



Huasheng International Holding Limited
華盛國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1323)

**INTERIM
REPORT
2022/2023**



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Corporate Information

Executive Directors

Mr. Wong Wai Sing (*Chairman and Chief Executive Officer*)
Mr. Chan Kin Lung
Mr. Wong Jeffrey

Independent Non-executive Directors

Mr. Kwok Kam Tim
Mr. Tso Ping Cheong, Brian
Mr. Li Kwok Tai, James

Audit Committee Members

Mr. Kwok Kam Tim (*Chairman*)
Mr. Tso Ping Cheong, Brian
Mr. Li Kwok Tai, James

Remuneration Committee Members

Mr. Kwok Kam Tim (*Chairman*)
Mr. Tso Ping Cheong, Brian
Mr. Li Kwok Tai, James

Nomination Committee Members

Mr. Tso Ping Cheong, Brian (*Chairman*)
Mr. Kwok Kam Tim
Mr. Li Kwok Tai, James

Authorised Representatives

Mr. Wong Jeffrey
Ms. Chan Chiu Wing

Company Secretary

Ms. Chan Chiu Wing

Listing Information

Main Board of
The Stock Exchange of Hong Kong Limited
Stock Code: 1323

Company's Website

www.huashengih.com

Registered Office

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P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Suites 2301-03, 23/F.
Far East Consortium Building
No. 121 Des Voeux Road Central
Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman
KY1-1100, Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

Principal Banker

Bank of East Asia, Limited

Auditor

ZHONGHUI ANDA CPA Limited
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong



Management Discussion and Analysis

The board (the “Board”) of directors (the “Director(s)”) of Huasheng International Holding Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 September 2022 (the “Interim Period”).

Business and Financial Review

During the Interim Period, the Group has been engaged in (i) production and sales of ready-mixed commercial concrete (“Concrete Business”); and (ii) provision of money lending services (“Money Lending Business”).

The Group was also engaged in wholesale and retail of household consumables (“Household Consumables Business”) which was disposed of and classified as discontinued operation during the Interim Period. As a result, Household Consumables Business performance have been presented as if the operation was discontinued during the six months ended 30 September 2021. Comparative figures have been restated to conform with the revised presentation.

For the Interim Period, the Group recorded a net loss attributable to the owners of the Company of approximately HK\$51.4 million (six months ended 30 September 2021: net profit of approximately HK\$21.3 million).

Continuing Operations Revenue

The Group’s revenue from continuing operations decreased by approximately HK\$16.4 million or 4.4% from approximately HK\$372.1 million (restated) for the six months ended 30 September 2021 to approximately HK\$355.7 million for the Interim Period.



Management Discussion and Analysis

Continuing Operations (Continued)

Revenue (Continued)

The following table sets forth a breakdown of the Group's revenue from continuing operations by segments and geographical locations and as a percentage of the Group's total revenue from continuing operations for the Interim Period, with comparative figures for the corresponding period in 2021:

	Six months ended 30 September			
	2022 HK\$'000 (unaudited)	2022 %	2021 HK\$'000 (unaudited) (restated)	2021 %
By segment:				
Concrete Business	341,786	96.1	354,516	95.3
Money Lending Business	13,877	3.9	17,551	4.7
Total	355,663	100.0	372,067	100.0
By geographical location:				
The People's Republic of China (the "PRC")				
Mainland China	341,786	96.1	354,516	95.3
Hong Kong	13,877	3.9	17,551	4.7
Total	355,663	100.0	372,067	100.0

During the Interim Period, revenue from Concrete Business accounts for approximately 96.1% of the Group's total revenue from continuing operations. Revenue from Concrete Business slightly decreased by approximately HK\$12.7 million or 3.6% from approximately HK\$354.5 million for the six months ended 30 September 2021 to approximately HK\$341.8 million for the Interim Period, which was mainly due to the combined effect of (i) decrease in sales volume affected by the slowdown of the real estate development in Hainan Province coupled with the operation disruption resulted from the persisting quarantine and lockdown measure implemented by the local authority of Hainan Province; and (ii) increase in average selling price of concrete.

Revenue from Money Lending Business decreased by approximately HK\$3.7 million or 20.9% from approximately HK\$17.6 million for the six months ended 30 September 2021 to approximately HK\$13.9 million during the Interim Period, which was due to the decrease in average gross loan portfolio to customers from approximately HK\$261.0 million for the six months ended 30 September 2021 to approximately HK\$251.5 million for the Interim Period.

Management Discussion and Analysis

Continuing Operations (Continued)

Cost of sales

The cost of sales from continuing operations for the Interim Period consists of cost of raw materials, direct labour cost and other manufacturing cost incurred by the Concrete Business. The cost of sales decreased by approximately HK\$27.5 million or 9.6% from approximately HK\$286.3 million for the six months ended 30 September 2021 to approximately HK\$258.8 million during the Interim Period, which was mainly due to reduction in cost of raw materials and the decrease in sales volume of the ready-mixed concrete.

Gross Profit and Gross Profit Margin

The following table sets forth the Group's gross profit and the gross profit margin from continuing operations by business segment for the Interim Period, with comparative figures for the corresponding period in 2021:

	Six months ended 30 September			
	2022 HK\$'000 (unaudited)	2022 GP %	2021 HK\$'000 (unaudited) (restated)	2021 GP %
By segment:				
Concrete Business	83,019	24.3	68,171	19.2
Money Lending Business	13,877	100.0	17,551	100.0
Overall	96,896	27.2	85,722	23.0

Gross profit from continuing operations increased by approximately HK\$11.2 million or 13.0% from approximately HK\$85.7 million for the six months ended 30 September 2021 to approximately HK\$96.9 million for the Interim Period. The increase in gross profit was primarily driven by (i) increase in average selling price of concrete; and (ii) the decrease in price of raw materials resulting in a decrease in the cost of production of concrete during the Interim Period.

The Group's gross profit margin for Concrete Business increased from approximately 19.2% for the six months ended 30 September 2021 to approximately 24.3% for the Interim Period as the Group continued to strengthen basic management, reduce cost, increase the operating efficiency and increase in the average selling price of concrete.

The gross profit margin for Money Lending Business remains 100% for both six months ended 30 September 2022 and 2021 which continue to contribute a positive impact to the Group's gross profit margin.

Management Discussion and Analysis

Continuing Operations *(Continued)*

Other Gains and Losses, Net

Other gains and losses, net from continuing operations for the Interim Period mainly comprise of impairment loss on trade, retention and other receivables of approximately HK\$10.4 million; loss on disposal of property, plant and equipment of approximately HK\$2.2 million; impairment loss on loan receivables of approximately HK\$27.4 million and impairment loss on goodwill of approximately HK\$28.7 million.

The Group resulted in a net other losses amounted to approximately HK\$68.3 million during the Interim Period. It turned from a net other gains amounted to approximately HK\$3.2 million for the corresponding period in 2021 was mainly due to the combined effect of (i) increase in impairment loss on trade, retention and other receivables by approximately HK\$4.0 million; (ii) increase in impairment loss on loan receivables of approximately HK\$27.4 million; and (iii) recognition of impairment loss on goodwill allocated to Concrete Business amounted to approximately HK\$28.7 million.

Selling and Distribution Expenses

Selling and distribution expenses from continuing operations mainly consist of transportation expenses, staff cost for distribution unit and commission paid to sales agents. Selling and distribution expenses increased by approximately HK\$8.2 million or 22.4% for the Interim Period as compared with the corresponding period in 2021 primarily due to increase in transportation costs as a result of continuous rise of oil prices.

Administrative Expenses

Administrative expenses from continuing operations mainly consist of staff costs (including directors' remuneration), legal and professional fee, consultancy fee and depreciation charge for owned assets and right-of-use assets. Administrative expenses slightly increased by approximately HK\$1.0 million or 3.9% from approximately HK\$24.7 million for the six months ended 30 September 2021 to approximately HK\$25.7 million for the Interim Period, which was mainly resulted from the increase in depreciation charge for additions to right-of-use assets since October 2021.

Finance Costs

Finance costs from continuing operations mainly consist of interest expenses on bonds payable, promissory notes, borrowings and lease liabilities. The finance costs decreased by approximately HK\$1.3 million or 11.3% from approximately HK\$11.6 million for the six months ended 30 September 2021 to approximately HK\$10.3 million for the Interim Period mainly because of the decrease in the Group's borrowings as compared to the corresponding period in 2021.

(Loss) Profit before Income Tax

The Group recorded a loss before income tax from continuing operations of approximately HK\$43.3 million for the Interim Period as compared to a profit of approximately HK\$18.4 million (restated) during the corresponding period in 2021. Such decrease during the Interim Period was mainly due to the combined effect of: (i) increase in impairment loss on trade, retention and other receivables of approximately HK\$4.0 million from Concrete Business compared to the corresponding period in 2021; (ii) recognition of approximately HK\$27.4 million of impairment loss on loan receivables for an overdue loan customer with default in repayment and creditability issue during the Interim Period; and (iii) recognition of impairment loss on goodwill in relation to Concrete Business of approximately HK\$28.7 million against nil for the corresponding period in 2021.

Management Discussion and Analysis

Continuing Operations *(Continued)*

Income Tax Credit

The Group recorded income tax credit from continuing operations of approximately HK\$1.7 million during the Interim Period as compared to approximately HK\$0.7 million during the six months ended 30 September 2021. There was no significant change in applicable tax rates of the Company's subsidiaries during the Interim Period. The increase in income tax credit primarily due to the decrease in estimated assessable profits of operating subsidiaries of the Company during the Interim Period.

Impairment Loss on Goodwill and other intangible assets

The management performs regular review on the carrying values of the Group's business units to determine any potential impairment loss. During the Interim Period, the Group had recognised impairment loss on goodwill of approximately HK\$28.7 million in relation to the Concrete Business. The management assessed the recoverable amount of the business unit based on a value-in-use calculation with reference to professional valuation performed by independent professional appraisal firm. Details of the impairment testing on other intangible assets and goodwill are set out in Note 16 to the unaudited condensed consolidated financial statements of this report.

