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STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED
國能集團國際資產控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 918)

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

The board (the “**Board**”) of directors (the “**Directors**”) of State Energy Group International Assets Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 September 2023 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2022.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the six months ended 30 September 2023

		For the six months ended 30 September	
		2023	2022
		(Unaudited)	(Unaudited)
			(Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
Revenue	4	92,024	129,493
Cost of sales		(72,004)	(104,133)
Gross profit		20,020	25,360
Other losses	5	(1,536)	(2,744)
Other income	5	1,017	142
Selling and distribution expenses		(3,921)	(4,274)
Administrative expenses		(10,692)	(7,940)
Impairment losses under expected credit loss model, net of reversal		(14,657)	(12,473)
Fair value (loss) gain on investment properties	14	2,507	1,327
Operating loss		(7,262)	(602)
Finance costs	6	(1,314)	(197)
Loss before taxation	7	(8,576)	(799)
Income tax expense	10	(557)	—
Loss for the period from continuing operations		(9,133)	(799)
DISCONTINUED OPERATION			
Profit (loss) for the period from discontinued operation	9	7,275	(10,682)
LOSS FOR THE PERIOD		(1,858)	(11,481)
Other comprehensive income (expense) for the period (net of tax)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(2,532)	(293)
Item that will not be reclassified to profit or loss:			
Gain on revaluation of land and building held for own use	13	2,272	2,988
Total comprehensive expense for the period		(2,118)	(8,786)

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
		(Restated)
<i>Notes</i>	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company		
Loss from continuing operations	(9,133)	(799)
Profit (loss) from discontinued operation	7,275	(10,682)
	<u>(1,858)</u>	<u>(11,481)</u>
Total comprehensive expense attributable to:		
Owners of the Company	<u>(2,118)</u>	<u>(8,786)</u>
(Loss) earning per share attributable to owners of the Company		
	<i>11</i>	
From continuing and discontinued operations		
— Basic and diluted (HK cents)	<u>(0.22)</u>	<u>(1.48)</u>
From continuing operations		
—Basic and diluted (HK cents)	<u>(1.07)</u>	<u>(0.10)</u>
From discontinued operation		
—Basic and diluted (HK cents)	<u>0.85</u>	<u>(1.38)</u>

The accompanying notes are an integral part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	<i>13</i>	34,903	31,957
Investment properties	<i>14</i>	101,190	100,527
Right-of-use assets	<i>13</i>	452	86
Goodwill	<i>15</i>	13,913	696
Other intangible assets	<i>15</i>	34,974	6,203
Other receivables	<i>16</i>	5,353	5,192
		190,785	144,661
		190,785	144,661
Current assets			
Inventories		131,183	108,641
Trade and other receivables	<i>16</i>	182,831	219,335
Tax recoverable		3,648	3,954
Financial assets at fair value through profit or loss		410	524
Bank balances and cash		43,562	15,495
		361,634	347,969
		361,634	347,969
Total assets		552,419	492,630
Current liabilities			
Trade and other payables	<i>19</i>	107,547	154,697
Contract liabilities		32,006	10,297
Bank borrowings	<i>20</i>	60,280	40,966
Lease liabilities		459	94
Tax payable		766	8,202
		201,058	214,256
		201,058	214,256
Net current assets		160,576	133,713
Total assets less current liabilities		351,361	278,374

		30 September	31 March
		2023	2023
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current liabilities			
Rental deposit received		387	387
Deferred tax liabilities		6,329	1,782
		<u>6,716</u>	<u>2,169</u>
Net assets		<u>344,645</u>	<u>276,205</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital	<i>18</i>	11,141	7,737
Reserves		333,504	268,468
Total equity		<u>344,645</u>	<u>276,205</u>

The accompanying notes are an integral part of this condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. GENERAL INFORMATION

State Energy Group International Assets Holdings Limited (the “**Company**”) is incorporated in Bermuda as an exempted company with limited liability and its shares (the “**Share**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is Unit 13, 5th Floor, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (the “**Group**”) are wholesale of consumer products including timepieces and accessories and garment and sportswear products, the sale of unmanned aerial vehicle parts and property investment.

The condensed consolidated financial statements were approved for issue by the board of directors of the Company (the “**Board**”) on 27 November 2023.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) unless otherwise stated.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies adopted in preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2023, except for (i) additional policies adopted upon the completion of Acquisition as defined in Note 4; and (ii) the adoption of amendments to the standards effective as of 1 April 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of amendments to the standards

Several amendments apply for the first time during the six months ended 30 September 2023, but do not have an impact on the condensed consolidated financial statements of the Group. Details of any changes in accounting policies are set out in Note 3.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2023.

3. ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

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

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the wholesale of consumer products including timepieces and accessories (“**Watch products**”) and garment and sportswear products, property investment and sales of unmanned aerial vehicle parts. Revenue mainly represents the consideration of goods sold, rental income received and receivable and marketing services provided. An analysis of revenue is as follows:

Analysis of revenue

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of		
HKFRS 15 – at point in time basis		
Export sales of garment and sportswear products	31,641	40,342
Local sales of garment and sportswear products	—	35,837
Sales of Watch products	48,875	51,360
Sales of unmanned aerial vehicle parts	9,738	—
	<u>90,254</u>	<u>127,539</u>
Revenue from other sources		
Rental income	1,770	1,954
	<u>92,024</u>	<u>129,493</u>

For the six months ended 30 September 2023, the Group operates mainly in Hong Kong, Taiwan and the PRC and in the following business segments:

- i. Wholesale business – Watch: Wholesale of timepieces and accessories.

