



**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



2023
INTERIM REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Zhang Jinbing (*Chairman*)
Mr. Yang Zeyun (Chief Executive Officer,
appointed on 22 August 2023)
Mr. Wang Yuelai
(appointed on 22 August 2023)
Mr. Wu Tingjun

Independent Non-executive Directors:

Mr. Chen Conghu
Ms. Choi Ka Ying
Ms. He Xiaodong

COMPANY SECRETARY

Ms. Lee Eva

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Unit 13, 5/F, Tower 1
Harbour Centre
1 Hok Cheung Street
Hung Hom, Kowloon
Hong Kong

AUDITOR

CL Partners CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited

SOLICITORS

Bermuda:
Conyers Dill & Pearman

Hong Kong:
WE Lawyers

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda:
MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Hong Kong:
Tricor Abacus Limited
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

0918

MANAGEMENT COMMENTARY

The board (the “**Board**”) of directors (the “**Directors**”) of State Energy Group International Assets Holdings Limited (the “**Company**”) presents the interim report and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2023, together with the comparative figures for the corresponding period in 2022.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 <i>HK\$'000</i>	Actual use of proceeds <i>HK\$'000</i>	Unused amount <i>HK\$'000</i>	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	<u>32,600</u>	<u>(8,221)</u>	<u>24,379</u>	

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.

OTHER INFORMATION

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.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") which became effective on 28 September 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. The offer of a grant may be accepted upon payment of a nominal consideration of HK\$1 per acceptance. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price will be determined by the Board, but shall not be less than the highest of (i) the closing prices of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share options under the above scheme were granted nor exercised during the six months ended 30 September 2023 and no share options were outstanding as at 30 September 2023.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30 September 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") (Chapter 571 of the Laws of Hong Kong)) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of Part XV of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

OTHER INFORMATION

(I) LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of Director or chief executive	Nature of interest	Number of issued shares held	Percentage of the issued share capital
Mr. Zhang Jinbing ("Mr. Zhang")	Interest in controlled corporation (<i>Note 1</i>)	527,238,938 (<i>Note 1</i>)	47.32%

Note:

- 1 These shares were held by Always Profit Development Limited ("**Always Profit**"). Always Profit was wholly-owned by Mr. Zhang. Hence, Mr. Zhang was deemed to be interested in 546,448,493 shares in the Company held by Always Profit pursuant to the SFO.

(II) LONG POSITIONS IN THE SHARES OF THE COMPANY'S ASSOCIATED CORPORATIONS

Name of Director or chief executive	Name of associated corporation	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the associated corporation
Mr. Zhang	Always Profit	Beneficial owner (<i>Note</i>)	1	100%

Note:

Always Profit is a company incorporated in British Virgin Islands with limited liability which owned 527,238,938 Shares of the Company (representing 47.32% of the issued share capital of the Company), and thus was the direct holding company of the Company.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2023.

Save as disclosed above, as at 30 September 2023, none of the Directors or chief executives was a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company in which disclosure to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO is required.

SUBSTANTIAL SHAREHOLDERS' INTEREST

So far as is known to the Directors and the chief executives of the Company, as at 30 September 2023, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Nature of interest	Number of issued shares of the Company held	Approximate percentage of the issued share capital of the Company
Always Profit	Beneficial owner	527,238,938	47.32%

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 September 2023.

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.

OTHER INFORMATION

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.

By Order of the Board

State Energy Group International Assets Holdings Limited

Zhang Jinbing

Chairman

Hong Kong

27 November 2023

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 (Unaudited)	2022 (Unaudited) (Restated)
		HK\$'000	HK\$'000
	Notes		
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)

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 <i>(Unaudited)</i>	2022 <i>(Unaudited)</i> <i>(Restated)</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>		
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)
		(1,858)	(11,481)
Total comprehensive expense			
attributable to:			
Owners of the Company		(2,118)	(8,786)
(Loss) earning per share attributable to			
owners of the Company	<i>11</i>		
From continuing and discontinued operations			
— Basic and diluted (HK cents)		(0.22)	(1.48)
From continuing operations			
— Basic and diluted (HK cents)		(1.07)	(0.10)
From discontinued operation			
— Basic and diluted (HK cents)		0.85	(1.38)

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
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	13	34,903	31,957
Investment properties	14	101,190	100,527
Right-of-use assets	13	452	86
Goodwill	15	13,913	696
Other intangible assets	15	34,974	6,203
Other receivables	16	5,353	5,192
		190,785	144,661
Current assets			
Inventories		131,183	108,641
Trade and other receivables	16	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
Total assets		552,419	492,630
Current liabilities			
Trade and other payables	19	107,547	154,697
Contract liabilities		32,006	10,297
Bank borrowings	20	60,280	40,966
Lease liabilities		459	94
Tax payable		766	8,202
		201,058	214,256
Net current assets		160,576	133,713
Total assets less current liabilities		351,361	278,374

