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華邦科技控股有限公司

HUABANG TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3638)

**INTERIM RESULTS FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2023**

The board of Directors (the “Board”) of Huabang Technology Holdings Limited (the “Company”) is pleased to announce the following unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2023 (“Current Period”) together with the unaudited comparative figures for the corresponding periods in 2022 (“Last Corresponding Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2023

		Unaudited	
		Six months	
		ended 30 September	
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	197,320	125,883
Cost of sales		<u>(203,485)</u>	<u>(119,501)</u>
Gross (loss)/profit		(6,165)	6,382
Selling expenses		(945)	(9)
General and administrative expenses		(19,916)	(19,397)
Expected credit loss on financial assets, net	5	(9,167)	(61,150)
Other income and gains, net		<u>558</u>	<u>718</u>
Operating loss		(35,635)	(73,456)
Finance costs	6	<u>(6,326)</u>	<u>(3,125)</u>
Loss before income tax	7	(41,961)	(76,581)
Income tax (expense)/credit	8	<u>(259)</u>	<u>8,648</u>
Loss for the period		<u>(42,220)</u>	<u>(67,933)</u>
Attributable to:			
Owners of the Company		(32,913)	(68,972)
Non-controlling interests		<u>(9,307)</u>	<u>1,039</u>
		<u>(42,220)</u>	<u>(67,933)</u>
Loss per share attributable to owners of the Company			
Basic	9	HK(6.22) cent	HK(15.68) cent
Diluted	9	<u>HK(6.22) cent</u>	<u>HK(15.68) cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Unaudited Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Loss for the period	(42,220)	(67,933)
Other comprehensive expense		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>(116)</u>	<u>(536)</u>
Total comprehensive expense for the period	<u>(42,336)</u>	<u>(68,469)</u>
Attributable to:		
Owners of the Company	(33,029)	(69,508)
Non-controlling interests	<u>(9,307)</u>	<u>1,039</u>
	<u>(42,336)</u>	<u>(68,469)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		Unaudited	Audited
		30 September	31 March
		2023	2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	202,895	208,524
Right-of-use assets	<i>11</i>	9,230	11,120
Intangible assets	<i>12</i>	11,670	12,090
Deposits, prepayments and other receivables	<i>15</i>	1,477	1,495
Deferred tax assets		17,152	17,152
		<u>242,424</u>	<u>250,381</u>
Current assets			
Inventories		19,504	27,672
Loan receivables	<i>13</i>	12,985	20,362
Account receivables	<i>14</i>	40,289	58,943
Deposits, prepayments and other receivables	<i>15</i>	50,688	45,828
Financial assets at fair value through profit or loss		205	372
Income tax recoverable		1,095	1,056
Bank balances held on behalf of clients		1,941	2,314
Cash and cash equivalents		35,913	30,959
		<u>162,620</u>	<u>187,506</u>
Total assets		<u>405,044</u>	<u>437,887</u>
EQUITY			
Share capital	<i>16</i>	5,262	4,385
Other reserves		584,123	559,600
Accumulated losses		(416,963)	(384,050)
Total equity attributable to owners of the Company		172,422	179,935
Non-controlling interests		(2,960)	6,347
Total equity		<u>169,462</u>	<u>186,282</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2023