The Group satisfies its performance obligation upon delivery of the goods sold to the customers

- ii. Wholesale business – Garment: Wholesales of garment to both local and overseas customers

The Group satisfies its performance obligation upon delivery of the goods sold to the customers

- iii. Property investment: Investing and letting of properties

- iv. Unmanned aerial vehicle parts business: Sales of unmanned aerial vehicle parts

On 29 March 2023, the Group entered into a sale and purchase agreement to acquire the entire issued shares of Shandong Longyi Aviation Technology Co., Ltd (“**Longyi**”) at a total consideration of approximately HK\$30,946,000 (the “**Acquisition**”). The Acquisition was completed on 1 August 2023, the date on which the control of Longyi was passed to the Group. Longyi and its subsidiaries (“**Longyi Group**”) are principally carrying out the business of in research and development, design, production, sales, training and service of unmanned aerial vehicles.

For the six months ended 30 September 2022, the Group’s operating and reportable segments were: (i) Wholesale business – Watch business; (ii) Wholesale business – Garment business; (iii) Property investment; and (iv) the provision of marketing services (“**Marketing Services**”).

Segment profit or loss represents the profit or loss from each segment without allocation of corporate income, central administrative costs, finance costs and professional expenses which are for corporate use purpose.

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, inventories, financial assets at fair value through profit or loss, bank balances and cash, trade receivables, deposits, prepayments and other receivables. They exclude assets used for corporate functions.

Segment liabilities consist primarily of trade and bills payables, other payables and accrued charges, contract liabilities, bank borrowings, rental deposit received and lease liabilities. They exclude tax payable, deferred tax liabilities and liabilities used for corporate functions.

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 September 2023 and 2022, respectively.

	Continuing operations				Discontinued operation			
	Wholesale business- Garment (Unaudited) HK\$'000	Wholesale business- Watch (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Unmanned aerial vehicle parts (Unaudited) HK\$'000	Marketing Subtotal (Unaudited) HK\$'000	Marketing services (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue	<u>31,641</u>	<u>48,875</u>	<u>1,770</u>	<u>9,738</u>	<u>92,024</u>	<u>—</u>	<u>—</u>	<u>92,024</u>
Segment operating profit (loss)	<u>(11,788)</u>	<u>3,551</u>	<u>3,365</u>	<u>1,288</u>	<u>(3,584)</u>	<u>(71)</u>	<u>(71)</u>	<u>(3,655)</u>
Unallocated corporate income					1,017		138	1,155
Unallocated corporate expenses					(4,695)		—	(4,695)
Gain on disposal of a subsidiary					<u>—</u>		<u>7,208</u>	<u>7,208</u>
Operating (loss) profit					<u>(7,262)</u>		<u>7,275</u>	<u>13</u>
Finance costs					<u>(1,314)</u>		<u>—</u>	<u>(1,314)</u>
(Loss) profit before taxation					<u>(8,576)</u>		<u>7,275</u>	<u>(1,301)</u>
Income tax expense					<u>(557)</u>		<u>—</u>	<u>(557)</u>
(Loss) profit for the period					<u><u>(9,133)</u></u>		<u><u>7,275</u></u>	<u><u>(1,858)</u></u>

For the six months ended 30 September 2022

(Restated)

	Continuing operations				Discontinued operation			
	Wholesale business- Garment (Unaudited) HK\$'000	Wholesale business- Watch (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Unmanned aerial vehicle parts (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Marketing services (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue	76,129	51,360	1,954	—	129,493	7,255	7,255	136,748
Segment operating profit (loss)	(6,089)	6,605	3,692	—	4,208	(9,177)	(9,177)	(4,969)
Unallocated corporate income					142		13	155
Unallocated corporate expenses					(4,952)		(2)	(4,954)
Operating loss					(602)		(9,166)	(9,768)
Finance costs					(197)		—	(197)
Loss before taxation					(799)		(9,166)	(9,965)
Income tax expense					—		(1,516)	(1,516)
Loss for the period					(799)		(10,682)	(11,481)

The following table presents asset and liability information for the Group's operating segments as at 30 September 2023 and 31 March 2023, respectively:

	As at 30 September 2023					Discontinued operation		Total (Audited) HK\$'000
	Continuing operations			Unmanned aerial vehicle parts	Subtotal (Audited) HK\$'000	Marketing services (Audited) HK\$'000	Subtotal (Audited) HK\$'000	
	Wholesale business- Garment (Audited) HK\$'000	Wholesale business- Watch (Audited) HK\$'000	Property investment (Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	
Segment assets	182,037	112,859	106,571	82,784	484,251	—	484,251	
Unallocated assets					68,168	—	68,168	
Total assets					552,419	—	552,419	
Segment liabilities	106,297	59,935	732	30,533	197,497	—	197,497	
Unallocated liabilities					3,182	—	3,182	
Tax payable					766	—	766	
Deferred tax liabilities					6,329	—	6,329	
Total liabilities					207,774	—	207,774	

As at 31 March 2023

(Restated)

	Continuing operations				Discontinued operation			
	Wholesale business- Garment (Audited) HK\$'000	Wholesale business- Watch (Audited) HK\$'000	Property investment (Audited) HK\$'000	Unmanned aerial vehicle parts business (Audited) HK\$'000	Subtotal (Audited) HK\$'000	Marketing services (Audited) HK\$'000	Subtotal (Audited) HK\$'000	Total (Audited) HK\$'000
Segment assets	112,506	177,976	106,443	—	396,925	52,800	52,800	449,725
Unallocated assets					42,549		356	42,905
Total assets					439,474		53,156	492,630
Segment liabilities	62,003	87,353	732	—	150,088	51,945	51,945	202,033
Unallocated liabilities					3,693		715	4,408
Tax payable					896		7,306	8,202
Deferred tax liabilities					1,782		—	1,782
Total liabilities					156,459		59,966	216,425

