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SUPERACTIVE GROUP COMPANY LIMITED

先機企業集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0176)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “Board”) of directors (the “Directors”) of Superactive Group Company Limited (the “Company”) announces its unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred as to the “Group”) for the six months ended 30 June 2023 together with the comparative figures for 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	<i>3</i>	31,820	48,844
Cost of sales		(21,094)	(27,892)
Gross profit		10,726	20,952
Other net gains	<i>4</i>	2,809	9,195
Selling and distribution costs		(588)	(831)
Administrative costs		(25,832)	(29,468)
Finance costs	<i>5</i>	(37,023)	(12,540)
Net reversal of impairment loss/ (impairment loss) on financial assets		6,916	(11,533)
Share of results of an associate	<i>11</i>	10,922	(6,382)

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss before tax	6	(32,070)	(30,607)
Income tax credit/(expense)	7	<u>2,932</u>	<u>(101)</u>
Loss for the period		<u>(29,138)</u>	<u>(30,708)</u>
Loss for the period attributable to:			
Owners of the Company		(29,051)	(33,335)
Non-controlling interests		<u>(87)</u>	<u>2,627</u>
		<u>(29,138)</u>	<u>(30,708)</u>
Loss per share			
Basic and diluted	9	<u>(1.43) HK cents</u>	<u>(1.64) HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(29,138)	(30,708)
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from the translation of foreign operations	<u>(18,299)</u>	<u>(19,648)</u>
Other comprehensive income for the period, net of tax	<u>(18,299)</u>	<u>(19,648)</u>
Total comprehensive income for the period	<u>(47,437)</u>	<u>(50,356)</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u>(47,752)</u>	<u>(53,253)</u>
Non-controlling interests	<u>315</u>	<u>2,897</u>
	<u>(47,437)</u>	<u>(50,356)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2023*

		30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	266,002	277,668
Interest in an associate	<i>11</i>	184,233	173,311
Financial assets at fair value through profit or loss		6,049	6,049
Intangible assets	<i>12</i>	13,274	13,443
		469,558	470,471
CURRENT ASSETS			
Inventories		18,636	14,123
Properties held for sale		530,758	555,219
Trade and bills receivables	<i>13</i>	17,118	19,197
Prepayments, deposits and other receivables		6,282	6,803
Loan receivables	<i>14</i>	21,377	24,378
Restricted bank deposits	<i>15</i>	2,994	2,994
Cash and bank balances		7,412	8,365
		604,577	631,079
CURRENT LIABILITIES			
Trade and other payables	<i>16</i>	305,130	283,707
Rental received in advance		7,699	2,432
Contract liabilities		1,504	593
Amount due to a shareholder		2,856	2,093
Amounts due to non-controlling interests		875	799
Interest-bearing borrowings		400,863	399,392
Lease liabilities		55	54
Tax payable		20,354	26,848
		739,336	715,918
NET CURRENT LIABILITIES		(134,759)	(84,839)
TOTAL ASSETS LESS CURRENT LIABILITIES		334,799	385,632

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	84,307	87,675
Lease liabilities	53	81
Deferred tax liabilities	1,515	1,515
	<u>85,875</u>	<u>89,271</u>
NET ASSETS	<u>248,924</u>	<u>296,361</u>
CAPITAL AND RESERVES		
Share capital	203,257	203,257
Reserves	35,394	83,146
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	238,651	286,403
Non-controlling interests	<u>10,273</u>	<u>9,958</u>
TOTAL EQUITY	<u>248,924</u>	<u>296,361</u>

Note:

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 1510, 15/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, respectively.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors, at 30 June 2023, Super Fame Holdings Limited, a company incorporated in British Virgin Islands, is the immediate holding company and Ms. Yeung So Lai and Mr. Lee Chi Shing Caesar are the ultimate controlling parties of the Company.

The unaudited condensed consolidated interim financial statements of the Group (the "Interim Financial Statements") are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company. Each entity in the Group maintains its books and records in its own functional currency.

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 December 2022, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual HKFRSs, HKASs and Interpretations) as disclosed in note 2 below.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The Interim Financial Statements do not include all the information and disclosures required in the consolidated financial statements for the year ended 31 December 2022, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022.