Total Comprehensive Loss for the Period Attributable to Owners of the Company

The Group recorded a total comprehensive loss for the period attributable to owners of the Company of approximately HK\$97.8 million for the Interim Period as compared to a total comprehensive income of approximately HK\$26.2 million for the six months ended 30 September 2021.

Liquidity, Financial Resources and Gearing

As at 30 September 2022, the Group had indebtedness comprising promissory notes, bonds payable and borrowings amounted to approximately HK\$320.4 million (31 March 2022: approximately HK\$325.0 million).

As at 30 September 2022, the Group had cash and cash equivalents of approximately HK\$145.7 million (31 March 2022: approximately HK\$138.5 million) which were mainly denominated in Hong Kong Dollar ("HK\$"), Renminbi ("RMB") and United States Dollar ("US\$").

The Group's current ratio as at 30 September 2022, calculated based on current assets over current liabilities, was 2.1 (31 March 2022: 2.0), reflecting the abundance of financial resources. The Group's gearing ratio as at 30 September 2022 was 34.5% (31 March 2022: 34.0%), calculated based on the total debts of approximately HK\$320.4 million (31 March 2022: approximately HK\$325.0 million) over shareholders' equity of approximately HK\$928.9 million (31 March 2022: approximately HK\$955.5 million).

Capital Structure

(A) Share Capital

As at 30 September 2022, the Company has 4,198,098,293 ordinary shares (31 March 2022: 3,499,098,293 ordinary shares) in issue with total shareholders' equity of the Group amounted to approximately HK\$928.9 million (31 March 2022: HK\$955.5 million). During Interim Period, the Company issued a total of 699,000,000 ordinary shares by way of placing. Further details of the movement of the share capital are set out in Note 25 to the unaudited condensed consolidated financial statements of this report.

Management Discussion and Analysis

Capital Structure (Continued)

(B) Promissory Notes

Summary of the promissory notes movement during the Interim Period are as follows. Further details are set out in Note 22 to the unaudited condensed consolidated financial statements of this report.

Date of issue	Maturity date	Interest rate per annum	Principal amount (HK\$)		
			As at 31.3.2022	Redeemed during the period	
6 January 2020	6 January 2023	2%	50,000,000	–	
					As at 30.9.2022
					50,000,000

(C) Bonds Payable

On 10 March 2021, the Company issued a seven-year corporate bond with a principal amount of US\$20.0 million (equivalent to approximately HK\$154.8 million) to an independent third party at an issue price equal to the face value of the bonds. The corporate bond is unsecured and is denominated in US\$. The principal of the corporate bonds payable bears interest at 4.2% per annum and is payable semi-annually in arrears.

On 15 November 2021, a direct wholly owned subsidiary of the Company issued a three-year unlisted bond with a principal amount of HK\$25 million to an independent third party at an issue price equal to the face value of the bond. The bond is unsecured and denominated in HK\$. The principal of the unlisted bond bears interest at rates ranged from 8% to 10% per annum and is payable semi-annually in arrears.

Further details of the above unlisted bonds are set out in Note 23 to the unaudited condensed consolidated financial statements of this report.

Details of other borrowings of the Group are set out in Note 24 to the unaudited condensed consolidated financial statements of this report.

Currency and Interest Rate Exposure

Most of the transactions of the Group are denominated in HK\$, RMB, British Pound (“GBP”) and US\$. The Group is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between RMB, GBP and US\$ to HK\$, it adopts a conservative treasury policy with most of the bank deposits being kept in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. As at 30 September 2022, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

The Directors consider the Group’s exposure of the bank balances to cash flow interest rate risk is not significant as the interest rate fluctuation on bank balances is minimal. The Group currently does not have any interest rate hedging policy in relation to interest rate risks. The Directors monitor the Group’s exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

Management Discussion and Analysis

Money Lending Business

Money Lending Business is carried out by Chengxin Finance Limited (“Chengxin Finance”), an indirectly wholly owned subsidiary of the Company, with money lenders license issued under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

Money Lending Business offers loan financing services to both corporate and individual clients who are third parties independent of the Group and its connected person(s). Corporate loans represent loans to corporate clients with business operations in Hong Kong which need loan financing for their corporation needs and individual loans represents loans to individual clients who need loan financing for their purpose. The Group financed Money Lending Business mainly by internal resources. Money Lending Business generates revenue and profit by way of providing loans to earn interest income.

When assessing loan applications, the availability of collateral/guarantee will be a factor to be considered for grant of loans, the interest rate and the term. Where no collateral is available, in order to safeguard the recoverability risk, the management will consider, among others, income/assets proof, financial background, assets or capital base, repayment ability and reputation of the customer in a tight and stringent manner.

The loan cases will be assessed, dealt with and monitored based on Chengxin Finance’s own internal control and work procedure. The risk assessment committee of Chengxin Finance, which comprises of the senior management of the Group and Chengxin Finance, is responsible for overseeing the compliance and governance matters among Money Lending Business.

For details of the business model of Chengxin Finance, please refer to the announcement of the Company dated 18 November 2022.

As at 30 September 2022, before taking into account the impairment loss recognised, the Group had total outstanding loan principal amounts of approximately HK\$261.4 million (31 March 2022: HK\$241.7 million). After taking into account the impairment loss recognised in the amount of approximately HK\$83.0 million (among which approximately HK\$69.1 million is in relation to the outstanding loan principal amounts), the Group had total outstanding loan principal amounts of approximately HK\$192.3 million (31 March 2022: HK\$192.6 million) which is in relation to 16 (31 March 2022: 14) active loan accounts which comprised of 4 corporate loans and 12 individual loans (31 March 2022: 3 corporate loans and 11 individual loans). The corporate loans accounted for approximately 21.6% (31 March 2022: 20.2%) while individual loans accounted for approximately 78.4% (31 March 2022: 79.8%) of the outstanding principal of the loan receivables. The average outstanding principal amount per active loan accounts was approximately HK\$12.0 million (31 March 2022: HK\$13.8 million).

The interest rate of the outstanding principal amounts of the active loan accounts ranged from 8% to 30% per annum (31 March 2022: 12% to 30%). Out of the aggregate outstanding principal amount of approximately HK\$192.3 million of the active loan accounts as at 30 September 2022 (31 March 2022: HK\$192.6 million), collaterals were provided by 5 (31 March 2022: 5) active loan accounts and thus, approximately HK\$68.0 million (31 March 2022: HK\$68.0 million) were collateral-backed by properties in Hong Kong and the PRC and the remaining principal amount of approximately HK\$124.3 million (31 March 2022: HK\$124.6 million) were unsecured.

Management Discussion and Analysis

Money Lending Business (Continued)

For the concentration of the Group's loan portfolio as at 30 September 2022, the outstanding loan balance and accrued interest receivables before additional impairment during the Interim Period amounts of the top borrower and the top five borrowers amounted to approximately HK\$27.8 million (31 March 2022: HK\$27.4 million) and HK\$126.5 million (31 March 2022: HK\$125.8 million) respectively, which represented approximately 12% (31 March 2022: 12%) and 52% (31 March 2022: 57%) of the Group's loan and accrued interest receivables before additional impairment during the Interim Period amounts as at 30 September 2022. Out of which, approximately HK\$50.4 million (31 March 2022: HK\$50.0 million) or 40% (31 March 2022: 40%) of the outstanding loan and accrued interest receivables amounts of the top five borrowers were collateral-backed by properties in Mainland China and the interest rate of the top five borrowers ranged from 12% to 24% (31 March 2022: 12% to 24%) for the Interim Period.

Set out below is the summary of the top five borrowers of Money Lending Business as at 30 September 2022:

Client	Type	Means of introduction to the Group	Term of loan Months	Interest rate Per annum	Latest market value of the collateral HK\$million (Approximately)	Book value of loan receivables as at 30 September 2022	Proportion of the Group's total loan receivables as at 30 September 2022
						HK\$million (Approximately)	% (Approximately)
1st largest client/Borrower A	Individual	By referral	18	24%	N/A	28	12%
2nd largest client/Borrower B	Individual	By referral	24	15%	N/A	26	11%
3rd largest client/Borrower C	Individual	By referral	12	12%	33	25	11%
4th largest client/Borrower D	Individual	By referral	24	18%	58	25	10%
5th largest client/Borrower E	Individual	By referral	12	16.8%	N/A	22	9%

Out of the top five borrowers of Money Lending Business as at 30 September 2022, the loan to Borrower A has matured on 29 April 2022 and on 9 November 2022, Chengxin Finance commenced legal proceedings against Borrower A for the outstanding amount of the loan and full provision have been made for the outstanding amount under Borrower A's loan account during the Interim Period.

The loans (the "Loans") to Borrower B, Borrower C, Borrower D and Borrower E (the "Borrowers") have yet been matured as at 30 September 2022. Chengxin Finance will continue to monitor the recoverability of the Loans and will issue payment reminder(s) to the Borrowers as and when necessary to recover any outstanding interests under the Loans, failing which Chengxin Finance may take further legal actions against the Borrowers.

Management Discussion and Analysis

Charge on Assets

As at 30 September 2022, the entire issued share capital of two indirect wholly-owned subsidiaries of the Company was pledged for the bonds payable (31 March 2022: Nil). Further details are set out in Note 23 to the unaudited condensed consolidated financial statements of this report.

Contingent Liabilities

As at 30 September 2022, the Group did not have any contingent liabilities or guarantee that would have a material impact on the financial position or results of operations (31 March 2022: Nil).

Capital commitment

As at 30 September 2022 and 31 March 2022, the Group had the following commitments:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Capital commitment contracted but not provided for:		
– Limited partnership interest	–	42,889
– Capital contributions payable to an associate	22,113	24,661
	22,113	67,550

Operating Lease Commitments

The Group as Lessor

As at 30 September 2022 and 31 March 2022, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Within one year	–	308
In the second to fifth years, inclusive	–	874
	–	1,182



Management Discussion and Analysis

Employee Information and Remuneration Policy

As at 30 September 2022, the Group employed a total of 200 employees (30 September 2021: 244). During the Interim Period, staff costs, including directors' emoluments from continuing operations amounted to approximately HK\$19.8 million (30 September 2021: approximately HK\$21.4 million (restated)).