By geographical segments:

	Revenue	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) (Restated) HK\$'000
Africa	31,641	40,342
Hong Kong	22,533	55,517
PRC	28,963	25,151
Taiwan	8,887	8,483
	92,024	129,493

5. OTHER LOSSES/OTHER INCOME

	For the six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited) (Restated)
	HK\$'000	HK\$'000
Other losses		
Decrease on fair value change in financial assets at fair value through profit or loss	(114)	(229)
Net exchange loss	(1,422)	(2,515)
	<u>(1,536)</u>	<u>(2,744)</u>
Other income		
Bank interest income	41	13
Interest income from a loan to a third party	361	—
Government grants	588	129
Sundry income	27	—
	<u>1,017</u>	<u>155</u>

6. FINANCE COSTS

	For the six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited) (Restated)
	HK\$'000	HK\$'000
Interest on bank borrowings	1,301	189
Interest on lease liabilities	13	8
	<u>1,314</u>	<u>197</u>

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Cost of inventories sold	66,155	104,133
Depreciation of property, plant and equipment	743	746
Depreciation of right-of-use-assets	275	130
Amortisation of other intangible asset	1,787	581
Legal and professional fees	2,125	476
Staff costs, including directors' emoluments (Note 8)	3,329	2,224
	<u>3,329</u>	<u>2,224</u>

8. STAFF COSTS

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	3,029	2,105
Retirement benefit costs	300	119
	<u>3,329</u>	<u>2,224</u>

9. DISCONTINUED OPERATION

On 17 May 2023, the Group entered into a sale and purchase agreement with an independent third party (the “**Purchaser**”), pursuant to which the Group has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of GBR (HK) Limited (“**GBR (HK)**”), an indirect wholly-owned subsidiary of the Company, at the consideration of HK\$1,000,000. The disposal is completed on 31 May 2023 (“**Date of Disposal**”), the date on which the control of GBR (HK) was passed to the Purchaser.

The Group's discontinued operation for the six months ended 30 September 2023 represented the business of the provision of marketing services operated by GBR (HK) and its subsidiary (“**Disposal Group**”).

The results of the discontinued operation of the Disposal Group for the period from 1 April 2023 to the Date of Disposal, which have been included in the condensed consolidated profit or loss, are as follows:

	HK\$'000
Other income	138
Selling and distribution expenses	(65)
Administrative expenses	(6)
Gain on disposal of a subsidiary	7,208
	<hr/>
Profit before taxation from discontinued operation	7,275
Income tax expense	—
	<hr/>
Profit for the period from discontinued operation	<u>7,275</u>

No tax charge or credit arose on gain on disposal of the discontinued operation.

10. INCOME TAX EXPENSE

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of the other group entities in Hong Kong are taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the PRC corporate income tax in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax	—	—
– PRC Enterprise Income Tax	557	1
Overprovision in respect of prior years:		
– Hong Kong Profits Tax	—	(1)
Deferred tax	—	—
	<hr/>	<hr/>
	557	—
	<hr/> <hr/>	<hr/> <hr/>

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

During the six months ended 30 September 2023, the Group acquired plant and equipment of approximately HK\$879,000 (2022: HK\$78,000).

During the six months ended 30 September 2023, the Group entered into two new lease agreements with additions of approximately HK\$647,000 in right-of-use assets (2022: Nil).

The valuation of a land and building held for own use carried at fair value was updated at 30 September 2023 by the directors of the Company using the same valuation techniques as were used by the Group's independent valuer when carrying out the March 2023 valuations.

As a result of the update, a gain of approximately HK\$2,272,000 (six months ended 30 September 2022: HK\$2,988,000) has been recognised in other comprehensive income for the period in respect of land and buildings held for own use.

14. INVESTMENT PROPERTIES

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
At the beginning of the period/year	100,527	104,979
Changes in fair value included in profit or loss for the period/year	2,507	(1,629)
Exchange adjustment	(1,844)	(2,823)
At the end of the period/year	<u>101,190</u>	<u>100,527</u>

The valuation of investment properties carried at fair value were updated at 30 September 2023 by the directors of the Company using the same valuation techniques as were used by the Group's independent valuer when carrying out the March 2023 valuations.

As a result of the update, a net gain of approximately HK\$2,507,000 (six months ended 30 September 2022: net gain of approximately HK\$1,327,000) has been recognised in profit or loss for the period in respect of investment properties.

15. GOODWILL AND OTHER INTANGIBLE ASSETS

The goodwill and other intangible assets held by the Group increased primarily as a result of the Acquisition as disclosed in Note 16.