Going concern basis

The Group incurred a net loss attributable to owners of the Company for the six months ended 30 June 2023 of approximately HK\$29,051,000 and as at the same date its cash and cash equivalents amounted to approximately HK\$7,412,000. In addition, as at 30 June 2023, the principal amount and the interest of bond payables of approximately HK\$398,518,000 were not repaid in accordance with the terms of agreements. Such default entitled the bondholder a right to demand immediate repayment from the Group.

These conditions indicate the existence of a material uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise the Group's asset and discharge the Group's liabilities in the normal course of business.

The Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future, after taking into consideration of the followings:

- (i) The Group will continue to negotiate with the Group's bondholder with a view to extend the repayment terms of the Group's bond payables as they fall due;
- (ii) For the amount due to a shareholder of HK\$2,856,000 at 30 June 2023, the shareholder has undertaken that will not demand for repayment after maturity until all other liabilities of the Group have been satisfied;
- (iii) The Group will also seek additional financing including but not limited to borrow loans, issuing additional equity or debt securities; and
- (iv) The Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group, including close monitoring of general administrative expenses and operating costs.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the reporting date taking into account the impact of above measures, the Directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the reporting date and, accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these condensed consolidated financial statements.

2. ADOPTION OF REVISED HKFRSS

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards and interpretations effective as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the accounting period from 1 January 2023, the Group has adopted, for the first time, the following HKFRSS issued by the HKICPA that affect the Group and are adopted for the first time for the current period's financial statements:

HKFRS 17	Insurance Contracts and the related Amendments
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the amendments to HKFRSS in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these Interim Financial Statements.

3. REVENUE AND SEGMENT INFORMATION

The Group's segment information is based on regular internal financial information reported to the Company's executive Directors and management for their decisions about resources allocation to the Group's business components and their review of these components' performance.

The Group currently has five reportable segments. These segments are managed separately as each business offers different products and services and requires different business strategies as follows: (i) manufacture of electronics products; (ii) provision of nursery education service; (iii) money lending; (iv) property development and management; and (v) regulated financial services.

The Group reportable segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15:		
Electronics products – manufacturing and sale of electronics products	24,012	36,353
Nursery education – providing nursery education for children	–	–
Property development and management – providing management services for landlords and tenants	3,001	3,706
Regulated financial services – providing asset management services	2,382	2,796
	<u>29,395</u>	<u>42,855</u>
Revenue scoped out of HKFRS 15:		
Money lending	<u>2,425</u>	<u>5,989</u>
	<u>31,820</u>	<u>48,844</u>

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Interim Financial Statements as follows:

	Electronics products <i>HK\$'000</i> (Unaudited)	Nursery education <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Property development and management <i>HK\$'000</i> (Unaudited)	Regulated financial services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 30 June 2023						
Segment revenue	24,012	–	2,425	3,001	2,382	31,820
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	<u>24,012</u>	<u>–</u>	<u>2,425</u>	<u>3,001</u>	<u>2,382</u>	<u>31,820</u>
Segment profit/(loss)	<u>(152)</u>	<u>(143)</u>	<u>5,851</u>	<u>1,793</u>	<u>(176)</u>	<u>7,173</u>
Six months ended 30 June 2022						
Segment revenue	36,353	–	5,989	3,706	2,796	48,844
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	<u>36,353</u>	<u>–</u>	<u>5,989</u>	<u>3,706</u>	<u>2,796</u>	<u>48,844</u>
Segment profit/(loss)	<u>6,687</u>	<u>(248)</u>	<u>(7,908)</u>	<u>(1,392)</u>	<u>496</u>	<u>(2,365)</u>
At 30 June 2023 (Unaudited)						
Reportable segment assets	51,870	126	21,769	541,997	11,026	626,788
Reportable segment liabilities	<u>37,897</u>	<u>3,224</u>	<u>751</u>	<u>151,704</u>	<u>1,692</u>	<u>195,268</u>
At 31 December 2022 (Audited)						
Reportable segment assets	51,875	131	25,046	566,483	10,360	653,895
Reportable segment liabilities	<u>37,106</u>	<u>3,201</u>	<u>623</u>	<u>160,233</u>	<u>2,085</u>	<u>203,248</u>

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reportable segment profit/(loss)	7,173	(2,365)
Share of results of an associate	10,922	(6,382)
Other net gain	20	144
Unallocated corporate costs	(13,326)	(9,805)
Unallocated corporate net finance cost	(36,859)	(12,199)
	<u>(32,070)</u>	<u>(30,607)</u>
Loss before tax	<u>(32,070)</u>	<u>(30,607)</u>

The unallocated corporate costs mainly comprise staff cost (including Directors' remuneration), legal and professional fee, depreciations and office rental.

