the foregoing, the Group's EBITDA decreased from a loss of approximately HK\$0.1 million for the six months ended 30 September 2021 to a loss of approximately HK\$58.2 million for the six months ended 30 September 2022. The Group's EBIT decreased from a loss of approximately HK\$2.7 million for the six months ended 30 September 2021 to a loss of approximately HK\$59.6 million for the six months ended 30 September 2022.

Loss for the period attributable to the owners of the Company

The Group's loss attributable to the owners of the Company increased by approximately HK\$40.5 million or 186.6% from approximately HK\$21.7 million for the six months ended 30 September 2021 to approximately HK\$62.2 million for the six months ended 30 September 2022. Excluding some major extraordinary or non-operating income and expenses, the adjusted loss attributable to the owners of the Company increased from approximately HK\$10.6 million for the six months ended 30 September 2021 to approximately HK\$23.5 million for the six months ended 30 September 2022.

The following table reconciles the adjusted loss attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses as defined by the Group's management for the periods indicated:

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to the owners of the Company	(62,240)	(21,720)
Add/(less) major extraordinary or non-operating expenses/ (income):		
Provision for impairment loss on financial assets, net of deferred tax	34,398	12,161
Share-based payment expenses in respect of share options	–	74
Net foreign exchange loss/(gain)	4,364	(1,151)
Adjusted loss attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses	<u>(23,478)</u>	<u>(10,636)</u>

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group mainly finances its business with internally generated cash flows and bank and other borrowings. As at 30 September 2022, current assets of the Group amounted to approximately HK\$191.9 million, representing a decrease of approximately 24.3% compared to approximately HK\$253.6 million as at 31 March 2022. Current assets are mainly comprised of cash and bank balances of approximately HK\$18.8 million (31 March 2022: approximately HK\$26.3 million), trade receivables of approximately HK\$138.1 million (31 March 2022: approximately HK\$186.6 million), and amount due from an associate of approximately HK\$13.7 million (31 March 2022: approximately HK\$19.0 million). As at 30 September 2022, the Group's current liabilities are mainly comprised of borrowings of approximately HK\$28.8 million (31 March 2022: approximately HK\$33.0 million), notes payable of approximately HK\$55.0 million (31 March 2022: approximately HK\$55.0 million), trade payables of approximately HK\$30.0 million (31 March 2022: approximately HK\$31.7 million) and accruals, other payables and deposits received of approximately HK\$148.3 million (31 March 2022: approximately HK\$122.7 million). The Group's current ratio decreased to approximately 0.9 times as at 30 September 2022 compared to approximately 1.2 times as at 31 March 2022. The total outstanding notes payable and borrowings of the Group as at 30 September 2022 was approximately HK\$83.8 million (31 March 2022: approximately HK\$88.0 million), of which approximately HK\$1.1 million (31 March 2022: approximately HK\$2.8 million) was due to banks, approximately HK\$27.7 million (31 March 2022: approximately HK\$30.2 million) was due to independent third parties and notes payable of approximately HK\$55.0 million (31 March 2022: approximately HK\$55.0 million). The decrease was due to the net effect of repayment of bank and other payables drawn during the six months ended 30 September 2022. As at 30 September 2022, the Group's net assets was approximately HK\$82.0 million, representing a decrease of 43.7% from approximately HK\$145.6 million as at 31 March 2022. The Group has certain receivables, trading contracts and equity investment assigned to secure bank and other loans. Save as disclosed above, the Group has no other charges on its assets as at 30 September 2022.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2022.

GUARANTEES

The Group had no material guarantees as at 30 September 2022.

ASSOCIATED COMPANY

Kedah Synergy Limited (“**KSL**”), together with its subsidiaries (the “**KSL Group**”), are associated companies of the Group which was owned as to 47.5% by the Group. KSL Group is principally engaged in the business of energy saving management in South Africa.

The revenue of KSL Group for the six months ended 30 September 2022 was approximately HK\$7.5 million (for the six months ended 30 September 2021: approximately HK\$24.5 million). The net profit attributable to the shareholders of KSL Group for the six months ended 30 September 2022 was approximately HK\$1.6 million (six months ended 30 September 2021: HK\$8.8 million). The decrease were mainly due to the decrease in sales of the customised LED products in the retail outlets of a major retailer in South Africa as the deployment of lighting works were substantially completed.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group had 53 full-time employees (31 March 2022: 40 full-time employees). The Group offers a competitive remuneration package commensurate with industry practice and provides benefits to its employees, including bonuses, medical coverage and provident fund contributions.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (“**MPF Scheme**”). Under the MPF Scheme, each of the Group companies (i.e. the employer) and its employees make monthly contributions to the scheme at 5% of the employees’ monthly earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employers and employees are subject to a cap of HK\$1,500 per month and thereafter contributions are voluntary. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The Group also operates a number of defined contribution retirement schemes outside Hong Kong in accordance with local statutory requirements. The assets of these schemes are generally held in separate administered funds and are generally funded by payments from employees and by the relevant group companies.

FOREIGN CURRENCY EXPOSURE

The Group's revenue and expenses are mainly in Hong Kong dollar which is the functional currency of most of the entities making up the Group. As it is expected that there will be a continuous increase in revenue from overseas market, the Directors believe that the Group will be exposed to foreign exchange risk due to exchange rate fluctuations. After considering the current and future exchange rate level and the foreign currency market, the Group does not adopt any foreign currency hedging measure as at the date of this announcement. However, the Group will monitor its foreign exchange exposure and will consider hedging the foreign currency exposure should the need arises.