	Other intangible assets			Total HK\$'000
	Goodwill HK\$'000	Distribution right HK\$'000	Technical know-how HK\$'000	
Net book amount at 1 April 2022	—	—	—	—
Acquisition of a subsidiary (Note 17)	696	8,142	—	8,142
Net book amount at 31 March 2023 (Audited)	696	6,203	—	6,203
Acquisition of a subsidiary (Note 17)	13,544	—	31,264	31,264
Amortisation charge for the period	—	(1,163)	(624)	(1,787)
Exchange adjustment	(327)	—	(706)	(706)
Net book amount at 30 September 2023	<u>13,913</u>	<u>5,040</u>	<u>29,934</u>	<u>34,974</u>
At 30 September 2023				
Cost	13,913	8,142	30,521	38,663
Accumulated amortisation	—	(3,102)	(587)	(3,689)
Net book amount	<u>13,913</u>	<u>5,040</u>	<u>29,934</u>	<u>34,974</u>
At 31 March 2023				
Cost	696	8,142	—	8,142
Accumulated amortisation	—	(1,939)	—	(1,939)
Net book amount	<u>696</u>	<u>6,203</u>	<u>—</u>	<u>6,203</u>

16. TRADE AND OTHER RECEIVABLES

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Trade receivables		
– Contracts with customers	182,069	190,536
– Lease receivables	5,674	4,728
Less: Allowance for credit losses	(36,118)	(24,918)
Trade receivables, net	151,625	170,346
Deposits paid to suppliers	27,785	36,845
Other receivables, net	7,443	14,616
Prepayments	109	365
Rental, utility and sundry deposits	1,222	2,375
	36,559	54,201
Total trade and other receivables	188,184	224,547
Less: current portion	182,831	219,355
Non-current portion	5,353	5,192

At the end of the reporting period, the ageing analysis of trade receivables and lease receivables based on the invoice date and net of allowance for credit losses, is as follows:

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
0-30 days	7,489	11,096
31-60 days	5,954	7,498
61-180 days	24,606	7,468
181-365 days	14,663	61,362
Over 1 year	98,913	82,922
	151,625	170,346

The trade receivables were denominated in United States Dollars (“**US\$**”), HK\$, Renminbi (“**RMB**”) and Taiwan New dollars (“**TWD**”) (31 March 2023: US\$, HK\$, RMB and TWD).

The majority of the Group’s sales to overseas customers are generally on open account of 120 to 150 days (31 March 2023: 120 to 150 days) from the date of invoice. The credit period granted to local customers is 30 to 90 days (31 March 2023: 30 to 90 days). The credit period granted to marketing service customers is ranging from 0 to 5 days (31 March 2023: 0 to 5 days) from the date of completion and due on date of invoice.

17. ACQUISITION OF SUBSIDIARIES

On 29 March 2023, the Group entered into a sale and purchase agreement with several independent third parties to acquire the entire issued shares of Longyi at a total consideration of approximately HK\$30,946,000, which shall be satisfied by the allotment and issue of 154,731,827 ordinary share of the Company (“**Consideration Shares**”) at the issue price of HK\$0.2 per Consideration Shares. The Acquisition was completed on 1 August 2023, the date on which the control of Longyi was passed to the Group. This condensed consolidated financial statements include the results of Longyi Group for the period from 1 August 2023 to 30 September 2023.

On 24 May 2022, the Company entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in Sinoforce at a total consideration of HK\$50,000,000. The Acquisition was completed on 14 June 2022, the date on which the control of Sinoforce was passed to the Company, the fair value of each Consideration Share was HK\$0.24. The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of Longyi Group and Sinoforce Group as at the dates of acquisition were:

Dates of acquisition	Longyi Group	Sinoforce Group
	1 August 2023	14 June 2022
	HK\$'000	HK\$'000
Assets		
Property, plant and equipment	601	78
Other intangible asset	31,264	8,142
Right-of-use assets	—	453
Financial assets at fair value through profit or loss	—	835
Inventories	4,545	59,777
Trade and other receivables	1,176	34,223
Tax recoverable	—	1,131
Bank balances and cash	25,419	41,786
	63,005	146,425
Liabilities		
Trade and other payables	(29,731)	(96,710)
Bank borrowings	(5,024)	—
Lease liabilities	—	(411)
	(34,755)	(97,121)
Total identifiable net assets at fair value	28,250	49,304
Goodwill arising on acquisition (provisional)	13,544	696
Purchase consideration transferred	37,136	50,000
Analysis of cash flows on acquisition:		
Net cash acquired with the subsidiary (included in cash flows from investing activities)	25,419	41,786
Cash paid	—	(50,000)
Net cash flow on acquisition	25,419	(8,214)

18. SHARE CAPITAL

	Number of shares	Ordinary shares HK\$'000
Authorised:		
At 31 March 2023, 1 April 2023 and 30 September 2023		
Ordinary shares of HK\$0.01 each	<u>30,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 31 March 2023, 1 April 2022 (Audited)	773,659,139	7,737
Issue of shares		
– issue of shares in acquisition of a subsidiary (Note 17)	154,731,827	1,547
– issue of shares in placing of shares (note (i))	<u>185,678,193</u>	<u>1,857</u>
At 30 September 2023	<u>1,114,069,159</u>	<u>11,141</u>

Note:

- (i) On 14 August 2023 and 15 August 2023, the Company entered into a placing agreement and supplemental agreement (“**Placing Agreements**”) with a placing agent (“**Placing Agent**”), pursuant to which the Company agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as placing agent for the purpose of procuring, as agent of the Company, placees for, or failing which on a best effort basis, a maximum of 185,678,193 shares of the Company to be placed under the Placing Agreements (“**Placing Shares**”) to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at the Placing Price of HK\$0.180 per Placing Share. On 4 September 2023, all the conditions set out in the Placing Agreements have been fulfilled and completion of the Placing took place, a total of 185,678,193 Placing Shares have been successfully placed by the Placing Agent.