Geographical information

The following provides an analysis of the Group's revenue from external customers by geographical market, irrespective of the origin of the goods:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The People's Republic of China ("PRC")		
Mainland China	27,013	40,059
Hong Kong (place of domicile)	4,807	8,785
	<u>31,820</u>	<u>48,844</u>
	<u>31,820</u>	<u>48,844</u>

Timing of revenue recognition

	Six months ended 30 June									
	Electronics products		Nursery education		Property development and management		Regulated financial services		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Timing of revenue recognition										
At a point in time	24,012	36,353	-	-	-	-	-	-	24,012	36,353
Transferred over time	-	-	-	-	3,001	3,706	2,382	2,796	5,383	6,502
	<u>24,012</u>	<u>36,353</u>	<u>-</u>	<u>-</u>	<u>3,001</u>	<u>3,706</u>	<u>2,382</u>	<u>2,796</u>	<u>29,395</u>	<u>42,855</u>
	<u>24,012</u>	<u>36,353</u>	<u>-</u>	<u>-</u>	<u>3,001</u>	<u>3,706</u>	<u>2,382</u>	<u>2,796</u>	<u>29,395</u>	<u>42,855</u>

4. OTHER NET GAINS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank deposit and balances	3	3
Rental income	1,750	1,761
Others	1,056	7,431
	<u>2,809</u>	<u>9,195</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings and overdrafts and other borrowings	37,021	12,537
Interest on lease liabilities	2	3
	<u>37,023</u>	<u>12,540</u>

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	12,025	11,921
Impairment loss on trade receivables	86	1,479
(Reversal of impairment loss)/impairment loss on loan receivables	(7,002)	10,054
Net (Reversal of impairment loss)/impairment loss on financial assets	(6,916)	11,533
Cost of inventories recognised as expense	<u>18,583</u>	<u>24,955</u>

7. INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense for the period comprises:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current income tax – Hong Kong:		
Provision for the period	–	76
Over-provision in respect of prior years	(66)	–
	<u>(66)</u>	<u>76</u>
Current income tax – PRC:		
Provision for the period	20	25
Over-provision in respect of prior years	(2,886)	–
	<u>(2,866)</u>	<u>25</u>
Deferred tax	–	–
Income tax (credit)/expense for the period	<u>(2,932)</u>	<u>101</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the six months ended 30 June 2023 (six months ended 30 June 2022: 16.5%), except for the first HK\$2,000,000 of qualified entity's assessable profit is calculated at 8.25%, which is in accordance with the new two-tiered profit tax rates with effect from the year of assessment 2018/19.

PRC Enterprise Income Tax has been provided on estimated assessable profits of the subsidiaries' operations in the PRC at 25% (six months ended 30 June 2022: 25%).

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30 June 2023 is based on the loss attributable to owners of the Company of HK\$29,051,000 (six months ended 30 June 2022: HK\$33,335,000) and the weighted average number of 2,032,571,385 (six months ended 30 June 2022: 2,032,571,385) ordinary shares.

The basic and diluted loss per share are the same for the six months ended 30 June 2023 and 2022 as there were no potential dilutive shares outstanding.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, additions to property, plant and equipment amounted to HK\$823,000 (six months ended 30 June 2022: HK\$2,475,000).