The Group firmly believes that staff is the most important resources and provides its staff with sound working conditions. The salaries and benefits of the Group's employees are maintained at a competitive level and the Group periodically review the performance of the employees for determining the level of salary adjustment and promotion of the employees. Discretionary year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. The Group also provides on-the-job training to its employees in addition to the statutory mandatory provident fund scheme, statutory retirement benefit and medical insurance.

The Company adopted a share option scheme on 26 February 2015, where share options to subscribe for shares of the Company may be granted to the eligible participants as recognition of their contributions to the Group.

Fund Raising Activity

Placing of shares under general mandate

The Group has conducted a placing of ordinary shares (the "Placing") under the general mandate during the Interim Period. Shares of the Placing were allotted and issued to not less than six placees, who and whose ultimate beneficial owners (if applicable) were independent third parties as defined under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). All newly issued placing shares ranked pari passu in all respects with the existing shares.

The Directors considered that the Placing represented an opportunity to raise additional funding through the equity market and would strengthen the Group's financial position.



Management Discussion and Analysis

Fund Raising Activity (Continued)

Placing of shares under general mandate (Continued)

Details of the Placing and the use of the proceeds are set as below:

Date and particulars	Aggregate nominal value (HK\$)	Closing market price per share of the Company on the date on which the terms of the issue were fixed (HK\$)	Gross and net proceeds raised (HK\$)	Intended use of proceeds	Actual use of proceeds as at 30 September 2022
Placing of 699,000,000 ordinary shares under general mandate on 29 April 2022 at placing price of HK\$0.105 per share	6,990,000	0.121	approximately 73.4 million (Gross) 71.2 million (Net) (approximately HK\$0.102 per share)	All the net proceeds were intended to be used for the Group's general working capital and for the growth and expansion of the business of the Group	Fully utilised as intended

Further details are set out in the announcements of the Company dated 19 April 2022 and 29 April 2022.

Significant Events

(a) Discloseable and exempted connected transaction in relation to the disposal of the entire equity interest in S&J Distribution Limited

On 28 September 2022, the Group through its direct wholly owned subsidiary, Star World International Holdings Limited, entered into an agreement with Spencer Goldsmith Ltd. in relation to the disposal of entire equity interest in S&J Distribution Limited, ("S&J", together with its subsidiary are referred to as the "S&J Group") at a total consideration of GBP1,900,000 (equivalent to approximately HK\$16,200,000) (the "S&J Disposal"). The S&J Group carried out all the Group's Household Consumables Business and accordingly, the Group's Household Consumables Business was classified as discontinued operation. The S&J Disposal was completed on 29 September 2022.

In view of the uncertainty of the British market and the prevailing market sentiment, disposal of the S&J Group was considered more commercially favourable. The disposal could immediately strengthen the cash flow of the Group and allow the Group to restructure and streamline its business operations to allocate its financial resources to the development of the Group's principal business and/or pursue other business opportunities.

Please refer to the announcement of the Company dated 28 September 2022 for details.

Management Discussion and Analysis

Significant Events *(Continued)*

(b) Discloseable transactions in relation to the provision of financial assistance

During the course of Money Lending Business, certain provision of financial assistance (the “Loans Transactions”) by Chengxin Finance to certain borrowers constituted discloseable transactions of the Company as defined under Chapter 14 of the Listing Rules as the highest applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the Loan Transactions exceed 5% but is less than 25%.

However, due to the inadvertent mistake of the management of the Company in the computation of the size tests, the Loans Transactions had not been announced in a timely manner in accordance with the Listing Rules which constituted a non-compliance with Chapter 14 of the Listing Rules at the material time.

The Company noted the deficiency in its internal control system and has devised and implemented remedial measures and procedures to avoid the occurrence of similar non-compliance with the Listing Rules in the future including (i) examination of the existing loan portfolio of the Group and to ensure that such loans are in full compliance with the Listing Rules; (ii) holding regular departmental meetings to monitor notifiable transactions; (iii) strengthening the reporting system between departments and Directors; (iv) providing more guidance materials and trainings on compliance matters to the Directors, senior management and the financial staff of the Group on a regular basis to increase their awareness and knowledge of the Listing Rules; and (v) working more closely with its legal advisers on compliance issues.

It is always the intention of the Company to fully comply with the Listing Rules. The Board and senior management of the Group are now fully aware of the relevant requirements under the Listing Rules and will ensure that the Company will comply with the relevant Listing Rules to avoid the recurrence of similar events in the future.

For details, please refer to the announcements of the Company dated 18 November 2022 and 22 November 2022.

Significant Investments, Material Acquisitions Or Disposals

Saved as disclosed elsewhere in this report, the Group did not have any significant investments, material acquisitions or disposals for the Interim Period.

Future Plans for Material Investments or Capital Assets

Saved as disclosed elsewhere in this report, the Group does not have any firm intention or specific plans for material investments or capital assets as at the date of this report.



Management Discussion and Analysis

Events After the Reporting Period

As at the date of this report, there was no significant event relating to the business or financial performance of the Group that come to the attention of the Directors after 30 September 2022.

Prospects

In light of the resurgence of the COVID-19 pandemic in the PRC earlier in the year, strict prevention and control policies and measures remained in place in 2022. The Group will continue to assess the impact of COVID-19 on the Group's operations and financial performance, closely monitor the Group's exposure to the risks and uncertainties in connection with COVID-19 on an ongoing basis and will strengthen the cost savings measures in view of the challenging conditions.

Concrete Business

Concrete Business continue to be the main growth driver of the Group. Although the sales volume of Concrete Business during the Interim Period was affected by the slowdown of the real estate development in Hainan Province and the operation disruption resulted from the persisting quarantine and lockdown measure implemented by the local authority, with the latest issuance of the joint notice by People's Bank of China and China Banking and Insurance Regulatory Commission regarding 16 initiatives on enhancing the current financial support for the stable and healthy development of the real estate market and progressive streamlining of control measures released by the Central Government, the Group is still confident that Concrete Business will continue contribute a stable revenue to the Group and sustain profitability of the Group in the long-term. More resources will be allocated to support further exploration of new opportunities, including potential cooperation with different business partners or market participants in the concrete and construction industries in the PRC, with the aim to strengthen the Group capabilities and positions in the concrete market in Hainan Province for the upcoming financial year.

The Group has also been exploring business opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area") and Hainan Province. The Group will continue to look for opportunity to cooperate with experienced operator(s) to establish its business presence in the Greater Bay Area and leverage the operational expertise and business network of both parties to expedite the Group's business development in both Hainan Province and the Greater Bay Area.

Money Lending Business

Coupled with the potential global economic downturn and rising interest rate environment, the risk of loan default in money lending sector in Hong Kong is inevitably growing. The Group will continue to adopt prudent credit control procedures and cautiously monitor the loan portfolio in developing the business. However, in view of the highly competitive environment in money lending business and the continuous increase in operating costs and default risk, the Group would consider to gradually scale down the loan portfolio in the coming financial years.



Other Information

Compliance with the Code on Corporate Governance Practice

The Company is committed to the establishment of good governance practices and procedures. The Company has met the code provisions set out in the Corporate Governance Code (“CG Code”) in Appendix 14 of the Listing Rules. Throughout the Interim Period, the Company has adopted the CG Code as its corporate governance code of practices and in compliance with the mandatory code provisions set out in the CG Code except for the deviations set out as below:

Code provision A.2.1

The code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separated and should not be performed by the same individual.

During the Interim Period, Mr. Wong Wai Sing (“Mr. Wong”) held the role of chairman and chief executive officer of the Company.

The Board is of the view that it is appropriate and in the best interests of the Company for Mr. Wong to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. As the Board meets regularly to consider matters relating to business operations of the Group, the Board is of the view that the above arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of corporate planning and implementation of corporate strategies and decisions will generally not be undermined.

Notwithstanding the above, the Board will review the current structure from time to time. If any candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may consider to make necessary arrangements.

Model Code for Securities Transactions

The Company had adopted a code of conduct regarding directors’ securities transactions with terms no less exacting than those set out in 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 its own code of conduct regarding directors’ securities transactions. The Company had made specific enquiries to all Directors, all Directors have confirmed that they have complied with the required standards as set out in the Model Code during the Interim Period.



Other Information

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As of 30 September 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were set out as follows:

Long position in the shares of the Company

Name of Director	Capacity	Total number of shares held	Approximate percentage of shareholding in the Company (Note 2)
Mr. Wong (Note 1)	Beneficial owner and interest of a controlled corporation	892,178,000	21.25%

Notes:

1. Mr. Wong holds 8,394,000 shares in personal capacity. He also beneficially owned the entire issued share capital of Twin Star Global Limited, which is interested in 883,784,000 shares of the Company.
2. As of 30 September 2022, the number of issued shares was 4,198,098,293.

Save as disclosed above, as of 30 September 2022, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' and Chief Executive's Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this report, at no time during the Interim Period and up to the date of this report, no right to acquire benefits by means of acquisition of shares or debentures of the Company were granted to any Director and chief executive or any of their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.



Other Information

Substantial Shareholders

As of 30 September 2022, the following persons (not being a Director or chief executive of the Company) have interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares of the Company

Name	Nature of interest	Total number of shares held	Approximate percentage of interest in the Company (Note 2)
Twin Star Global Limited (Note 1)	Beneficial owner	883,784,000	21.05%

Notes:

1. Twin Star Global Limited is wholly owned by Mr. Wong, the chairman of the Board and an executive Director. Accordingly, Mr. Wong is deemed to be interested in the shares held by Twin Star Global Limited.
2. As of 30 September 2022, the number of issued shares was 4,198,098,293.

Save as disclosed herein, the Company has not been notified of any other person (other than the Directors or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as of 30 September 2022.

Share Option Scheme

The Company has adopted a share option scheme on 26 February 2015 for the purpose of providing incentives and rewards to those at the sole determination of the Board, have contributed or will contribute to the Company or its subsidiaries. Detailed terms of the share option scheme were disclosed in pages 29 to 30 and 124 of the annual report 2021/22 of the Company.

No options were granted, exercised, cancelled, lapsed or remained outstanding under the share option scheme during the Interim Period.



Other Information

Purchase, Sales or Redemption of Listed Securities

Save as those disclosed in this report, during the Interim Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange.