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Attributable to equity holders of the Company										Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Consolidation reserve HK\$'000	PRC Statutory Reserve HK\$'000	Transition reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus reserve HK\$'000	Other reserve HK\$'000	Retained earnings/ Accumulated losses HK\$'000	
Balance at 1 April 2022 (Audited)	7,737	195,691	8,360	2,214	638	761	10,254	93,718	(8,858)	(10,249)	300,266
Loss for the period	–	–	–	–	–	–	–	–	–	(11,481)	(11,481)
Other comprehensive income (expense) for the period	–	–	2,988	–	–	(293)	–	–	–	–	2,695
Total comprehensive income (expense) for the period	–	–	2,988	–	–	(293)	–	–	–	(11,481)	(8,786)
Balance at 30 September 2022 (Unaudited)	7,737	195,691	11,348	2,214	638	468	10,254	93,718	(8,858)	(21,730)	291,480
Balance at 1 April 2023 (Audited)	7,737	195,691	9,301	2,214	638	411	10,254	93,718	(8,858)	(34,901)	276,205
Loss for the period	–	–	–	–	–	–	–	–	–	(1,858)	(1,858)
Other comprehensive income (expense) for the period	–	–	2,272	–	–	(2,532)	–	–	–	–	(280)
Total comprehensive income (expense) for the period	–	–	2,272	–	–	(2,532)	–	–	–	(1,858)	(2,118)
Issue of shares in acquisition of a subsidiary	1,547	35,589	–	–	–	–	–	–	–	–	37,136
Issue of shares in placing of shares	1,857	31,565	–	–	–	–	–	–	–	–	33,422
Adjustment upon disposal of a subsidiary	–	–	–	–	(638)	(938)	–	–	8,858	(7,282)	–
Balance at 30 September 2023 (Unaudited)	11,141	262,845	11,573	2,214	–	(3,059)	10,254	93,718	–	(44,041)	344,645

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	For the six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Net cash flows used in operating activities	(49,905)	(42,196)
Investing activities		
Bank interest received	41	13
Additions of property, plant and equipment	(879)	—
Acquisition of a subsidiary, net of cash acquired	25,419	(8,214)
Disposal of a subsidiary, net of cash disposed	676	—
Net cash flows generated from (used in) investing activities	25,257	(8,201)
Financing activities		
Proceeds from bank borrowings	41,375	29,773
Repayment of bank borrowings	(26,966)	(5,000)
Interest paid	(1,301)	(189)
Repayment of lease liabilities	(288)	(674)
Proceeds from issue of shares pursuant to placing, net of transaction cost	32,600	—
Net cash flows generated from financing activities	45,420	23,910
Net increase (decrease) in cash and cash equivalents	20,772	(26,487)
Cash and cash equivalents at beginning of period	15,495	66,145
Effects of exchange rate changes, net	7,295	5,272
Cash and cash equivalents at end of period	43,562	44,930
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	43,562	44,930

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 (Unaudited) HK\$'000	2022 (Unaudited) 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	—
	90,254	127,539
Revenue from other sources		
Rental income	1,770	1,954
	92,024	129,493

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Analysis of revenue (Continued)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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.

	For the six months ended 30 September 2023							
	Continuing operations				Discontinued operation			
	Wholesale business- Garment <i>(Unaudited)</i> HK\$'000	Wholesale business- Watch <i>(Unaudited)</i> HK\$'000	Property investment <i>(Unaudited)</i> HK\$'000	Unmanned aerial vehicle parts business <i>(Unaudited)</i> HK\$'000	Subtotal <i>(Unaudited)</i> HK\$'000	Marketing services <i>(Unaudited)</i> HK\$'000	Subtotal <i>(Unaudited)</i> HK\$'000	Total <i>(Unaudited)</i> HK\$'000
Revenue	31,641	48,875	1,770	9,738	92,024	–	–	92,024
Segment operating profit (loss)	(11,788)	3,551	3,365	1,288	(3,584)	(71)	(71)	(3,655)
Unallocated corporate income					1,017		138	1,155
Unallocated corporate expenses					(4,695)		–	(4,695)
Gain on disposal of a subsidiary					–		7,208	7,208
Operating (loss) profit					(7,262)		7,275	13
Finance costs					(1,314)		–	(1,314)
(Loss) profit before taxation					(8,576)		7,275	(1,301)
Income tax expense					(557)		–	(557)
(Loss) profit for the period					(9,133)		7,275	(1,858)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 September 2022
(Restated)