11. INTEREST IN AN ASSOCIATE

	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Movements of interest in an associate are as follows:		
At 1 January 2023/1 January 2022	173,311	146,313
Capital contribution to associate	–	1,661
Share of results of an associate	10,922	25,337
	<hr/>	<hr/>
At 30 June 2023/31 December 2022	184,233	173,311
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (i) On 2 May 2018, the Group entered into the limited partnership agreement in relation to the operation of IT City Development Fund LP (“IT City”) and two subscription agreements in relation to the application to subscribe for an interest in IT City with a committed capital contribution of HK\$51,000,000 in capacity as general partner (through an indirect wholly owned subsidiary of the Company (“GP1”)) and HK\$100,000,000 in capacity as limited partner (through a direct wholly owned subsidiary of the Company) respectively. The principal purpose of IT City is to invest in properties that can consolidate and promote the development of the IT industry and its related supporting facilities. According to the limited partnership agreement, the management, policies and control of the IT City shall be vested exclusively in the general partners who, acting unanimously, may make such investment decisions as they shall determine, having given consideration to the investment objective and investment strategy of the IT City and the advice of the investment committee of the IT City (the “Investment Committee”). GP1 shall be entitled to appoint two members to the Investment Committee, which demonstrates its significant influence over IT City.
- (ii) On 20 December 2022, IT City entered a subscription agreement with Sino Ocean Ventures Limited (“Sino Ocean”) to subscribe to a 1-year convertible bond at a rate of 10% per annum with the principal amount of HK\$302,000,000 (the “Convertible Bonds”). The Convertible Bonds could be converted into shares of Sino Ocean at a conversion price of HK\$18,000,000 per share. According to the subscription agreement, the Convertible Bonds are transferable and the subscription price was satisfied by way of set-off the amount due from Sino Ocean to IT City.
- Sino Ocean has entered a sale and purchase agreement and conditionally agree to acquire the entire equity shares of an independent third party which held lots of land in Fanling aggregated at approximately 590,000 square metres (“m²”) for development.
- The Convertible Bonds have been converted into 18 shares of Sino Ocean in May 2023.
- (iii) The limited partnership agreement was ended on 30 June 2023. The fund manager is currently handling asset valuation and will distribute the assets of IT City to all investors according to the limited partnership agreement.

As at 30 June 2023, the Group had an interest in the following associate:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Total capital HK\$'000	Proportion of capital contributed by the Group	Proportion of voting rights held by the Group as general partner	Principal activities
IT City	Limited partnership	Cayman Islands	Hong Kong	255,250	60%	28.57%	IT properties investment
				Six months ended 30 June 2023		31 December 2022	Six months ended 30 June 2022
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
Net assets/Total comprehensive income				298,146	21,679	280,775	(22,728)
Proportion of capital contributed by the Group				60%	60%	60%	60%
Share of net assets/total comprehensive income				178,888	13,007	168,465	(13,637)
Adjustment on effective share of net assets/results of an associate				5,345	(5,636)	4,846	5,910
Adjustment on share of other expenses by the Group					(1,830)		(693)
Adjustment on share of other income by the Group					5,381		2,038
Share of an associate's net assets/results of an associate (net of tax)				184,233	10,922	173,311	(6,382)

12. INTANGIBLE ASSETS

	License <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022 (Audited)	7,857	4,506	12,363
Reversal of impairment	1,329	–	1,329
Currency realignment	–	(249)	(249)
At 31 December 2022 and 1 January 2023 (Audited)	9,186	4,257	13,443
Currency realignment	–	(169)	(169)
At 30 June 2023 (Unaudited)	<u>9,186</u>	<u>4,088</u>	<u>13,274</u>

The intangible assets comprise licenses and goodwill from business combinations. Licenses mainly represent the Type 4, Type 5, Type 6 and Type 9 regulated activities licenses as defined under Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). These licenses were considered to have indefinite useful lives and will be tested for impairment annually and whenever there is an indication that it may be impaired.

13. TRADE AND BILLS RECEIVABLES

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Trade receivables	18,397	20,797
Less: Impairment provision	(3,139)	(3,259)
Trade receivables – net	<u>15,258</u>	<u>17,538</u>
Bills receivables	<u>1,860</u>	<u>1,659</u>
	<u>17,118</u>	<u>19,197</u>

At the reporting date, the ageing analysis of trade and bills receivables, based on invoice date, is as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0-60 days	10,691	14,836
61-90 days	3,297	865
91-120 days	44	218
Over 120 days	<u>6,225</u>	<u>6,537</u>
	<u>20,257</u>	<u>22,456</u>

The Group allows credit periods ranging from 0 to 120 days (31 December 2022: 0 to 120 days) to its trade customers depending on their credit status and geographical location. The Directors consider that the carrying amounts of trade and bills receivables approximate to their fair values.