19. TRADE AND OTHER PAYABLES

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Trade payables	91,136	121,880
Bills payables	—	—
	<hr/>	<hr/>
Trade and bills payables	91,136	121,880
	<hr/>	<hr/>
Deposits received	732	732
Accrued expenses	4,344	5,898
Other tax payable	—	470
Other payables	11,722	26,104
	<hr/>	<hr/>
	16,798	33,204
	<hr/>	<hr/>
Total trade and other payables	107,934	155,084
Less: Current portion	107,547	154,697
	<hr/>	<hr/>
Non-current portion	387	387
	<hr/> <hr/>	<hr/> <hr/>

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

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
0-30 days	1,434	4,742
31-90 days	7,994	6,925
91-180 days	9,613	5,570
Over 180 days	72,095	104,643
	<hr/>	<hr/>
	91,136	121,880
	<hr/> <hr/>	<hr/> <hr/>

All trade and bills payables were mainly denominated in HK\$, US\$, and RMB (31 March 2023: HK\$, US\$, and RMB).

For purchases from overseas suppliers, trade payables are normally settled on terms of 30 to 60 days (31 March 2023: 30 to 60 days) from the date of bill of lading. For purchases from local suppliers, the credit period was 30 days (31 March 2023: 30 days). For marketing service providers, the credit period was 0 day (31 March 2023: 0 day) from the date of completion or date of invoice.

20. BANK BORROWINGS

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Variable rate and secured borrowings, repayable within one year	<u>60,280</u>	<u>40,966</u>

At 30 September 2023, variable-rate bank borrowings denominated in HK\$ amounting to HK\$35,000,000 (31 March 2023: HK\$35,000,000), US\$ amounting to approximately HK\$20,375,000 (31 March 2023: HK\$5,966,000), and RMB amounting to approximately HK\$4,904,000 carry interests at Hong Kong InterBank Offered Rate (“**HIBOR**”) +2% (31 March 2023: HIBOR + 2%) per annum, HIBOR + 1.8% (31 March 2023: HIBOR+1.8%) per annum and range from China 1-Year Loan Prime Rate (“**LPR**”) + 0.35% to LPR+2.005% per annum, respectively.

The bank borrowings of approximately HK\$55,375,000 were secured and guaranteed by:

- (a) first legal charge over the Group’s investment properties and a land and building in Hong Kong with an aggregate carrying value of approximately HK\$106,600,000 (31 March 2023: approximately HK\$101,910,000);
- (b) corporate guarantees from the Company and certain of its subsidiaries; and
- (c) personal guarantee from the ultimate controlling party Mr. Zhang Jinbing, who is also the executive director of the Company.

The bank borrowings of approximately HK\$3,180,000 were secured and guaranteed by:

- (a) corporate guarantees from a related company which is controlled by a director of the Company;
- (b) personal guarantee from two directors of the Company and certain related parties; and
- (c) certain properties owned by a director and certain related parties.

The bank borrowings of approximately HK\$665,000 were guaranteed by personal guarantee from two directors of the Company and a related party.

The remaining bank borrowing of approximately HK\$1,060,000 were unsecured.

21. BANKING FACILITIES

As at 30 September 2023, the Group's banking facilities amounting to approximately HK\$75,000,000 (31 March 2023: approximately HK\$75,000,000) were secured by the following:

- (a) first legal charge over the Group's investment properties and a land and building in Hong Kong with an aggregate carrying value of approximately HK\$110,400,000 (31 March 2022: approximately HK\$103,293,000);
- (b) corporate guarantees from the Company and certain of its subsidiaries; and
- (c) personal guarantee from the ultimate controlling party Mr. Zhang Jinbing, who is also the executive director of the Company.

The Company has executed guarantees with respect to certain banking facilities of its subsidiaries. Such facilities utilised at 30 September 2023 amounted to approximately HK\$55,375,000 (31 March 2023: approximately HK\$40,966,000).

22. CAPITAL COMMITMENTS

At 30 September 2023, the Group has no material capital commitments (31 March 2023: Nil).

23. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	180	360
Post-employment benefits	—	—
	<u>180</u>	<u>360</u>

(b) Outstanding balances with related parties

	30 September	31 March
	2023	2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Outstanding balances with related companies in which the executive director of the Company is a director (Included the PRC value-added tax and before net of loss allowance):		
– Trade payables from 廣州萬燕科技 文化傳媒有限公司 (“廣州萬燕”)	—	(10,614)
– Prepayment from 廣州市睿意品牌 策劃有限公司 (“廣州睿意”)	—	13,887
– Trade payables from 廣州酷影 文化傳媒有限公司 (“廣州酷影”)	—	(508)
– Other receivables from 廣州萬燕	—	817
– Other receivables from 廣州睿意	—	1,866
	<u>—</u>	<u>1,866</u>

Note: Marketing services charged from 廣州萬燕 were conducted on mutually agreed terms and were charged at a negotiated value.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2023 (the “**Reporting Period**”), the Group is principally engaged in the wholesale of consumer products including timepieces and accessories and garment and sportswear products (the “**Wholesale Business**”), the sale of unmanned aerial vehicle parts (the “**Unmanned Aerial Vehicle Parts Business**”) and property investment (the “**Property Investment Business**”).

WHOLESALE BUSINESS

Watch products

In June 2022, the Company completed the acquisition of the entire issued shares of Sinoforce Group Limited (“**Sinoforce**”), since then the Group commenced the wholesale of timepieces and accessories (“**Watch products**”) through Sinoforce and its subsidiaries (“**Sinoforce Group**”). The Watch products, being the exclusive distributor of the timepieces and accessories bearing the trademarks of GIRARD-PERREGAUX and JEANRICHARD, in Hong Kong, Taiwan and the People’s Republic of China (the “**PRC**”). The Group believed that this new product line serves a lateral expansion of the Group’s business in sale, trading, distribution and processing of branded consumer products, creates a platform for business co-operation of the Group with international reputable brands of consumer products and help broaden the source of income of the Company.