Audit Committee and Review of Interim Financial Statements

The audit committee of the Company (the "Audit Committee") was established on 17 December 2010 with latest written terms of reference revised on 27 November 2018 in compliance with the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the Company's financial reporting process and internal control systems.

The Audit Committee comprises three independent non-executive Directors, being Mr. Kwok Kam Tim (the chairman of the Audit Committee), Mr. Tso Ping Cheong, Brian and Mr. Li Kwok Tai, James. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, including the review of the unaudited condensed consolidated financial statements of the Group for the Interim Period, with the management of the Group.

Interim Dividend

The Board does not recommend the payment of interim dividends for the Interim Period (six months ended 30 September 2021: Nil).

Changes to Information in Respect of Directors

During the Interim Period and up to the date of this report, pursuant to Rule 13.51B(1) of the Listing Rules, there was no change in the information of the Directors and chief executive of the Company.

By the order of the Board
Huasheng International Holding Limited
Wong Jeffrey
Executive Director

Hong Kong, 25 November 2022



Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2022

	Notes	Six months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (restated)
Continuing operations			
Revenue	5	355,663	372,067
Cost of sales		(258,767)	(286,345)
Gross profit		96,896	85,722
Other income		8,696	2,378
Other gains and losses, net	6	(68,336)	3,185
Selling and distribution expenses		(44,744)	(36,542)
Administrative expenses		(25,698)	(24,740)
Finance costs	7	(10,299)	(11,605)
Share of profit of associates		157	–
(Loss) profit before income tax from continuing operations		(43,328)	18,398
Income tax credit	8	1,678	703
(Loss) profit for the period from continuing operations	9	(41,650)	19,101
Discontinued operation			
(Loss) profit for the period from discontinued operation	11	(9,726)	2,242
(Loss) profit for the period		(51,376)	21,343
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation		(40,949)	4,164
Items that was reclassified to profit or loss:			
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries		(5,427)	719
Other comprehensive (loss) income for the period, net of income tax		(46,376)	4,883
Total comprehensive (loss) income for the period, net of income tax		(97,752)	26,226
(Loss) profit for the period attributable to:			
Owners of the Company		(51,376)	21,343
Total comprehensive (loss) income for the period attributable to:			
Owners of the Company		(97,752)	26,226
(Loss) Earnings per share attributable to owners of the Company			
	12		
From continuing and discontinued operations			
Basic and diluted (HK cents)		(1.257)	0.610
From continuing operations			
Basic and diluted (HK cents)		(1.019)	0.546
From discontinued operation			
Basic and diluted (HK cents)		(0.238)	0.064

Unaudited Condensed Consolidated Statement of Financial Position

At 30 September 2022

	Notes	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		–	4,792
Property, plant and equipment	13	46,541	59,188
Right-of-use assets	13	8,379	12,985
Other intangible assets	14	52,085	58,213
Goodwill	15	147,616	186,074
Interest in associates	17	9,919	10,900
Retention receivables	19	135,258	80,073
Deferred tax assets		4,131	3,049
		403,929	415,274
CURRENT ASSETS			
Inventories		11,159	17,664
Loan receivables	18	214,580	221,904
Trade, retention and other receivables and prepayments	19	1,121,389	1,157,182
Promissory note receivable		–	29,500
Convertible bonds receivables	20	16,527	15,897
Investments at fair value through profit or loss		–	29,287
Bank balances and cash		145,690	138,545
		1,509,345	1,609,979
CURRENT LIABILITIES			
Trade and other payables and accruals	21	644,258	718,541
Lease liabilities		8,884	10,246
Promissory notes	22	51,680	49,254
Bonds payable	23	25,737	25,734
Tax payable		2,784	2,263
		733,343	806,038
NET CURRENT ASSETS		776,002	803,941
TOTAL ASSETS LESS CURRENT LIABILITIES		1,179,931	1,219,215
NON-CURRENT LIABILITIES			
Lease liabilities		1,835	6,468
Borrowings	24	87,261	94,217
Bonds payable	23	155,676	155,795
Deferred tax liabilities		6,243	7,260
		251,015	263,740
NET ASSETS		928,916	955,475
CAPITAL AND RESERVES			
Share capital	25	41,981	34,991
Reserves		886,935	920,484
TOTAL EQUITY		928,916	955,475

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Attributable to owners of the Company	
	Share capital HK\$'000	Share premium HK\$'000
At 1 April 2021 (audited)	34,991	1,688,181
Profit for the period		
Other comprehensive income (loss), net of income tax:		
– Exchange differences arising on translation	–	–
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries (Note 28(b))	–	–
Total comprehensive income for the period	–	–
Dividends approved in respect of previous year (Note 10)	–	(10,497)
Disposal of subsidiaries	–	–
Transactions with owners	–	(10,497)
At 30 September 2021 (unaudited)	34,991	1,677,684
At 1 April 2022 (audited)	34,991	1,677,684
Loss for the period	–	–
Other comprehensive income (loss), net of income tax:		
– Exchange differences arising on translation	–	–
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries (Note 28(a))	–	–
Total comprehensive loss for the period	–	–
Issue shares pursuant to placing agreement	6,990	66,405
Transaction cost attributable to issue of placing shares	–	(2,202)
Transactions with owners	6,990	64,203
At 30 September 2022 (unaudited)	41,981	1,741,887

Notes:

- (i) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of the subsidiaries comprising the Group prior to the group reorganisation in preparing for listing on The Stock Exchange of Hong Kong Limited.
- (ii) The other reserves represent the difference between the fair value of interest-free advance to an ex-shareholder of a subsidiary comprising the Group prior to the group reorganisation, measured at amortised cost using the effective interest method and its principal amount at inception amounting to HK\$6,000,000.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

Attributable to owners of the Company					
Legal reserve HK\$'000	Special reserve HK\$'000 (Note (i))	Exchange reserve HK\$'000	Other reserves HK\$'000 (Note (ii))	Accumulated losses HK\$'000	Total equity HK\$'000
49	678	(4,950)	(6,000)	(793,780)	919,169
	-	-	-	21,343	21,343
-	-	4,164	-	-	4,164
-	-	719	-	-	719
-	-	4,883	-	21,343	26,226
-	-	-	-	-	(10,497)
(49)	-	-	-	49	-
(49)	-	-	-	49	(10,497)
-	678	(67)	(6,000)	(772,388)	934,898
-	678	10,560	(6,000)	(762,438)	955,475
-	-	-	-	(51,376)	(51,376)
-	-	(40,949)	-	-	(40,949)
-	-	(5,427)	-	-	(5,427)
-	-	(46,376)	-	(51,376)	(97,752)
-	-	-	-	-	73,395
-	-	-	-	-	(2,202)
-	-	-	-	-	71,193
-	678	(35,816)	(6,000)	(813,814)	928,916



Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Net cash used in operating activities	(26,852)	(6,327)
Net cash generated from investing activities	15,040	3,811
Net cash generated from (used in) financing activities	58,936	(18,773)
Net increase (decrease) in cash and cash equivalents	47,124	(21,289)
Cash and cash equivalents at beginning of the period	138,545	110,123
Effect of foreign exchange rate changes	(39,979)	9,674
Cash and cash equivalents at end of the period	145,690	98,508
Analysis of cash and cash equivalents		
Cash and bank balances	145,690	98,508



Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

1. General Information

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 9 June 2010. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 13 January 2011. The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is at Suites 2301-03, 23/F., Far East Consortium Building, No. 121 Des Voeux Road Central, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group are (i) production and sales of ready-mixed commercial concrete (“Concrete Business”); and (ii) provision of money lending services (“Money Lending Business”). The Group was also engaged in the business of wholesale and retail of household consumables (“Household Consumables Business”), which was completed the disposal during the six months ended 30 September 2022. Therefore, it is classified as discontinued operation during the six months ended 30 September 2022. Details are disclosed in Note 11 to the unaudited condensed consolidated financial statements of this report.

This unaudited condensed consolidated financial information is presented in Hong Kong Dollar (“HK\$”), unless otherwise stated.

2. Basis of Preparation

These unaudited condensed consolidated financial statements (“Interim Financial Statements”) of the Group for the Interim Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of the Stock Exchange and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements have been prepared on the historical cost basis except for convertible bonds receivable, investments at fair value through profit or loss (“FVTPL”) and investment properties which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations), the accounting policies and methods of computation used in the Interim Financial Statements are the same as those followed in the presentation of the Group’s annual financial statements for the year ended 31 March 2022 (“Annual Report”).

The Interim Financial Statements have not been audited or reviewed by the Company’s external auditors, but has been reviewed by the Audit Committee.

Certain figures in the unaudited condensed consolidated financial statements for six months ended 30 September 2021 related to discontinued operation have been reclassified and restated to conform with the current Interim Period presentation and accounting treatment.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

3. Principal Accounting Policies

Adoption of amendments to HKFRSs

Certain amendments to HKFRSs have been issued. The Directors considered that the adoption of those amendments to HKFRSs which are effective for the accounting periods beginning on 1 April 2022 will not have any material impact on the preparation and presentation of the results and financial conditions of the current period and previous periods.

At the date of authorisation of the Interim Financial Statements, the Group has not early adopted any new and amendments to HKFRSs that have been issued but are not yet effective for the Interim Period. The Directors have already commenced an assessment of the impact of these new and amendments to HKFRSs but are not yet in a position to reasonably estimate whether these new and amendments to HKFRSs would have a significant impact on the Group's results of operations and financial position.

4. Estimates

The preparation of Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Report.

5. Revenue and Segment Information

Information reported to the Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- Concrete Business – Production and sales of ready-mixed commercial concrete
- Money Lending Business – Provision of money lending services
- Household Consumables Business – Wholesale and retail of household consumables¹

1. The Group completed the disposal of the entire equity interest of S&J Distribution Limited, together with its subsidiary, which carried out the whole Group's Household Consumables Business, on 29 September 2022. Accordingly, the Household Consumables Business segment was classified as a discontinued operation for the Interim Period. Accordingly, the Household Consumables Business segment has been re-presented and classified as a discontinued operation for the six months ended 30 September 2021 in order to conform to the Interim Period's presentation. Details of which are set out in Note 11.

The segment information reported as below does not include any results for the discontinued operation.



Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

5. Revenue and Segment Information (Continued)

Disaggregation of revenue from contracts with customers from continuing operations:

	For the six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (restated)
Continuing operations		
Revenue from contracts with customers:		
Sales of goods from Concrete Business	341,786	354,516
Revenue from other source:		
Interest income from Money Lending Business	13,877	17,551
Total segment revenue	355,663	372,067
Timing of revenue recognition:		
At point in time	341,786	354,516
Revenue from contracts with customers	341,786	354,516
Geographical market:		
The People's Republic of China (the "PRC")		
– Mainland China	341,786	354,516
Revenue from contracts with customers	341,786	354,516

Revenue from the sale 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.



Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

5. Revenue and Segment Information (Continued)

Segment revenues and results

The following is an analysis of the Group's revenues and results from reportable and operating segments from continuing operations:

	Continuing operations		Total HK\$'000 (unaudited)
	Concrete Business HK\$'000 (unaudited)	Money Lending Business HK\$'000 (unaudited)	
For the six months ended 30 September 2022			
Revenue from external customers	341,786	13,877	355,663
Segment profit (loss)	19,294	(15,470)	3,824
Bank interest income			185
Exchange differences			1,307
Amortisation of other intangible assets			(6,127)
Net gains on disposal of investments at FVTPL			362
Impairment loss on goodwill			(28,684)
Share of profit of associates			157
Central administration costs			(14,352)
Loss before income tax from continuing operations			(43,328)

For the six months ended 30 September 2021

(restated)

Revenue from external customers	354,516	17,551	372,067
Segment profit	17,132	15,242	32,374
Bank interest income			160
Exchange differences			(562)
Amortisation of other intangible assets			(6,127)
Fair value gains on investments at FVTPL			2,102
Gain on disposal of subsidiaries			9,703
Central administration costs			(19,262)
Profit before income tax from continuing operations			18,388

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) from continuing operations represents the profit (loss) earned by each segment without allocation of central administration costs, amortisation of other intangible assets, impairment loss on goodwill, share of profit of associates, bank interest income, exchange differences, net gains on disposal of investments at FVTPL, fair value gains on investments at FVTPL, gain on disposal of subsidiaries and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

5. Revenue and Segment Information (Continued)

Segment assets and liabilities

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

Segment assets

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Continuing operations		
Concrete Business	998,336	1,101,757
Money Lending Business	247,998	225,214
Discontinued operation		
Household Consumables Business	–	21,910
Total segment assets	1,246,334	1,348,881
Other intangible assets	52,085	58,213
Goodwill	147,616	186,074
Convertible bonds receivables	16,527	15,897
Promissory note receivable	–	29,500
Interest in associates	9,919	10,900
Investments at FVTPL	–	29,287
Deferred tax assets	4,131	3,049
Bank balances and cash	145,690	138,545
Unallocated corporate assets	290,972	204,907
Consolidated total assets	1,913,274	2,025,253



Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

5. Revenue and Segment Information (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Continuing operations		
Concrete Business	638,777	710,891
Money Lending Business	1,693	2,382
Discontinued operation		
Household Consumables Business	–	5,826
Total segment liabilities	640,470	719,099
Tax payable	2,784	2,263
Borrowings	87,261	94,217
Promissory notes	51,680	49,254
Bonds payable	181,413	181,529
Deferred tax liabilities	6,243	7,260
Unallocated corporate liabilities	14,507	16,156
Consolidated total liabilities	984,358	1,069,778

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments other than goodwill, other intangible assets, convertible bonds receivables, tax recoverable, promissory note receivable, investments at FVTPL, deferred tax assets, bank balances and cash and unallocated corporate assets.
- All liabilities are allocated to operating segments other than tax payable, borrowings, promissory notes, bonds payable, deferred tax liabilities and unallocated corporate liabilities.



Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

5. Revenue and Segment Information (Continued) Other segment information

The following is an analysis of other segment information:

	Continuing operations			Total HK\$'000 (unaudited)
	Concrete Business HK\$'000 (unaudited)	Money Lending Business HK\$'000 (unaudited)	Unallocated Corporate Office HK\$'000 (unaudited)	
For the six months ended 30 September 2022				
Capital additions	591	–	–	591
Depreciation of property, plant and equipment	4,285	263	225	4,773
Depreciation of right-of-use assets	1,189	406	1,969	3,564
Impairment loss on trade, retention and other receivables	10,425	–	–	10,425
Impairment loss on loan receivables	–	27,400	–	27,400
Impairment loss on goodwill	28,684	–	–	28,684
For the six months ended 30 September 2021				(restated)
Capital additions	1,308	–	–	1,308
Depreciation of property, plant and equipment	6,853	263	225	7,341
Depreciation of right-of-use assets	469	406	532	1,407
Impairment loss on trade, retention and other receivables	6,446	–	–	6,446

These segment information has been included in the measures of segment results or assets.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

5. Revenue and Segment Information (Continued)

Revenue from major products and services

The following is an analysis of the Group's revenues from its major products and services from continuing operations:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (restated)
Continuing operations		
Sales of goods from Concrete Business	341,786	354,516
Interest income from Money Lending Business	13,877	17,551
	355,663	372,067

Information about geographical areas

In determining the Group's information about geographical areas, revenue from continuing operations is allocated to the segments based on the locations of the customers.

The following table provides an analysis of the Group's revenue from continuing operations generated from external customers by geographical market, irrespective of the origin of the goods.

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (restated)
The PRC		
– Mainland China	341,786	354,516
– Hong Kong	13,877	17,551
	355,663	372,067



Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

5. Revenue and Segment Information (Continued) Information about geographical areas (Continued)

As at 30 September 2022, approximately HK\$235,407,000 and HK\$29,133,000 of the non-financial assets classified as non-current assets are located in Mainland China and Hong Kong respectively.

As at 31 March 2022, approximately HK\$283,995,000, HK\$16,062,000 and HK\$32,095,000 of the non-financial assets classified as non-current assets are located in Mainland China, the United Kingdom and Hong Kong respectively.

Information about major customer

There is no revenue from individual customer for both six months ended 30 September 2022 and 2021 contributing over 10% of the total sales of the Group from continuing operations.

6. Other Gains and Losses, Net

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (restated)
Continuing operations		
Exchange differences	1,307	(562)
Fair value gains on investments at FVTPL	–	2,102
Impairment loss on trade, retention and other receivables	(10,425)	(6,446)
Impairment loss on loan receivables	(27,400)	–
Impairment loss on goodwill	(28,684)	–
Loss on disposal of property, plant and equipment	(2,203)	(1,612)
Gain on disposal of subsidiaries	–	9,703
Written off of trade receivables	(931)	–
	(68,336)	3,185



Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

7. Finance Costs

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (restated)
Continuing operations		
Effective interest expenses on bonds payable	4,266	3,255
Interest expenses on borrowings	3,362	6,042
Interest expenses on promissory notes	2,426	2,204
Interest expenses on lease liabilities	245	104
	10,299	11,605

8. Income Tax Credit

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (restated)
Continuing operations		
Income tax credit (expense) represents:		
Current tax:		
– Hong Kong Profits Tax	–	(1,838)
– PRC Enterprise Income Tax (“PRC EIT”)	(597)	(1,714)
	(597)	(3,552)
Over-provision in respect of prior years:		
– PRC EIT	–	3,185
Deferred taxation	2,275	1,070
	1,678	703

(i) Hong Kong

Hong Kong Profits Tax for both periods ended 30 September 2022 and 2021 is calculated at 16.5% of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rates regime. Under the two-tiered Profits Tax rates regime, the first HK\$2,000,000 of assessable profits are taxed at 8.25%, and the remaining assessable profits are taxed at 16.5%.

Accordingly, during the six months ended 30 September 2022, the provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

8. Income Tax Credit (Continued)

(ii) Mainland China

PRC EIT is calculated at 25% (30 September 2021: 25%) of the estimated assessable profits of subsidiaries operating in the PRC except for a subsidiary of the Company which was recognised as a high and new technology enterprise (“HNTE”) and in accordance with relevant laws and regulations in the PRC, the subsidiary is entitled to the preferential tax rate of 15% corporate income tax rate for HNTE for both periods ended 30 September 2022 and 2021.

(iii) Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax for both periods ended 30 September 2022 and 2021.

9. (Loss) Profit for the Period

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (restated)
Continuing operations		
The Group's (loss) profit for the period has been arrived at after charging:		
Directors' remuneration (<i>Note</i>)	4,472	3,242
Other staff costs	13,304	15,791
Retirement benefit scheme contributions	2,048	2,347
Total staff costs	19,824	21,380
Cost of inventories sold	241,119	269,034
Depreciation of property, plant and equipment	4,773	7,341
Depreciation of right-of-use assets (<i>Note</i>)	3,564	1,407
Amortisation of other intangible assets	6,127	6,127

Note:

During the six months ended 30 September 2022, the lease of director's quarter was classified as the right-of-use assets. The depreciation of the right-of-use of assets related to the director's quarter was approximately HK\$1,436,000, which is included in both the directors' remuneration and depreciation of right-of-use assets. The rental payments for the six months ended 30 September 2022 was HK\$1,500,000. No director's quarter was provided during the six months ended 30 September 2021.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

10. Dividends

Dividend payable to equity shareholders of the Company attributable to the previous financial year approved and paid during the period are as follows:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Final dividend in respect of the year ended 31 March 2021, approved and paid during the period, of HK0.3 cents per ordinary share	-	10,497

The Directors do not recommend for payment of a dividend for the Interim Period (30 September 2021: nil).

11. Discontinued Operation

On 28 September 2022, the Group through its direct wholly-owned subsidiary, Star World International Holdings Limited, entered into a share purchase agreement with Spencer Goldsmith Ltd. (a connected person of the Group) in relation to the disposal of entire equity interest in S&J Distribution Limited, ("S&J", together with its subsidiary are referred to as the "S&J Group") at a total consideration of GBP1,900,000 (equivalent to approximately HK\$16,200,000) (the "S&J Disposal"). The S&J Group, represents the whole Household Consumables Business segment of the Group and upon completion of the S&J Disposal, the Group's Household Consumables Business would be discontinued.