14. LOAN RECEIVABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Loan receivables	180,371	190,374
Less: Impairment provision	<u>(158,994)</u>	<u>(165,996)</u>
Loan receivables – net	<u>21,377</u>	<u>24,378</u>

As at 30 June 2023, loan receivables with aggregate gross principal amount of HK\$152,555,000 and gross interest receivables of HK\$27,816,000 (31 December 2022: gross principal amount of HK\$164,300,000 and gross interest receivables of HK\$26,074,000) were due from nine (31 December 2022: ten) independent third parties. The interest rates of the loan receivables range from 6% to 15% per annum (2022: 6% to 15% per annum). One (31 December 2022: two) of the loan receivables are secured by share charges of the borrowers, and nine (31 December 2022: ten) of the loan receivables are guaranteed by independent third parties. All loan receivables which were repayable within twelve months from the end of the reporting period were classified as current assets at the reporting date.

15. RESTRICTED BANK DEPOSITS

As at 30 June 2023, a bank deposit of approximately HK\$2,994,000 (31 December 2022: HK\$2,994,000) was pledged for banking facility amounting to HK\$90,000,000 granted to the Group.

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Restricted bank deposits	<u>2,994</u>	<u>2,994</u>

16. TRADE AND OTHER PAYABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade payables	28,304	23,512
Accruals and other payables	<u>276,826</u>	<u>260,195</u>
	<u>305,130</u>	<u>283,707</u>

At the reporting date, the ageing analysis of trade payables, based on invoice date, is as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0-60 days	6,680	8,813
61-90 days	4,378	2,520
Over 90 days	<u>17,246</u>	<u>12,179</u>
	<u>28,304</u>	<u>23,512</u>

At the reporting date, the accruals and other payables is as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Consideration payable	62,090	64,952
Interest payable	149,691	117,887
Other tax payables	1,953	15,072
Other accruals and payables	<u>63,092</u>	<u>62,284</u>
	<u>276,826</u>	<u>260,195</u>

The Directors consider that the carrying amounts of trade and other payables approximate to their fair values.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded revenue of approximately HK\$31,820,000 for the six months ended 30 June 2023, representing a decrease of 34.85% when compared with approximately HK\$48,844,000 for the six months ended 30 June 2022.

The Group continued to brace for a challenging environment during the six months ended 30 June 2023. The gross profit margin was 33.71% during the six months ended 30 June 2023, representing a decrease of 9.19% from 42.90% in the corresponding period of last year. During the six months ended 30 June 2023, the loss for the period decreased from approximately HK\$30,708,000 for the corresponding period of last year to approximately HK\$29,138,000 for the six months ended 30 June 2023.

BUSINESS REVIEW AND SEGMENT ANALYSIS

As at the date of this announcement, the Group is principally engaged in the business of provision of money lending services and regulated financial services in Hong Kong; and manufacturing of electronics products, provision of nursery education services and property development and management in the PRC. In the first half of 2023, income from the manufacturing of electronics products, interest income from the provision of money lending services, service income from the provision of regulated financial services, service income from the provision of nursery education services and income from the property development and management accounted for approximately 75.46% (six months ended 30 June 2022: 74.43%), 7.62% (six months ended 30 June 2022: 12.26%), 7.49% (six months ended 30 June 2022: 5.72%), 0.00% (six months ended 30 June 2022: 0.00%) and 9.43% (six months ended 30 June 2022: 7.59%) of total revenue respectively.

Manufacturing of Electronics Products

During the six months ended 30 June 2023, the segment of manufacturing electronics products includes the manufacturing of transformers. The segment of manufacturing electronics products contributed approximately HK\$24,012,000 to revenue (six months ended 30 June 2022: HK\$36,353,000), representing a decrease of 33.95% when compared with the corresponding period of 2022. As per discussion in the 2022 annual report, two major customers have reduced their orders from the second half of 2022 to reduce their inventories in anticipation of their change of product design. The reduction in orders from these two major customers continued during the first half of 2023, resulting in a decrease in sales for the six months ended 30 June 2023.

Provision of Money Lending Services

The provision of money lending services of the Group focuses on conducting money lending business by providing secured or guaranteed loans to a variety of customers, including individuals and corporations. The profile of individual customers including from not limited to professionals and businessmen, and the corporations are the private limited companies. The source of customers is mainly past customers or referrals by third parties. Loans are mainly large amounts of guaranteed loans. The sources of funds for the money lending business are funded by the internal resources of the Group.