GEARING RATIO

As at 30 September 2022, the gearing ratio of the Group, which is calculated on the basis of the amount of total debts divided by the total equity, was 167.5% (31 March 2022: 98.3%).

DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 September 2022.

The Company is not aware of any arrangement under which a shareholder has waived or agreed to waive any dividends.

FUTURE OUTLOOK

Financial status

The Group has been spending tremendous efforts in improving its financial through capital injection, debt reduction and debt restructuring. On 11 November 2022, the proposed scheme of arrangement (the “**Scheme**”), which was proposed to settle the outstanding principal of liabilities of the Company with various creditors over a period of two and a half years at an interest rate of 2.5% per annum or through issuance of new shares of the Company, was sanctioned by the High Court. Going forward, the Group will strive to ensure that the Scheme will become effective and satisfy its obligations. The Company will make announcement(s) regarding the progress of the Scheme as and when appropriate.

The Group is now in a better position to build banking relationships and is in the process of securing new bank financing at normal market interest rates.

Business

The Group is continuing its efforts in the “Light Source in the Darkness” project in Malaysia (the “**Project**”), which helps local condominiums to solve their lighting problems and achieve energy efficiency at the same time. The Project starts from Selangor in Malaysia, which the Group is targeting an installation of 6,000,000 lightings, and has already completed the installation of approximately 10,000 lightings tubes during the period. The Project will be extended to other five regions of Malaysia, targeting an installation of another 10,000,000 lightings. The Group continues to develop a strong pipeline and is securing required bank financing to execute the Project.

The Group is also actively looking into business opportunities in renewable energy in Hong Kong and PRC, and is in discussion with various potential customers and technology providers for potential collaboration.

The Group will continue to build recurring and stable income streams in the green sector while seizing new business expansion opportunities, so as to act in the best interests of its shareholders.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S 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.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As of 30 September 2022, none of the Directors, the substantial shareholders or their respective close associates (as defined under the Listing Rules) of the Company had held any position or had any interest in any businesses or companies that were or might be materially, either directly or indirectly, competing with the businesses of the Group, or gave rise to any concern regarding conflict of interests during the six months ended 30 September 2022.

CORPORATE GOVERNANCE

The Board is committed to achieving and maintaining high standards of corporate governance. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders of the Company and to enhance corporate value, transparency and accountability, and to formulate its business strategies and policies.

The Company has applied the principles as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules, together with compliance with the relevant code provisions.

The Board is of the view that, throughout the six months ended 30 September 2022, the Company had complied, to the extent applicable and permissible, with the code provisions set out in the Corporate Governance Code, except for the deviation from code provision C.2.1 as explained below.

Code Provision C.2.1

The roles of Chairman of the Board and Chief Executive Officer of the Company have been performed by Mr. Wong Man Fai Mansfield. Although under code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual, the combination of the roles of chairman and chief executive officer by Mr. Wong was considered to be in the best interests of the Company and its shareholders as a whole. Mr. Wong has been leading our Group as the Chief Executive Officer and one of our subsidiaries since 2009, thus, the Board believes that the combined roles of Mr. Wong promotes better leadership for both the Board and management and enables more focused development of business strategies and implementation of objectives and policies. The balance between power and authority is maintained by the openness and cooperative spirit of the senior management and the Board, which comprise experienced and high-calibre individuals. The Board currently comprises four independent non-executive Directors and has a fairly strong independence element in its composition. The structure is supported by the Company's well established corporate governance structure and internal control system. Therefore, the Board considers that the deviation from code provision C.2.1 is appropriate in the circumstances. The Board will review the management structure regularly and consider separating the roles of chairman and chief executive, if and when appropriate.

COMPLIANCE WITH THE MODEL CODE AND SECURITIES DEALING CODE

The Company has adopted its own code of conduct for dealing in securities of the Company by the Directors and the relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company (the “**Securities Dealing Code**”) on terms no less exacting than the standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors and relevant employees, all Directors and relevant employees have confirmed that they have complied with the Securities Dealing Code and therefore, complied with the Model Code throughout the six months ended 30 September 2022 and up to the date of this announcement.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Board (the “**Audit Committee**”) was established with its defined written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision D.3.3 of the Corporate Governance Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chung Koon Yan (Chairman of the Audit Committee), Mr. Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony, with Mr. Chung possessing the appropriate professional qualifications and accounting and related financial management expertise.

The unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2022 contained in this announcement had not been audited by the Company’s auditor, but were reviewed by the Audit Committee, which was of the opinion that the preparation of such interim financial information complied with the applicable accounting standards and requirements and the Listing Rules, and adequate disclosures had been made.

INTERIM DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the six months ended 30 September 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.unitygroup.eco>). The Interim Report of the Company for the six months ended 30 September 2022 containing the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and made available on the same websites in due course.

By order of the Board
Unity Group Holdings International Limited
Wong Man Fai Mansfield
*Chairman, Chief Executive Officer and
Executive Director*

Hong Kong, 29 November 2022

As at the date of this announcement, the executive Director of the Company is Mr. Wong Man Fai Mansfield; and the independent non-executive Directors of the Company are Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie, Dr. Wong Chi Ying Anthony and Mr. Tang Warren Louis.