Garment and sportswear products

The Group carries on the business of wholesale and trading of garment and sportswear products in the PRC which are then exported to overseas market and to Africa. The economy of the PRC, the world’s second-largest economy, grew at 6.3% annual pace in the second quarter of 2023 which marked a 0.8% pace of growth from the previous quarter, which is much slower than the 2.2% quarter-on-quarter pace recorded in the first three months of 2023. Due to the declining export, ongoing property downturn, record high unemployment rates among young adults, and the possibility of disinflation, the temporary retardation of economic growth in the PRC. In addition, tighter monetary policy in the US and Europe and global hyperinflation, have not only dampened consumer sentiment but also hampered the pace of the economic recovery of the world. During the Reporting Period, both the PRC and Africa markets had shown a decrease in revenue due to the economic retardation over the world.

UNMANNED AERIAL VEHICLE PARTS BUSINESS

On 29 March 2023, the Company entered into a sale and purchase agreement with independent third parties (the “**Vendors**”), pursuant to which the Group has agreed to acquire and the Vendors have conditionally agreed to sell the equity interest of Shandong Longyi Aviation Technology Co., Ltd (“**Longyi**”), a company established under the laws of the PRC, at a consideration of approximately HK\$30,946,000 (the “**Acquisition**”). The Acquisition was completed on 1 August 2023, the date on which the control of Longyi was passed to the Company. Longyi and its subsidiary are established under the laws of the PRC and are principally carrying out the business of in research and development, design, production, sales, training and service of unmanned aerial vehicles. The Longyi Group is based at High-tech Zone, Jining City, Shandong Province, Shandong, the PRC. The Group believed that it is an opportunity for the Group to tap into the high technology business in unmanned aerial vehicles which have a variety of applications including surveying and mapping, inspection, security, logistics, tethering and environmental protection in order to capture the prospective return on investment.

PROPERTY INVESTMENT BUSINESS

As at 30 September 2023, the Group held six investment properties located in the PRC and five investment properties (including three car parking spaces) located in Hong Kong for generating rental income purposes (the “**Investment Properties**”). As at 30 September 2023, other than one car parking space, all remaining investment properties were fully leased out.

As at 30 September 2023, the value of the Investment Properties amounted to approximately HK\$101.2 million.

FINANCIAL REVIEW

TURNOVER

The Group recorded revenue of approximately HK\$92.0 million for the Reporting Period, representing a decrease of approximately HK\$37.5 million (29.0%) as compared to that of approximately HK\$129.5 million for the six months ended 30 September 2022 (the “**Previous Period**”).

Revenue derived from the Wholesale Business decreased by approximately HK\$47.0 million (36.9%) from approximately HK\$127.5 million for the Previous Period to approximately HK\$80.5 million for the Reporting Period. The decrease was mainly due to a decrease in revenue in sale of garment and sportswear products by approximately 58.5% from approximately HK\$76.2 million for the Previous Period to approximately HK\$31.6 million for the Reporting Period. The revenue in sale of Watch products also decreased slightly by approximately 4.9% from approximately HK\$51.4 million for the Previous Period to approximately HK\$48.9 million for the Reporting Period.

Revenue derived from the Unmanned Aerial Vehicle Parts Business was in the sum of approximately HK\$9.7 million for the period from the completion of the Acquisition to the end of the Reporting Period.

Revenue derived from Property Investment Business was steady with approximately HK\$1.8 million and HK\$2.0 million for the Reporting Period and the Previous Period respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately HK\$20.0 million, representing a decrease of approximately 21.3% as compared to approximately HK\$25.4 million for the Previous Period. The gross profit margin for the Reporting Period was approximately 21.8%, as compared to the gross profit margin of 19.6% for the Previous Period, the increase was mainly attributable from increase in revenue from high profit margin of new Unmanned Aerial Vehicle Parts Business.

The Group recorded a gross profit and gross profit margin of approximately HK\$14.4 million and 17.9% respectively in the Wholesale Business for the Reporting Period, representing a decrease of approximately 38.5% as compared to approximately HK\$23.4 million for the Previous Period. The decrease was in line with the decrease in revenue.

The Group recorded a gross profit of approximately HK\$1.8 million in respect of the Property Investment Business for the Reporting Period, representing steady performance as compared to approximately HK\$2.0 million for the Previous Period.

The Group recorded a gross profit and gross profit margin of approximately HK\$3.8 million and 39.1% respectively in respect of the Unmanned Aerial Vehicle Parts Business for the period from the completion of the Acquisition to the end of the Reporting Period.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 9.3% from approximately HK\$4.3 million for the Previous Period to approximately HK\$3.9 million for the Reporting Period. The increase was mainly due to the newly acquired Unmanned Aerial Vehicle Parts Business as discussed above during the Reporting Period.

ADMINISTRATIVE EXPENSES

Administrative expense increased by approximately 35.4% from approximately HK\$7.9 million for the Previous Period to approximately HK\$10.7 million for the Reporting Period. The increase was mainly attributable from new subsidiaries acquired upon the Acquisition as discussed above during the Reporting Period.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS (“ECL”) MODEL, NET OF REVERSAL

Impairment losses under ECL model, net of reversal represented the net impairment losses on trade and other receivables, which increased by 17.6% from approximately HK\$12.5 million for the Previous Period to approximately HK\$14.7 million for the Reporting Period. In assessing the ECL of the Group’s trade and other receivables, a credit rating analysis of the underlying debtors was adopted by reviewing the historical default rates, past-due status and ageing information of the grouped debtors and the forward-looking information of the Group’s receivables at the end of the Reporting Period.