In the first half of 2023, the segment of provision of money lending services contributed approximately HK\$2,425,000 to revenue (six months ended 30 June 2022: HK\$5,989,000, representing a decrease of 59.51% when compared with the corresponding period of 2022). The decrease in interest income on money lending was due to the net decrease in loan principal in the first half of 2023 (there were no new loans in the first half of 2023, but the principal of approximately HK\$11,745,000 has been recovered). Besides, no loan interest income has been recognised in the first half of 2023 for the loans that have transferred to stage 3 of expected credit loss (“ECL”) in the second half of 2022 due to pursuant to accounting standards.

As at 30 June 2023, the total principal amount was HK\$152,555,000 (31 December 2022: HK\$164,300,000) and gross interest receivables of HK\$27,816,000 (31 December 2022: HK\$26,074,000) were due from nine (31 December 2022: ten) independent third parties. The interest rates of the loan receivables range from 6% to 15% per annum (31 December 2022: 6% to 15% per annum) on the principals from HK\$10,000,000 to HK\$24,115,000 (31 December 2022: from HK\$500,000 to HK\$24,500,000). One (31 December 2022: two) of the loan receivables are secured by share charges of the borrowers, and nine (31 December 2022: ten) of the loan receivables are guaranteed by individuals. The Group does not have the right to sell or re-pledge the shares held as collateral in the absence of default by the borrowers. All loan receivables were repayable within twelve months from the end of the reporting period.

The loan receivables can be classified into secured loans and unsecured loans. As at 30 June 2023, the total principal amount of the secured loans and the unsecured loans were HK\$10,000,000 (31 December 2022: HK\$10,500,000) and HK\$142,550,000 (31 December 2022: HK\$153,800,000) respectively. The secured loans with loan principals were HK\$10,000,000, of which the aggregated principals of loans lent in 2018, 2019 and 2020 were HK\$nil, HK\$5,000,000 and HK\$5,000,000 respectively, with interest rate of 15% per annum and was repayable within 12 months from the end of 30 June 2023. The unsecured loans with loan principals ranging from HK\$13,352,000 to HK\$24,115,000, of which the aggregated principals of loans lent in 2018, 2019 and 2020 were HK\$76,633,000, HK\$36,012,000 and HK\$29,910,000 respectively, with interest rates ranging from 6% to 9% per annum and was repayable within 12 months from the end of 30 June 2023. All loans (including unsecured loans) were personally guaranteed by individuals.

The amount of loans receivables due from the largest borrower and the five largest borrowers accounted for approximately HK\$28,204,000, representing 15.64% (31 December 2022: HK\$28,589,000 and 15.02%) and approximately HK\$115,173,000, representing 63.85% (31 December 2022: HK\$119,042,000 or 62.53%), respectively, of loan receivables of the Company as at 30 June 2023.

The Group has its credit risk strategy and policy and credit review and risk assessment for the money lending business. It is required to perform an independent assessment of loan applications before the loans are granted. The independent assessment included but was not limited to background checkings, such as the identity documents (identity card or business registration certificate, latest annual return or certificate of incumbency if an overseas company) and income or asset proof of the borrower and guarantor, such as share certificates or bank statements, the evaluation of the value of the collateral and the verification of the authenticity of the information provided, to ensure the recovery ability of the loan. If necessary, the Group will engage an independent valuer to assist in assessing the value of the collateral. After the loan is granted, the Group will conduct checks on the value of the collateral from time to time. Besides, the Group will conduct a value check on the collateral when the Group perceives that there is a huge fluctuation in the relevant market of the collateral, to ensure that there is no material deterioration in value.

All loans are renewed at the request of the borrowers. The Company has carried out ongoing credit assessments on renewing loans. Leveraging on the extensive experience of the executive Directors in the money lending business, coupled with the credit risk assessment on the loans for loan recoverability, the Directors believe that even though some loans are unsecured, personal guarantees have been provided, the actual risk of default is not high.

The interest rate of the loans are independent of each other and has been set after considering credit risk, which in turn includes the possibility of default and the loss given default. The probability of default and default losses are affected by different factors, including but not limited to the referrer of the loans, the reputation of the borrowers and their guarantors, the guarantees provided by the borrowers, the repayment ability and repayment history of the borrowers and guarantors and their assets held, the purpose of the loans, and changes in the economic environment, etc.