		Unaudited 30 September 2023 <i>HK\$'000</i>	Audited 31 March 2023 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities	<i>11</i>	6,277	7,943
Deferred tax liabilities		<u>818</u>	<u>908</u>
		<u>7,095</u>	<u>8,851</u>
Current liabilities			
Account payables	<i>17</i>	53,756	56,648
Other payables and accrued expenses	<i>17</i>	9,331	9,412
Lease liabilities	<i>11</i>	3,493	3,577
Borrowings	<i>18</i>	161,580	173,052
Income tax payables		<u>327</u>	<u>65</u>
		<u>228,487</u>	<u>242,754</u>
Total liabilities		<u>235,582</u>	<u>251,605</u>
Total equity and liabilities		<u>405,044</u>	<u>437,887</u>
Net current liabilities		<u>(65,867)</u>	<u>(55,248)</u>
Total assets less current liabilities		<u>176,557</u>	<u>195,133</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Unaudited Attributable to owners of the Company											
	Other reserves										Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Merger reserve HK\$'000 Note (a)	Capital reserve HK\$'000 Note (b)	Statutory reserve HK\$'000 Note (c)	Exchange reserve HK\$'000	Sub total HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
For 6 months ended 30 September 2022												
Balance as at 1 April 2022 (audited)	3,654	502,332	(21,630)	50,374	2,480	1,042	4,177	538,775	(256,445)	285,984	8,716	294,700
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(68,972)	(68,972)	1,039	(67,933)
Other comprehensive expense												
Currency translation differences	-	-	-	-	-	-	(536)	(536)	-	(536)	-	(536)
Total comprehensive (expense)/income	-	-	-	-	-	-	(536)	(536)	(68,972)	(69,508)	1,039	(68,469)
Transaction with owners												
Issuance of shares upon placement	731	21,190	-	-	-	-	-	21,190	-	21,921	-	21,921
Balance as at 30 September 2022 (unaudited)	4,385	523,522	(21,630)	50,374	2,480	1,042	3,641	559,429	(325,417)	238,397	9,755	248,152
For 6 months ended 30 September 2023												
Balance as at 1 April 2023 (audited)	4,385	523,192	(21,630)	50,374	2,810	1,042	3,812	559,600	(384,050)	179,935	6,347	186,282
Loss for the period	-	-	-	-	-	-	-	-	(32,913)	(32,913)	(9,307)	(42,220)
Other comprehensive expense												
Currency translation differences	-	-	-	-	-	-	(116)	(116)	-	(116)	-	(116)
Total comprehensive expense	-	-	-	-	-	-	(116)	(116)	(32,913)	(33,029)	(9,307)	(42,336)
Transaction with owners												
Issuance of shares upon placement	877	24,639	-	-	-	-	-	24,639	-	25,516	-	25,516
Balance as at 30 September 2023 (unaudited)	5,262	547,831	(21,630)	50,374	2,810	1,042	3,696	584,123	(416,963)	172,422	(2,960)	169,462

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2023

Notes:

(a) Merger reserve

The Group's merger reserve represents the difference between the share capital of the Company and the aggregate amount of share capital of other companies comprising the Group, after elimination of intra-group investments.

(b) Capital reserve

The Group's capital reserve represents deemed contribution by the Controlling Shareholders as a shareholder acquired the remaining non-controlling interests of a subsidiary and contributed to the Group at no cost prior to 1 April 2011.

(c) Statutory reserve

The Company's subsidiary in the People's Republic of China (the "PRC") is required to transfer 10% of its profit after income tax calculated in accordance with the PRC accounting standards and regulations to the statutory reserve until the balance reaches 50% of its respective registered capital, where further transfers will be at its directors' discretion. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to equity holders of the PRC subsidiary in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory reserve after such issue is no less than 25% of share capital of the PRC subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Unaudited	
	Six months	
	ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Net cash flows (used in)/generated from operating activities	(1,017)	10,054
Net cash flows generated from investing activities	–	638
Net cash flows generated from financing activities	<u>6,075</u>	<u>3,765</u>
Net increase in cash and cash equivalents	5,058	14,457
Cash and cash equivalents as at 1 April	30,959	46,660
Effect of foreign exchange rate changes, net	<u>(104)</u>	<u>(49)</u>
Cash and cash equivalents as at 30 September	<u>35,913</u>	<u>61,068</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 February 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 309, Uglan House, Grand Cayman, KY1- 1104, Cayman Islands and the principal place of business is 33/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in (i) computer and electronic products trading business (including computer and peripheral products and electronics products business), (ii) food trading business and (iii) financial services business (including securities brokerage business, advisory services business and money lending business).

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The interim condensed consolidated financial information are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company. All values are rounded to the nearest thousands, unless otherwise stated.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Going concern assessment

As at 30 September 2023, the Group had net current liabilities of approximately HK\$65,867,000 (31 March 2023: approximately HK\$55,248,000) and loss for the period of approximately HK\$42,220,000 for the period then ended. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing the Group's ability to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its repayment obligations, as and when they fall due. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include the following:

- the Group expects to generate positive operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from computer products trading business and food trading business to generate additional operating cash inflows; and
- the Group is actively and regularly reviewing its capital structure and negotiating with banks and other financial institutions for roll-over or re-financing its existing borrowings and will consider raising additional fundings by bank borrowings and by issuing new shares, where appropriate.