	Continuing operations				Discontinued operation			Total (Unaudited) HK\$'000		
	Wholesale business- Garment (Unaudited) HK\$'000	Wholesale business- Watch (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Unmanned aerial vehicle parts business (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Marketing services (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000			
	Revenue	76,179	51,380	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							
	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	182,037	112,859	106,571	82,784	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

As at 31 March 2023
(Restated)

	Continuing operations				Discontinued operation			
	Wholesale business- Garment <i>(Audited)</i> HK\$'000	Wholesale business- Watch <i>(Audited)</i> HK\$'000	Property investment <i>(Audited)</i> HK\$'000	Unmanned aerial vehicle parts business <i>(Audited)</i> HK\$'000	Subtotal <i>(Audited)</i> HK\$'000	Marketing services <i>(Audited)</i> HK\$'000	Subtotal <i>(Audited)</i> HK\$'000	Total <i>(Audited)</i> 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 For the six months ended 30 September	
	2023 <i>(Unaudited)</i> HK\$'000	2022 <i>(Unaudited)</i> <i>(Restated)</i> 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

5. OTHER LOSSES/OTHER INCOME

	For the six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) (Restated) 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)
	(1,536)	(2,744)
Other income		
Bank interest income	41	13
Interest income from a loan to a third party	361	—
Government grants	588	142
Sundry income	27	—
	1,017	155

6. FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	For the six months ended 30 September	
	2023 <i>(Unaudited)</i> HK\$'000	2022 <i>(Unaudited)</i> <i>(Restated)</i> 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

8. STAFF COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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:

	<i>HK\$'000</i>
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	7,275
	<hr/>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 (Unaudited) HK\$'000	2022 (Unaudited) (Restated) 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	—	—
	557	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

11. (LOSS) EARNING PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted loss per share is based on the following data:

	For the six months ended 30 September	
	2023 <i>(Unaudited)</i> HK\$'000	2022 <i>(Unaudited)</i> <i>(Restated)</i> HK\$'000
Loss attributable to owners of the Company	(1,858)	(11,481)
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share	852,632	773,659

(b) From continuing operations

The calculation of the basic and diluted loss per share is based on the following data:

	For the six months ended 30 September	
	2023 <i>(Unaudited)</i> HK\$'000	2022 <i>(Unaudited)</i> <i>(Restated)</i> HK\$'000
Loss attributable to owners of the Company	(9,133)	(799)
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share	852,632	773,659

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

11. (LOSS) EARNING PER SHARE (CONTINUED)

(c) From discontinued operation

The calculation of the basic and diluted earning (loss) per share is based on the following data:

	For the six months ended 30 September	
	2023 <i>(Unaudited)</i> HK\$'000	2022 <i>(Unaudited)</i> <i>(Restated)</i> HK\$'000
Profit (loss) attributable to owners of the Company	7,275	(10,682)
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share	852,632	773,659

12. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2023 (2022: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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	101,190	100,527

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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.

	Goodwill HK\$'000	Other intangible assets		Total 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	13,913	5,040	29,934	34,974
At 30 September 2023				
Cost	13,913	8,142	30,521	38,663
Accumulated amortisation	—	(3,102)	(587)	(3,689)
Net book amount	13,913	5,040	29,934	34,974
At 31 March 2023				
Cost	696	8,142	—	8,142
Accumulated amortisation	—	(1,939)	—	(1,939)
Net book amount	696	6,203	—	6,203

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

16. TRADE AND OTHER RECEIVABLES

	30 September 2023 <i>(Unaudited)</i> HK\$'000	31 March 2023 <i>(Audited)</i> 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)
	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 <i>(Unaudited)</i> HK\$'000	31 March 2023 <i>(Audited)</i> 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

17. ACQUISITION OF SUBSIDIARIES (CONTINUED)

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 1 August 2023 HK\$'000	Sinoforce Group 14 June 2022 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)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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	30,000,000,000	300,000
Issued and fully paid:		
At 31 March 2023, 1 April 2022 (<i>Audited</i>)	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))	185,678,193	1,857
At 30 September 2023	1,114,069,159	11,141

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

19. TRADE AND OTHER PAYABLES

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

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 <i>(Unaudited)</i> HK\$'000	31 March 2023 <i>(Audited)</i> 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
	91,136	121,880

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.

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For the six months ended 30 September 2023

20. BANK BORROWINGS

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	180	360
Post-employment benefits	—	—
	180	360

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

23. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

	30 September 2023 <i>(Unaudited)</i> HK\$'000	31 March 2023 <i>(Audited)</i> 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

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