The impairment made on the loan receivables is provided and recognised according to the requirement of HKFRS 9 issued by the HKICPA. It is a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation of the asset's original effective interest rate. In respect of loan receivables, credit risk arises from a customer's inability and unwillingness to meet its financial obligations to make timely payments under the loans the Group provided. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, to calculate the provision of the impairment. During the six months ended 30 June 2023, provision of the impairment on loan receivables decreased by approximately HK\$7,002,000 (six months ended 30 June 2022: increased by HK\$10,054,000), including a decrease of HK\$470,000 in stage 1 of ECL, a decrease of HK\$4,079,000 for stage 2 of ECL and a decrease of HK\$2,453,000 for stage 3 of ECL. The impairment loss is a non-cash item.

No loan receivables have been recognised as bad debts during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

Provision of Regulated Financial Services

In the first half of 2023, service income from the provision of regulated financial services has generated approximately HK\$2,382,000 (for the six months ended 30 June 2022: HK\$2,796,000), representing a decrease of 14.81% when compared with the corresponding period of 2022. The decrease in service income was mainly due to one of the funds managed having closed in May 2023.

Provision of Nursery Education Services

The Group provided management service for other third-party kindergartens. In the first half of 2023, no service income from the provision of nursery education services is recognised (for the six months ended 30 June 2022: nil). To avoid violating the provisions of “Regulations on the Implementation of the Law of the PRC on the Promotion of Private Education”, the Group no longer charges the kindergarten management fees since the provision came into force on 1 September 2021. Therefore, the Group had no service income from the provision of nursery education services.

Property Development and Management

Lijiang Underground Walkway: The Lijiang Underground Walkway is located at the underground on Minzhu Road and Fuhui Road, Lijiang City, Yunan Province, the PRC. The gross floor area of the underground walkway project is approximately 36,583 m², comprising a civil air defence work structure of approximately 13,730 m², 741 units of the saleable shop premises with a total gross floor area of approximately 19,923 m², a non-saleable property utility room of approximately 15 m² and a commercial function room of approximately 2,915 m². The Lijiang Underground Walkway is now held-for-sales purposes but in the meantime, the shop premises have been leased to generate rental income and management fee income. A subsidiary of the Group is providing property management services for the Lijiang Underground Walkway.

The Lijiang Underground Walkway is the unfinished construction project acquired by the Group in 2017. The Group started the finishing and rectification work for the Lijiang Project after acquisition. The finishing work and the rectification work were completed before the end of 2018 and in 2019 respectively. After the finishing work was completed, the Group began to deliver the shop premises to some buyers who had purchased the pre-sold before the Group’s acquisition and made preparations for the sales of the unsold shops. Due to the broke out of COVID-19, the sales plan of the Group has been hindered and cannot be carried out normally in these few years. In order to increase the value of the Lijiang Underground Walkway and as part of the sales plan, the Group rent out certain shop premises in the form of short-term leases to increase the number of visitors and customers. Since the Lijiang Underground Walkway has been acquired by the Group, the intention of the Group has never changed, which is to sell the shop premises for profit and the shops can be launched for sale at any time when the time is ripe. Therefore, the shops in Lijiang Underground Walkway are classified as stock properties.

During the six months ended 30 June 2023, no revenue (six months ended 30 June 2022: HK\$nil) is generated from the property sales and the management fee income generated was approximately HK\$3,001,000 (six months ended 30 June 2022: HK\$3,706,000).

PROSPECTIVE AND OUTLOOK

The Group is currently mainly engaged in the manufacturing of electronics products, property development and management, provision of money lending services, provision of regulated financial services and provision of nursery education services. In addition to the principal business, the Group also participates in other business investments with development potential. The manufacturing of electronics products contributes to the largest revenue of the Group with the principal business.

The Group is constantly looking for investment opportunities to develop and integrate the business of the Group. With the strengthening of the regulation of nursery education in China and the impact of the outbreak of COVID-19, the Group has gradually reduced its investment in nursery education services and considering the closing of nursery education services under the prerequisite of operating difficulties. Besides, due to the continuation of the epidemic and the economic downturn, the credit risk of lending has increased significantly. The Government has strengthened the supervision and regulation of finance companies and tightened the restrictions on the terms of loans, which also led to operational difficulties. The Group is planning to scale down or even close its money-lending business. If a suitable buyer emerges, the Group may consider disposing of its money lending business.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group adopted a prudent funding and treasury policy regarding its overall business operation. As at 30 June 2023, the Group has cash and cash equivalents of approximately HK\$7,412,000 (31 December 2022: HK\$8,365,000) which denominated in HK\$ and RMB approximately HK\$1,921,000 and RMB5,066,000 respectively.