The S&J Disposal was completed on 29 September 2022. Details of assets and liabilities disposed of, and the calculation of the loss on disposal are disclosed in Note 28.

In view of the uncertainty of the British market and the prevailing market sentiment, the Directors do not foresee that Household Consumables Business would make a significant improvement and may, on the other hand, request capital needs in the near future as the British market might be entered into a prolonged recession. The Directors had considered that the S&J Disposal could immediately strengthen the cash flow of the Group and allow the Group to restructure and streamline its business operations to allocate its financial resources to the development of the Group's principal business and/or pursue other business opportunities. Details of the disposal are set out in the announcement of the Company dated 28 September 2022.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

11. Discontinued Operation (Continued)

The results of Household Consumables Business for the period from 1 April 2022 up to the date of disposal or the six months ended 30 September 2021 have been presented separately as a single line item in the unaudited condensed consolidated statement of the comprehensive income, details of which are as follows:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	29,711	30,391
Cost of sales	(23,298)	(24,109)
Gross profit	6,413	6,282
Other income	137	157
Other gains and losses, net	545	(45)
Selling and distribution expenses	(66)	(464)
Administrative expenses	(2,920)	(3,058)
Finance costs	(6)	(16)
Profit before income tax from discontinued operation	4,103	2,856
Income tax expense	(862)	(614)
Profit after income tax from discontinued operation	3,241	2,242
Loss on disposal of subsidiaries (including reclassification of exchange reserve from equity to profit or loss on disposal of subsidiaries)	(12,967)	–
(Loss) Profit from discontinued operation	(9,726)	2,242
(Loss) Profit from discontinued operation attributable to: – Owners of the Company	(9,726)	2,242
Cash flows from discontinued operation		
Net cash generated from/(used in) operating activities	1,008	(5,561)
Net cash generated from/(used in) investing activities	4,700	(65)
Net cash used in financing activities	(8,508)	(93)
Effect of foreign exchange rate changes	(212)	409
Net decrease in bank balance and cash	(3,012)	(5,310)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

14. Other Intangible Assets

	Customer Network HK\$'000
COST	
At 1 April 2021 (audited)	94,477
Exchange realignment	(340)
At 31 March 2022 (audited)	94,137
Disposal of subsidiaries	(7,096)
Exchange realignment	(1,254)
At 30 September 2022 (unaudited)	85,787
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 April 2022 (audited)	23,285
Charge for the year	12,973
Exchange realignment	(334)
At 31 March 2022 (audited)	35,924
Charge for the period	6,127
Disposal of subsidiaries	(7,096)
Exchange realignment	(1,253)
At 30 September 2022 (unaudited)	33,702
NET CARRYING VALUES	
At 30 September 2022 (unaudited)	52,085
At 31 March 2022 (audited)	58,213

The Customer Network represents a long and close business relationship with customers of S&J and Alpha Youth Limited and its subsidiaries (collectively "Alpha Youth Group"), which was acquired as part of the Group's acquisition of S&J and Alpha Youth Group in prior years; and has been allocated to the Household Consumables Business cash generating unit ("CGU") and Concrete Business CGU respectively. The Customer Network of S&J and Alpha Youth Group are amortised on a straight-line basis over 10 years and 7 years respectively. The Customer Network allocated to the Household Consumables Business was disposed through the S&J Disposal which was completed during the six months ended 30 September 2022.

Particulars regarding impairment testing on other intangible assets are set out in Note 16.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

15. Goodwill

	Concrete Business CGU	Household Consumables Business CGU	Money Lending Business CGU	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST				
At 1 April 2021 (audited) and 31 March 2022 (audited)	154,505	9,774	21,795	186,074
Disposal of subsidiaries (Note 28)	-	(9,774)	-	(9,774)
At 30 September 2022 (unaudited)	154,505	-	21,795	176,300
ACCUMULATED IMPAIRMENT LOSSES				
At 1 April 2021 (audited) and 31 March 2022 (audited)	-	-	-	-
Impairment (Note 6)	28,684	-	-	28,684
At 30 September 2022 (unaudited)	28,684	-	-	28,684
NET CARRYING VALUES				
At 30 September 2022 (unaudited)	125,821	-	21,795	147,616
At 31 March 2022 (audited)	154,505	9,774	21,795	186,074

As at 30 September 2022, goodwill arising in prior years related to (i) the acquisition of Chengxin Finance Limited ("Chengxin Finance") and has been allocated to the Money Lending Business CGU; and (ii) the acquisition of Alpha Youth Group and has been allocated to the Concrete Business CGU.

Goodwill allocated to the Household Consumables Business was disposed on 29 September 2022. Further details are set out in Note 28.

None of the goodwill of the CGUs recognised is expected to be deductible for income tax purposes.

Particulars regarding impairment testing on goodwill are set out in Note 16.



Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

16. Impairment Testing on Other Intangible Assets and Goodwill

For the purpose of impairment testing as at 30 September 2022, other intangible assets and goodwill set out in Notes 14 and 15 respectively have been allocated to two individual CGUs, comprising subsidiaries in Concrete Business and a subsidiary in Money Lending Business; while for year ended 31 March 2022 have been allocated to three individual CGUs, including the above two individual CGUs and a subsidiary in Household Consumables Business which was disposed of during the Interim Period.

During the Interim Period, the Group determines that there is no impairment of other intangible assets in respect of the Concrete Business CGU. There is no impairment of goodwill in respect of the Money Lending Business CGU.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Household Consumables Business CGU

The recoverable amount of this unit as at 31 March 2022 has been determined based on a value-in-use calculation with reference to a professional valuation performed by Asset Appraisal Limited (“AAL”), an independent firm of professionally qualified valuers. That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2%. The pre-tax rate used to discount the forecast cash flows is 18.97%.

As at 30 September 2022, the disposal of the Household Consumables Business was completed at consideration of approximately HK\$16,509,000 in total. Further details are set out in Note 28.

Concrete Business CGU

The recoverable amount of this unit as at 30 September 2022 has been determined to be approximately RMB194,790,000 (equivalent to approximately HK\$215,371,000) based on a value-in-use (31 March 2022: value-in-use) calculation with reference to a professional valuation performed by AAL (31 March 2022: Kroll (HK) Limited). That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (31 March 2022: a five-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (31 March 2022: 3%). The pre-tax rate used to discount the forecast cash flows is 17.95% (31 March 2022: 17.30%).

Based on the impairment assessment of the Concrete Business CGU, the goodwill allocated to Concrete Business was determined to be impaired. An impairment loss of approximately HK\$28,747,000 was recognised in the unaudited condensed consolidated statement of comprehensive income under other gains and losses, net in the Interim Period. The impairment loss recognised during the six months ended 30 September 2022 was mainly attributable to a fall in annual growth rate over the five-year forecast period due to the slowdown of real estate development in Hainan Province and increase in competition among other market participants.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

16. Impairment Testing on Other Intangible Assets and Goodwill (Continued) Money Lending Business CGU

The recoverable amount of this unit as at 30 September 2022 has been determined based on a value-in-use (31 March 2022: value-in-use) calculation with reference to a professional valuation performed by AAL. That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a 4.5-year period (31 March 2022: a five-year period). Cash flows beyond the projection period are extrapolated using zero growth rate (31 March 2022: zero growth rate). The pre-tax rate used to discount the forecast cash flow is 24.04% (31 March 2022: 18.79%).

For Money Lending Business CGU, for which no impairment loss was recognised during the Interim Period, reasonably possible changes in key assumptions on which the management had based its determination of the CGUs' recoverable amounts would not cause the CGUs' carrying amounts to exceed their respective recoverable amount.

17. Interest in Associates

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Share of net assets	9,919	10,900

Particulars of the associates as at 30 September 2022 and 31 March 2022 are set out below, of which are unlisted corporate entities whose quoted market price is not available.

Name of associate	Place of incorporation and business	Particular of registered/paid-up capital	Attributable equity interest held by the Group as at		Principal activity
			30 September 2022 (%)	31 March 2022 (%)	
Hainan San Fong Micro-Credit Company Limited* (海南叁豐小額貸款有限公司)	The PRC	Renminbi ("RMB") 30,000,000	30%	30%	Provision of loans to small and medium enterprises in the PRC
Kaiwo International Trade (Hainan) Co., Limited * (凱沃國際貿易(海南)有限公司)	The PRC	RMB100,000,000/ RMB Nil	20%	20%	Trading of imported motor vehicles in Hainan Province

* the English names represent management's best effort at translating the Chinese names of the companies as no English names have been registered. English translated name is for identification purpose only.

All of the above associates are accounted for using the equity method in the unaudited condensed consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

18. Loan Receivables

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Loan receivables		
– Collateralised	68,000	68,000
– Non-collateralised	193,370	173,670
	261,370	241,670
Accrued interest receivables	36,224	35,448
	297,594	277,118
Less: impairment loss recognised	(83,014)	(55,214)
	214,580	221,904

As at 30 September 2022, the loans provided to customers bore fixed interest rate ranging from 8% to 30% per annum (31 March 2022: 12% to 30% per annum). The effective interest rates of the above loan receivables ranging from 8% to 35% (31 March 2022: 13% to 35%) per annum as at 30 September 2022.

The ageing analysis of loan receivables (net of allowance of doubtful debt) prepared based on initial loan commencement as set out in the relevant contracts is as follows:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
0 – 90 days	2,500	–
91 – 180 days	17,200	–
181 – 365 days	–	21,800
Over 365 days (<i>Note</i>)	172,600	170,800
	192,300	192,600

Note:

As at 30 September 2022, approximately HK\$40,000,000 (31 March 2022: Nil) principal loan receivables were past due but not impaired and were related to customers that have made regular payments to the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the customers and the balances are still considered fully recoverable.