In addition, bank borrowings of HK\$141,062,000 (31 March 2023: HK\$151,250,000) were secured by the Group's owned properties situated in Hong Kong. The Group considered it has sufficient collateral to support the roll-over or refinancing of a substantial portion of the existing borrowings to extend the repayment dates to beyond twelve months from the end of the reporting period. In making this assessment, the Group has considered, among other things, the nature, the value and the volatility of value of its owned properties.

After considering the above, the directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period. Consequently, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to achieve the above plans and measures such that it would not be operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts and to provide for financial liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 March 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2023 for the preparation of the Group's interim condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

3.1 Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the interim condensed consolidated financial statements.

3.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

In addition, the Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies which are mandatorily effective for the Group’s annual period beginning on 1 April 2023 for the preparation of the Group’s consolidated financial statements for the year ending 31 March 2024.

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

4. REVENUE AND SEGMENT INFORMATION

Revenue

An analysis of revenue is as follows:

	Unaudited Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers (Note i)	<u>196,677</u>	<u>122,670</u>
Revenue from other sources		
<i>Interest income calculated using the effective interest method from:</i>		
– loan receivables	643	2,930
– cash client receivables	<u>–</u>	<u>283</u>
	<u>643</u>	<u>3,213</u>
Total revenue	<u><u>197,320</u></u>	<u><u>125,883</u></u>

Note:

(i) *Disaggregated revenue information for revenue from contracts with customers*

	Unaudited Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Type of goods or services		
<i>Sales of goods</i>	196,677	122,615
<i>Service income</i>		
– Provision of underwriting and placing services	–	–
<i>Commission income</i>		
– Provision of securities brokerage services	<u>–</u>	<u>55</u>
	<u><u>196,677</u></u>	<u><u>122,670</u></u>
Timing of revenue recognition		
A point in time	<u><u>196,677</u></u>	<u><u>122,670</u></u>

All the sales of goods, service income and commission income have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Company. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports.

In 2023, after the acquisition of food trading business, the CODM considers that the Group has three operating and reporting segments which are (i) computer and electronic products trading business (including computer and peripheral products and electronics products business), (ii) food trading business and (iii) financial services business (including securities brokerage business, advisory services business and money lending business).

The CODM assesses the performance of the operating segments based on segment (loss)/profit. Expenses, where appropriate, are allocated to operating segments with reference to revenue contributions of the respective segments. Unallocated income and expenses are not included in the result for each operating segment that is reviewed by the CODM.

Segment assets consist primarily of certain property plant and equipment, right-of-use assets, intangible assets, inventories, account receivables, loan receivables, certain deposits, prepayments and other receivables, certain financial assets at fair value through profit or loss, certain cash and cash equivalents and bank balances held on behalf of clients. They exclude interest in an associate, deferred tax assets, income tax recoverable and other unallocated assets, which are managed centrally.

Segment liabilities consist primarily of account payables, lease liabilities, certain borrowings, certain other payables and accrued expenses. They exclude deferred tax liabilities, income tax payables and other unallocated liabilities, which are managed centrally.

Food trading business were commenced during the year ended 31 March 2023 as a result of the acquisition of subsidiaries. Therefore, a new segment of food trading business was added in the current period.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Unaudited			
	For the six months ended 30 September 2023			
	Computer and electronic products trading business HK\$'000	Food trading business HK\$'000	Financial services business HK\$'000	Total HK\$'000
Revenue from external customers	141,035	55,642	643	197,320
Cost of sales from external customers	(159,956)	(43,529)	-	(203,485)
	(18,921)	12,113	643	(6,165)
Selling expenses	(1)	(944)	-	(945)
General and administrative expenses	(4,724)	(5,568)	(943)	(11,235)
Expected credit loss on financial assets, net	-	-	(9,167)	(9,167)
Other income and gains, net	546	97	(108)	535
Finance costs	(5,400)	(402)	-	(5,802)
Segment (loss)/profit	(28,500)	5,296	(9,575)	(32,779)
Finance costs				(524)
Unallocated expenses				(8,658)
Loss before income tax				(41,961)
Income tax expense				(259)
Loss for the period				(42,220)