The Group had interest-bearing borrowings of approximately HK\$485,170,000 (31 December 2022: HK\$487,067,000) of which HK\$400,863,000 were repayable on demand or within one year, HK\$79,040,000 were repayable in the second year, HK\$4,146,000 were repayable in the third to fifth years, inclusive, and HK\$1,121,000 were repayable after five years. The Group's borrowings carried interest at fixed or floating interest rates.

The Group's total bank and other borrowings divided by total assets as at 30 June 2023 was 45.17% (31 December 2022: 44.22%). As at 30 June 2023, the gearing ratio of the Group was 1.91 (31 December 2022: 1.62). This ratio is calculated as net debt divided by total equity and the net debt is calculated as total interest-bearing bank borrowings less cash and cash equivalents and restricted bank deposits. Most of the bank balances were in Hong Kong dollars. With the cash and bank balances available, and other current assets could be convertible to cash within a year, the Group has sufficient financial resources to finance its operations and to meet the financial obligations of its businesses.

The Group had a net asset value of approximately HK\$248,924,000 (31 December 2022: HK\$296,361,000), with a current ratio (ratio of current assets to current liabilities) of 0.82 (31 December 2022: 0.88).

CHARGE ON ASSETS

As at 30 June 2023, the share equity of (i) Superactive Financial Group Company Limited, the operating company of the regulated financial services; (ii) Link Complex Limited, a company which held the 18% unlisted equity shares of a company which is for the provision of real-time kinematic solution; (iii) Shenzhen Jiaxin Enterprise Management Company Limited, the holding company of a group operating the manufacturing of transformers; (iv) Edisoft Investment Limited, the holding companies of a group operating the Lijiang Underground Walkway project, and its subsidiaries; (v) Shenzhen Baike Enterprise Management Co., Ltd., the holding company of a subsidiary operating the Lijiang Underground Walkway project; and (vi) Next Millions Limited, the holding company of a subsidiary operating the money lending services, were pledged to secure the Company's bond issued on 29 December 2017. In addition, the office properties included in Land and Buildings under "Property, Plant and Equipment" and "Restricted Bank Deposits" were pledged to a bank to secure the Group's loans.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong dollars and Renminbi. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its financial position exposure as at 30 June 2023.

EMPLOYEES

As at 30 June 2023, the Group had a staff force of approximately 300 employees (31 December 2022: approximately 300 employees). Of this, most were stationed in the PRC. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives (such as a share option scheme).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

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

The Company has not purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

CORPORATE GOVERNANCE CODE

The Company has adopted all the code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules. Throughout the six months ended 30 June 2023, the Company complied with all applicable code provisions of the CG Code, save as disclosed below:

Under Code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer (“CEO”) should be separated and should not be performed by the same individual. The Company does not at present have an officer with the title CEO. The daily operation and management of the Company are monitored by the executive Directors. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company’s strategies.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct governing the Directors’ securities transactions. All Directors have confirmed, following a specific enquiry by the Company, that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2023.

AUDIT AND RISK COMMITTEE

The audit and risk committee of the Company (the “Audit and Risk Committee”) comprises all independent non-executive Directors, namely Mr. Tse Ting Kwan (Chairman), Mr. Chow Wai Leung William and Mr. Leung Man Man.

This Interim Financial Statements for the six months ended 30 June 2023 have been reviewed by the Audit and Risk Committee, who are of the opinion that these interim results comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company’s website (www.superactive.com.hk) and the designated website of the Stock Exchange (www.hkexnews.hk). The interim report will be available on the websites of the Company and the Stock Exchange in due course.

By Order of the Board
Superactive Group Company Limited
Yeung So Lai
Chairman

Hong Kong, 31 August 2023

At the date of this announcement, the executive Directors are Ms. Yeung So Lai and Mr. Lee Chi Shing Caesar; and the independent non-executive Directors are Mr. Chow Wai Leung William, Mr. Leung Man Man and Mr. Tse Ting Kwan.