The management of the Group reviews and assesses for impairment individually based on customers' repayment history and the fair values of the collaterals, if any. The Group has recognised additional provision on impairment loss of approximately HK\$27,400,000 during the Interim Period, other than those made for the year ended 31 March 2022 against all loans to customers as at 30 September 2022, on loan receivables and accrued interest on an individual assessment basis.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

19. Trade, Retention and Other Receivables and Prepayments

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Trade receivables, gross	348,766	402,536
Less: impairment loss recognised	(17,576)	(16,715)
Trade receivables, net	331,190	385,821
Retention receivables, gross	425,278	438,501
Less: impairment loss recognised	(17,514)	(11,721)
Retention receivables, net	407,764	426,780
Bills receivables	34,732	33,021
Prepayments and deposits	448,505	301,461
Other receivables	34,456	90,172
Trade, retention and other receivables and prepayments	1,256,647	1,237,255
Analysed for reporting purposes as:		
Current	1,121,389	1,157,182
Non-current		
– Retention receivables	135,258	80,073
Total	1,256,647	1,237,255

Note:

The trade and other receivables are denominated in the functional currencies of the relevant group entities.

Trade and bills receivables

The Group generally allows an average credit period of 30 to 90 days (31 March 2022: 30 to 90 days) to its trade customers. However, certain portion of the trade receivables from Concrete Business (i.e. the retention portion) would be allowed to settle until 30 to 90 days after the completion of the construction by its trade customers. All bills receivables were aged within 180 days as at 30 September 2022 (31 March 2022: 180 days).



Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

19. Trade, Retention and Other Receivables and Prepayments (Continued)

Trade and bills receivables (Continued)

The ageing analysis of the Group's trade receivables (net of retention portion and impairment losses) based on the invoice date at the end of the reporting period is as follows:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
0 – 30 days	50,206	62,494
31 – 60 days	30,122	51,701
61 – 90 days	27,352	45,780
Over 90 days	223,510	225,846
	331,190	385,821

The Group applies the simplified approach under HKFRS 9 (2014) to provide for Expected Credit Loss (“ECL”) using the lifetime expected loss provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward looking information.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

	Current HK\$'000	1-30 days past due HK\$'000	31-60 days past due HK\$'000	61-90 days past due HK\$'000	Over 90 days past due HK\$'000	Total HK\$'000
At 30 September 2022 (unaudited)						
Weighted average expected loss rate	0.99%	1.19%	1.44%	1.61%	7.51%	
Receivable amount	50,708	30,485	27,752	28,887	210,934	348,766
Loss allowance	(502)	(363)	(400)	(464)	(15,847)	(17,576)
At 31 March 2022 (audited)						
Weighted average expected loss rate	1.10%	1.22%	0.83%	1.00%	7.07%	
Receivable amount	63,187	52,342	46,161	33,332	207,514	402,536
Loss allowance	(693)	(641)	(381)	(332)	(14,668)	(16,715)

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19. Trade, Retention and Other Receivables and Prepayments (Continued)

Retention receivables

The Group's retention receivables represent certified contract payments in respect of good delivered for which 20% to 30% of the contract value are withheld by customers for retention purpose, and the amount retained is withheld on each payment up to a maximum amount calculated as a prescribed percentage of the contract sum. In the opinion of the management, the retention receivables to be received after 1 year are classified as non-current assets in the unaudited consolidated statements of financial position since it is not expected to realise the retention receivables in the Group's normal operating cycle.

As at 30 September 2022, retention receivables amounting to approximately HK\$407,764,000 (31 March 2022: HK\$426,780,000), which are entitled by the Group subject to the Group's goods satisfactorily passing inspection as the Group's entitlement to this final payment is conditional on the Group's goods satisfactorily passing inspection.

The ageing analysis of the Group's retention receivables (net of impairment losses) based on the revenue recognition date at the end of the reporting period is as follows:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
0 – 30 days	287,258	279,370
31 – 60 days	2,863	10,678
61 – 90 days	–	18,200
Over 90 days	117,643	118,532
	407,764	426,780

The Group applies the simplified approach under HKFRS 9 (2014) to provide for ECL using the lifetime expected loss provision for all retention receivables. To measure the ECL, retention receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporates forward looking information.



Notes to the Unaudited Condensed Consolidated Financial Statements

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19. Trade, Retention and Other Receivables and Prepayments (Continued)

Retention receivables (Continued)

The following table provides information about the exposure to credit risk for retention receivables which are assessed based on provision matrix as at 30 September 2022 within lifetime ECL (not credit impaired).

	Current	1-30 days	31-60 days	61-90 days	Over	Total
	HK\$'000	past due	past due	past due	90 days	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	past due	HK\$'000
At 30 September 2022						
(unaudited)						
Weighted average						
expected loss rate	0.57%	-	1.85%	-	11.85%	
Receivable amount	288,903	-	2,917	-	133,458	425,278
Loss allowance	(1,645)	-	(54)	-	(15,815)	(17,514)
At 31 March 2022 (audited)						
Weighted average						
expected loss rate	0.27%	0.78%	0.33%	0.44%	8.34%	
Receivable amount	266,929	13,256	10,713	18,281	129,322	438,501
Loss allowance	(711)	(104)	(35)	(81)	(10,790)	(11,721)

20. Convertible Bonds Receivable

On 28 July 2020, a directly wholly-owned subsidiary of the Company entered into a subscription agreement with a private company which incorporated in the BVI (the "Issuer"), to subscribe an unlisted 8% coupon convertible bonds (the "8% Convertible Bonds") issued by the Issuer, at the principal amount of US\$2,000,000 maturing on the fifth anniversary of the date of issuance (the "Maturity Date"). The subscription of the 8% Convertible Bonds was subsequently completed on 31 July 2020.

The 8% Convertible Bonds entitle the holder to convert the whole or part of the principal amount at any time preceding the Maturity Date to the Conversion Shares to be issued by the Issuer.

The 8% Convertible Bonds carry interest of 8% per annum. The first half of the interest amount (i.e. 4% per annum) shall be payable in arrears every twelve months and the remaining half of the interest amount (i.e. another 4% per annum) shall be accumulated and payable in a lump sum upon (i) the fourth anniversary of the date of issue (the "First Redemption Date") or (ii) the Maturity Date or (iii) the date of early redemption or conversion, whichever is earlier. No interest will be payable upon the exercise of the Conversion Rights. The outstanding 8% Convertible Bonds will be redeemed at 100% of the principal amount and the interest amount accumulated on or before the fifth business day after (i) the First Redemption Date at the discretion of the bondholder; or (ii) the Maturity Date. The 8% Convertible Bonds are denominated in US\$.

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For the six months ended 30 September 2022

20. Convertible Bonds Receivable (Continued)

As at 30 September 2022, the convertible bonds receivable has been fair valued with reference to the valuation conducted by management.

Details of movement is set out below:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
At beginning of the period/year	15,897	16,032
Interest income	630	1,244
Interest received	–	(624)
Change in fair value recognised in profit or loss	–	(755)
At end of the period/year	16,527	15,897

21. Trade and Other Payables and Accruals

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Trade payables	287,235	345,748
Bills payables	221,131	246,606
Contract liabilities	11,130	16,554
Other payables and accruals	123,353	108,224
Amount due to controlling shareholder (Note)	1,409	1,409
	644,258	718,541

Note:

The amount was unsecured, interest free and repayable on demand.



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For the six months ended 30 September 2022

21. Trade and Other Payables and Accruals (Continued)

The ageing analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
0 – 30 days	124,683	61,358
31 – 60 days	775	75,101
61 – 90 days	14,951	61,115
Over 90 days	146,826	148,174
	287,235	345,748

The above trade and other payables of the Group are denominated in the functional currencies of the relevant group entities.

22. Promissory Notes

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
At the beginning of the period/year	49,254	44,750
Effective interest expenses	2,426	4,504
At the end of the period/year	51,680	49,254
Analysed for reporting purposes as:		
Current liabilities	51,680	49,254

On 6 January 2020, the Group completed the acquisition of 80% equity interest in Alpha Youth Group, for a nominal consideration of HK\$431,309,000. Part of the consideration was satisfied by the issue of promissory notes in respective principal amounts of HK\$36,000,000 (the "Promissory Note A"), HK\$36,000,000 (the "Promissory Note B") and HK\$60,942,624 (the "Promissory Note C") to the vendor. The Promissory Note A, B and C are unsecured and bear interest at 2% per annum. Promissory Note A, Promissory Note B and Promissory Note C have a maturity period of one year, two years and three years from the date of issuance respectively. The promissory notes can be early redeemed by the Company at all or part of the outstanding principal amount of the promissory notes.

Promissory Note A and B were redeemed in full while Promissory Note C was only partially early redeemed by the Company in previous years. During Interim Period, there is no early redemption by the Company.

Notes to the Unaudited Condensed Consolidated Financial Statements

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22. Promissory Notes (Continued)

The fair value of the promissory notes at date of issuance is determined with reference to a professional valuation performed by Grant Sherman Appraisal Limited. The effective interest rate of the promissory notes on initial recognition and the subsequent measurement of interest expense on the promissory notes are calculated using effective interest rate of ranged from 7.38% to 9.85% per annum.

23. Bonds Payable

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
At beginning of the period/year	181,529	155,872
Issuance of bonds	–	25,000
Interest expenses incurred	4,266	7,225
Interest paid	(4,382)	(6,568)
At the end of the period/year	181,413	181,529
Analysed for reporting purposes as:		
Current liabilities	25,737	25,734
Non-current liabilities	155,676	155,795
	181,413	181,529

7-year Bond 2028

On 10 March 2021, the Company issued seven-year corporate bond with a principal amount of US\$20,000,000 (equivalent to approximately HK\$154,752,000) to an independent third party at an issue price equal to the face value of the bonds (the "7-year Bond 2028"). The 7-year Bond 2028 is unsecured and is denominated in US\$. The principal of the 7-year Bond 2028 bears interest at rate of 4.2% per annum and interest is payable semi-annually in arrears.

The Company may at any time after the fifth anniversary of the issue date of the 7-year Bond 2028 and before the maturity date to early redeem the 7-year Bond 2028 payable, with the prior written consent from the bond holder. The redemption should be in integral multiples of US\$5,000,000 and where the outstanding principal amount of the 7-year Bond 2028 to be redeemed is less than US\$10,000,000, any early redemption shall be made in whole, at 100% of the principal amount and the interest accrued up to the day of such early redemption. On 6 May 2022, the Group entered into share charge agreements with the 7-year Bond 2028 holder in which the entire share capital of Alpha Youth Limited and Grace Wisdom Holdings Limited were secured against the 7-year Bond 2028 until its maturity.