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The change in fair value change of investment properties of approximately HK\$2.5 million for the Reporting Period represented fair value adjustment of the Group’s properties located in Hong Kong and the PRC as at 30 September 2023.

FINANCE COST

Finance cost increased by approximately 550% from approximately HK\$0.2 million for the Previous Period to approximately HK\$1.3 million for the Reporting Period. The increase was mainly due to increase in aggressive spike in interest rates by the major central banks across the world in respond curb the skyrocketing inflation.

PROSPECT

During the Reporting Period, the Group has recorded a net loss attributable to the owners of the Company, the global economy was still severely hindered by the continuous outbreak of COVID-19 epidemic. Business activities were put to a halt or significantly slowed down globally. The Garment Business was negatively affected by the dampened consumer sentiments due to lockdowns, travel restrictions and social distancing measures. Although measures including the introduction of vaccines are implemented to combat and control the recurrences, the extent of recovery of the economy and retail market is still uncertain. Therefore, the Group will take a prudent approach to the Garment Business under this situation that the Group will regularly review the product range in order to maintain existing profit margin and to retain the current customer base. As regards the Group's Property Investment Business, the Group intends to hold the properties for rental income purpose and to monitor the performance of the property markets in Hong Kong and the PRC and consider reorganising its property portfolio should suitable opportunities arise.

During the Reporting Period, the Group commenced Watch Business through newly acquired subsidiaries since the completion of the Acquisition, the Group believed that the Watch Business serves a lateral expansion of the Group's business in sale, trading, distribution and processing of branded consumer products, creates a platform for business corporation of the Group with international reputable brands of consumer products and help broaden the source of income of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

During the six months ended 30 September 2023, the Group financed its operations and investments mainly by internally generated funds and debt financing.

Cash Position

The Group had total cash and bank balances of approximately HK\$43.6 million as at 30 September 2023 (31 March 2023: approximately HK\$15.5 million).

Bank and other borrowings

As of 30 September 2023, bank borrowings of the Group amounted to approximately HK\$60.3 million (31 March 2023: approximately HK\$41.0 million). All bank borrowings are repayable within one year or on demand.

Leverage

The ratio of current assets to current liabilities of the Group was approximately 1.8 as at 30 September 2023 compared to approximately 1.6 as at 31 March 2023. Decrease in current ratio was mainly due to the increase in bank borrowings. The Group's gearing ratio as at 30 September 2023 was approximately 17.5% (31 March 2023: approximately 14.8%), which is calculated based on the Group's bank borrowings of approximately HK\$60.3 million (31 March 2023: approximately HK\$41.0 million) and the Group's total equity of approximately HK\$344.6 million (31 March 2023: approximately HK\$276.2 million). The increase in gearing ratio was mainly due to the increase in bank borrowings.

INTERIM DIVIDENDS

The Board does not recommend declaring any interim dividends for the six months ended 30 September 2023 (for the six months ended 30 September 2022: Nil).

RISK MANAGEMENT

The Group's principal financial instruments include trade receivables, deposits and other receivables, cash and cash equivalents, trade and other payables and lease liabilities. The Group also have various financial assets and financial liabilities arising from our business operations. The Group's financial instruments are mainly subject to foreign currency risk, credit risk and liquidity risk. The Group aims to minimise these risks and hence maximise investment returns.

Foreign currency risk

The monetary assets and liabilities and business transaction of the Group are mainly based on Hong Kong dollars ("HK\$"), Renminbi ("RMB") and United States dollars ("US\$"). In view of the stability of the exchange rate between these currencies, the directors do not consider that the Group was significantly exposed to foreign exchange risk for the six months ended 30 September 2023. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the six months ended 30 September 2023 and 2022, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

Credit risk

The Group's credit exposure generally arises from counterparty risk in the course of engaging in the Wholesale Business, the Unmanned Aerial Vehicle Parts Business, and the Property Investment Business. As at 30 September 2023, trade receivables and trade payables of the Group were approximately HK\$151.6 million and HK\$91.1 million (31 March 2023: approximately HK\$170.3 million and approximately HK\$121.9 million), respectively. The Group has a policy in financial risk management to ensure settlement of all receivables and payables during the credit period.

Liquidity risk

Liquidity risk is the risk that funds will not meet liabilities as they fall due. This may arise from mismatches in amounts or time with regard to the maturity of financial assets and liabilities. The objectives of the Group's liquidity risk management are: (1) maintaining the liquidity to support Group's principal business; (2) projecting cash flows and timely monitoring cash and bank balance position; and (3) evaluating the need for financing and, if necessary, securing borrowings to ensure the Group's liquidity position.

TREASURY POLICIES

As at 30 September 2023, bank borrowings of approximately HK\$35.0 million, HK\$20.4 million and HK\$4.9 million (31 March 2023: approximately HK\$35.0 million, HK\$6.0 million and Nil) were denominated in HK\$, US\$ and RMB respectively. The Group's bank borrowings are subject to floating interest rates.

Cash and cash equivalents held by the Group were mainly denominated in HK\$, US\$ and RMB. The Group currently does not have foreign currency and interest rate hedging policies. However, the management of the Group monitors the foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign exchange and interest rate exposure if needed.

CHARGE OF ASSETS

As of 30 September 2023, the investment properties and leasehold land and buildings in Hong Kong held by the Group with an aggregate carrying value of approximately HK\$106.6 million (31 March 2023: approximately HK\$101.9 million) were pledged as first legal charges for the Group's banking facilities.

USE OF NET PROCEEDS FROM THE PLACING OF NEW SHARES

Reference is made to the announcement of the Company dated 14 August 2023, 15 August 2023 and 4 September 2023 relating to the placing of new ordinary shares of HK\$0.01 each (the "**Share**") of the Company, the Company and the placing agent (the "**Placing Agent**") entered into the placing agreement (the "**Placing Agreement**"), pursuant to which the Company agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as placing agent for the purpose of procuring, as agent of the Company, placees (the "**Placees**") for, or failing which on a best effort basis, a maximum of 185,678,193 placing shares (the "**Placing Share(s)**") to not less than six Placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at the placing price of HK\$0.180 per Placing Share (the "**Placing**"), all conditions set out in the Placing Agreement have been fulfilled and completion of the Placing took place on 4 September 2023.

The net proceeds after deducted from professional fees and other related expenses ("**Net Proceeds**") from the Placing were approximately HK\$32.60 million, on such basis, the net price of each Share under the Placing is approximately HK\$0.176.

The net proceeds applied by the Group during the period from the completion date up to 30 September 2023 are as follows:

	Planned use of proceeds HK\$'000	Actual use of proceeds HK\$'000	Unused amount HK\$'000	Expected timeline for utilising the remaining net proceeds (Note)
Existing operations	22,820	(8,221)	14,599	End of 2024
Potential investment	6,520	—	6,520	End of 2024
General working capital	3,260	—	3,260	End of 2024
Total	32,600	(8,221)	24,379	

Note: The expected timeline for utilising the remaining net proceeds is based on the best estimation of the Company taking into accounts, among others, prevailing and future market conditions and business development and needs, and therefore is subject to change.

Any net proceeds that were not applied immediately have been placed at the short-term deposits with licensed banks in order to generate higher returns.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 29 March 2023, the Group entered into a sale and purchase agreement to acquire the entire issued shares of Longyi at a total consideration of HK\$30,946,365.40. The Acquisition was completed on 1 August 2023, the date on which the control of Longyi was passed to the Group.

On 17 May 2023, the Group entered into a sale and purchase agreement to dispose the entire issued shares of GBR (HK) Limited (“**GBR HK**”) at a consideration of HK\$1,000,000. The disposal was completed on 31 May 2023, the date on which the control of GBR HK was no longer belonging to the Group.

Save as disclosed above, the Group had no other material acquisition and disposal of subsidiaries or associated companies during the Reporting Period.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the six months ended 30 September 2023 are set out in note 4 to the condensed consolidated financial statements attached to this interim report.

CAPITAL COMMITMENTS

The Group did not have any material capital commitment as at 30 September 2023.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 30 September 2023, the utilised facilities amounted to approximately HK\$60.3 million (31 March 2023: approximately HK\$40.1 million).

Except for the foregoing, as at 30 September 2023, the Group had no other significant contingent liabilities or pending litigation.

STAFF AND REMUNERATION POLICIES

As at 30 September 2023, the Group had a total of 99 employees (31 March 2023: 34 employees). Total staff costs (including Directors' emoluments) for the six months ended 30 September 2023 amounted to approximately HK\$3.3 million (for the six months ended 30 September 2022: approximately HK\$3.4 million). Primary means of remuneration include contributory provident funds, insurance and standard medical benefits. The emoluments of the Directors are decided by the remuneration committee of the Company based on the Company's operating results, individual performance and comparable market statistics. The Group has also adopted an annual discretionary bonus scheme for management and staff subject to the performance of the Group and individual employees. As at 30 September 2023, the Group has no outstanding share options issued to the Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.

SIGNIFICANT INVESTMENT

The Group had no significant investment during the six months ended 30 September 2023.

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

During the six months ended 30 September 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the six months ended 30 September 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors complied with the required standards as set out in the Model Code during the six months ended 30 September 2023.

The Company has also established written guidelines for senior management and employees in certain functions in respect of their dealings in the securities of the Company for their strict compliance. The Company issued notices to all Directors, senior management and relevant employees reminding them to comply with the restriction on dealing of securities of the Company under the above code and guidelines 60 days prior to the publication of the annual results and 30 days prior to the publication of the interim results.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the Reporting Period and up to the date of this interim report, the Directors confirm that none of the controlling shareholders of the Company or the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business which competes or is likely to compete, directly or indirectly, with the Group's business apart from the business operated by the Group.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the “**Audit Committee**”) include reviewing and supervising of the Group’s financial reporting process, risk management and internal control. The Audit Committee currently comprises of three independent non-executive directors, namely Ms. Choi Ka Ying (Chairman), Ms. He Xiaodong and Mr. Chen Conghu.

REVIEW OF THE INTERIM FINANCIAL RESULTS

The interim financial results of the Group for the Reporting Period are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules, and adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is available for viewing on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.seiah.com). The interim report of the Company for the Reporting Period containing all information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board

State Energy Group International Assets Holdings Limited

Zhang Jinbing

Chairman

Hong Kong, 27 November 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Zhang Jinbing, Mr. Wu Tingjun, Mr. Wang Yuelai and Mr. Yang Zeyun; the independent non-executive Directors of the Company are Ms. Choi Ka Ying, Mr. Chen Conghu and Ms. He Xiaodong.