As at 30 September 2022, the carrying amount of the 7-year Bond 2028 payable comprised of principal amount and accrued interest amounted to US\$20,000,000 (31 March 2022: US\$20,000,000) and approximately US\$68,600 (31 March 2022: approximately US\$52,700) respectively.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

23. Bonds Payable (Continued)

3-year Bond 2024

On 15 November 2021, the direct wholly-owned subsidiary of the Company issued a three-year unlisted bond with a principal amount of HK\$25,000,000 to an independent third party at an issue price equal to the face value of the bonds (the “3-year Bond 2024”). The 3-year Bond 2024 is unsecured and is denominated in HK\$.

The principal of the 3-year Bond 2024 bears interest and interest is payable semi-annually in arrears. Interest rate are set out as below:

- 8% per annum for the first anniversary of the issue date;
- 9% per annum from the date immediate after the first anniversary of the issue date up to the second anniversary date of the issue date; and
- 10% per annum from the date immediate after the second anniversary of the issue date up to the maturity date.

The Company may at any time after the first anniversary of the issue date of the 3-year Bond 2024 and before the maturity date to early redeem the 3-year Bond 2024 payable, with the prior written consent from the bond holder provided that not less than one-month advance notice of such redemption intention shall have been given to the bond holders. The bond holder may at any time after the first anniversary of the issue date of the 3-year Bond 2024 and before the maturity date to early redeem the 3-year Bond 2024 payable, with the prior written consent from the Company provided that not less than three-month advance notice of such redemption intention shall have been given to the Company.

24. Borrowings

	At 30 September 2022		At 31 March 2022	
	Maturity (unaudited)	HK\$'000 (unaudited)	Maturity (audited)	HK\$'000 (audited)
Non-current				
Unsecured – Loans (Note)	2024 – 2029	87,261	2024 – 2029	94,217

Note:

Alpha Youth Group entered into several loan agreements with its subsidiary's ex-shareholder and companies associated with the ex-shareholder, to convert the amount due to them into unsecured interest-bearing long term loans (the “Loans”).

The Loans are denominated in RMB and are unsecured and being matured between 2 to 10 years from the date of the loan agreements. The Loans bear fixed interest rate of 1% per annum and payable annually. The weighted average effective interest rate of the Loans is 6.96% per annum. During the year ended 31 March 2021, the interest rate was revised from 1% per annum to nil and several early redemption on part of the outstanding Loans was carried out by the Group. During the Interim Period, there is no early repayment of Loans (six months ended 30 September 2021: nil).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

25. Share Capital

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2021 (audited), 31 March 2022 (audited) and 30 September 2022 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2021 (audited) and 31 March 2022 (audited)	3,499,098,293	34,991
Issue of shares pursuant to placing agreement (<i>Note</i>)	699,000,000	6,990
As 30 September 2022 (unaudited)	4,198,098,293	41,981

Note:

Pursuant to the placing agreement entered into on 19 April 2022, the Company had issued 699,000,000 new shares at a placing price of HK\$0.105 per share on 29 April 2022.

All the shares issued as at the Interim Period rank pari passu with the then existing shares in all respects.

26. Related Party Disclosures

Saved as disclosed elsewhere in the report, details of material transactions between the Group and other related parties are disclosed below:

Compensation of Key Management Personnel

The remuneration of Directors and other members of key management during the Interim Period was as follows:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Fees, salaries and other allowances (<i>Note</i>)	5,282	4,064
Retirement benefit scheme contributions	36	36
	5,318	4,100

Note:

The rental payments of HK\$1,500,000 paid for the director's quarter for the Interim Period are included in the above amount disclosed while no director's quarter was provided during the six months ended 30 September 2021.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

27. Fair Value Measurement of Financial Instruments

Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 September 2022 (unaudited)				
Assets				
Convertible bonds receivable	–	–	16,527	16,527
At 31 March 2022 (audited)				
Assets				
Investment properties	–	–	4,792	4,792
Investments at FVTPL				
– Limited partnership	–	–	29,287	29,287
Convertible bonds receivable	–	–	15,897	15,897
	–	–	49,976	49,976

Investment properties

The fair value of investment properties is based on market comparable approach.

Convertible bonds receivable

The fair value of the convertible bonds receivable as at 30 September 2022 was estimated by applying binominal option pricing model. Should the credit spread increase or decrease by 1%, the fair value of convertible bonds receivable would be decreased/increased by approximately HK\$53,000 and HK\$494,000 respectively.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

27. Fair Value Measurement of Financial Instruments *(Continued)*

Fair Value Estimation *(Continued)*

Investments at FVTPL – Limited partnership

The fair value of limited partnership as at 31 March 2022 was estimated by applying net asset value with adjustment based on the market ability of the limited partnership. The net assets value is based on the projected financial statement of the investment fund for the year ended 31 March 2022.

During the Interim Period, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (31 March 2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements during the Interim Period in the balance of Level 3 fair value measurement of convertible bonds receivable, details are set out in Note 20.

Financial assets and liabilities not reported at fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the unaudited condensed consolidated financial statements approximate their fair values as at 30 September 2022.

28. Disposals of Subsidiaries

(a) Disposal of S&J Group

The disposal of S&J Group was completed on 29 September 2022 at consideration of GBP1,900,000 (equivalent to HK\$16,509,000). Upon completion, S&J Group ceased to be a subsidiary of the Company and consolidated results, assets and liabilities of S&J Group were ceased to be consolidated with those of the Group.

Details of the disposal of S&J Group were set out in the announcement of the Company dated 28 September 2022.



Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

28. Disposals of Subsidiaries (Continued)

(a) Disposal of S&J Group (Continued)

The following table summarises the consideration received for the disposal of S&J Group and the net assets of S&J Group as at the date of disposal:

	HK\$'000 (unaudited)
Consideration satisfied by:	
Cash	14,765
Deferred receivables	1,744
	<u>16,509</u>

Analysis of assets and liabilities disposed of as at the date of disposal were as follows:

Property, plant and equipment	1,312
Goodwill (Note 15)	9,774
Inventories	6,191
Trade and other receivables, prepayments and deposits	16,606
Bank and cash balance	1,198
Trade and other payables and accruals	(5,637)
Borrowings and lease liabilities	(4,359)
Tax payable	(793)
Deferred tax liabilities	(242)
Net assets disposed of	24,050
Reclassification adjustment of exchange reserve on disposal of S&J Group	5,427
Loss on disposal of subsidiaries	(12,968)
Total cash consideration received	<u>16,509</u>
Net cash inflow arising on the date of disposal:	
Cash consideration	14,765
Bank balances and cash disposed of	(1,198)
	<u>13,567</u>

The loss on disposal of S&J Group was included in the loss from discontinued operation for the six months ended 30 September 2022 (Note 11) in the unaudited condensed consolidated statement of comprehensive income.



Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

28. Disposals of Subsidiaries (Continued)

(b) Disposal of Greenstar Group

On 29 September 2021, the Company entered into a sale and purchase agreement with an independent third party in relation to the disposal of entire equity interest and sale loan in Greenstar Enviro-Tech Investments Company Limited (together with its subsidiary are referred to as the “Greenstar Group”) at a total consideration of HK\$5,000,000 (the “Greenstar Disposal”). The Greenstar Group mainly owns a property located at Macau.

In view of the inactive operation of Greenstar Group, the Directors had considered that the Greenstar Disposal allow the Group to realise its investment in Greenstar Group and improve the Group’s gearing ratio.

The Greenstar Disposal was completed on 29 September 2021. Upon completion, Greenstar Group ceased to be a subsidiary of the Company and the results, assets and liabilities of Greenstar Group were ceased to be consolidated with those of the Group.

The following table summarises the consideration received for the disposal of Greenstar Group and the net liabilities of Greenstar Group as at the date of disposal:

	HK\$’000 (audited)
Consideration satisfied by:	
Cash	5,000

The net liabilities of Greenstar Group as at the date of disposal were as follows:

	HK\$’000
Property, plant and equipment	286
Bank and cash balance	25
Trade and other payables and accruals	(4,295)
Shareholders’ loan	(21,048)
Net liabilities disposed of	(25,032)
Assignment of shareholder’s loan	21,048
Reclassification adjustment of exchange reserve on disposal	(719)
Gain on disposal of subsidiaries	9,703
Total cash consideration received	5,000
Net cash inflow arising on the date of disposal:	
Cash consideration	5,000
Bank balances and cash disposed of	(25)
	4,975

The gain on the disposal of Greenstar Group was included in the other gains and losses, net in the unaudited condensed consolidated statement of comprehensive income for the six months ended 30 September 2021.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

29. Commitments

(a) Capital Commitments

At the end of the reporting period, capital commitments outstanding not provided for in the consolidated financial statements are as follows:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Contracted but not provided for		
– Limited partnership interest	–	42,889
– Capital contributions payable to an associate	22,113	24,661
	22,113	67,550

Starry Zone Global Limited, a wholly-owned subsidiary of the Group, entered subscription agreements with an independent third party for subscribing a total maximum commitment amount of US\$11,000,000 limited partnership interest in a limited partnership (the “Limited Partnership”) as at 31 March 2022. The purpose of the Limited Partnership is primarily achieving capital appreciation and participation through investments in equity and equity-related securities in Asia-Pacific and Europe and portfolio funds with a similar investment focus. During the Interim Period, the investment in the limited partnership was disposed of and the respective commitments was released off as at 30 September 2022.

(b) Operating lease commitments

The Group as lessor

The Group leased out investment properties under operating leases. The lease runs for an initial period of 3 years to 6 years. None of the leases includes variable lease payments. The investment properties were disposed of under the S&J Disposal during the Interim Period.

Undiscounted lease payment under non-cancellable operating lease in place at the end of the reporting period will be receivable by the Group in future periods as follows:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Within 1 year	–	308
In the second to fifth years, inclusive	–	874
	–	1,182

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

30. Pledge of Assets

As at 30 September 2022, the entire share capital of indirect wholly-owned subsidiaries were secured against the 7-year Bond 2028 amounted approximately HK\$155,676,000 until its maturity (31 March 2022: Nil).

31. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current period's presentation. In the opinion of the Directors, this presentation would better reflect the financial performance of the Group.