Unaudited			
For the six months ended 30 September 2022			
	Computer and electronic products trading business <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	122,615	3,268	125,883
Cost of sales from external customers	<u>(119,501)</u>	<u>–</u>	<u>(119,501)</u>
	3,114	3,268	6,382
Selling expenses	(9)	–	(9)
General and administrative expenses	(2,673)	(5,979)	(8,652)
Expected credit loss on financial assets, net	–	(61,150)	(61,150)
Other income and gains, net	219	46	265
Finance costs	<u>(2,281)</u>	<u>–</u>	<u>(2,281)</u>
Segment loss	<u><u>(1,630)</u></u>	<u><u>(63,815)</u></u>	<u>(65,445)</u>
Finance costs			(844)
Unallocated expenses			<u>(10,292)</u>
Loss before income tax			(76,581)
Income tax credit			<u>8,648</u>
Loss for the period			<u><u>(67,933)</u></u>

Interest revenue of HK\$643,000 (Last Corresponding Period: HK\$3,213,000) was included in revenue from external customers, wholly contributed by financial services business segment.

Segment assets and liabilities

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

	Unaudited			
	As at 30 September 2023			
	Computer and electronic products trading business	Food trading business	Financial services business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>96,367</u>	<u>47,655</u>	<u>25,461</u>	<u>169,483</u>
Segment liabilities	<u>197,195</u>	<u>22,638</u>	<u>2,153</u>	<u>221,986</u>
	Audited			
	As at 31 March 2023			
	Computer and electronic products trading business	Food trading business	Financial services business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>127,677</u>	<u>48,853</u>	<u>43,667</u>	<u>220,197</u>
Segment liabilities	<u>205,101</u>	<u>25,537</u>	<u>2,625</u>	<u>233,263</u>

The reconciliations of segment assets to total assets and segment liabilities to total liabilities are provided as follows:

	Unaudited 30 September 2023 <i>HK\$'000</i>	Audited 31 March 2023 <i>HK\$'000</i>
Segment assets	169,483	220,197
Cash and cash equivalents	25,598	3,728
Property, plant and equipment	191,166	195,284
Deposits, prepayments and other receivables	550	470
Deferred tax assets	17,152	17,152
Income tax recoverable	1,095	1,056
	<hr/>	<hr/>
Total assets	405,044	437,887
	<hr/>	<hr/>
Segment liabilities	221,986	233,263
Deferred tax liabilities	818	908
Income tax payables	327	65
Borrowings	10,000	10,000
Other unallocated liabilities	2,451	7,369
	<hr/>	<hr/>
Total liabilities	235,582	251,605
	<hr/>	<hr/>

The Group's operations are located in Hong Kong and the PRC.

Majority of the Group's revenue were derived from operations located in Hong Kong.

Other segment information

	Unaudited For the six months ended 30 September 2023			
	Computer and electronic products trading business <i>HK\$'000</i>	Food trading business <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	807	691	7	1,505
Depreciation of right-of-use assets	316	1,574	–	1,890
Amortisation of intangible assets	–	420	–	420

	Unaudited		
	For the six months ended 30 September 2022		
	Computer and electronic products trading business <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to property, plant and equipment	3	–	3
Depreciation of property, plant and equipment	809	70	879
Impairment of goodwill	–	3,391	3,391
Reversal of inventories impairment	(1,313)	–	(1,313)

5. EXPECTED CREDIT LOSS ON FINANCIAL ASSETS, NET

	Unaudited	
	Six months ended 30 September	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loan receivables	1,807	3,017
Cash client receivables	7,360	55,003
Interest receivables	–	3,130
	<u>9,167</u>	<u>61,150</u>

6. FINANCE COSTS

	Unaudited	
	Six months ended 30 September	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance costs		
– Interest expenses on bank and other borrowings	6,184	3,125
– Interest expenses on lease liabilities	142	–
	<u>6,326</u>	<u>3,125</u>

7. LOSS BEFORE INCOME TAX

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

	Unaudited	
	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Cost of inventories sold	203,485	120,814
Auditor's remuneration	290	614
Depreciation of property, plant and equipment	5,617	5,249
Depreciation of right-of-use assets	1,890	211
Amortisation of intangible assets	420	–
Employee benefit expenses (<i>Note</i>)	7,230	5,151
Service fees for broker supplied systems	210	563
Impairment of goodwill	–	3,391
Reversal of impairment of inventories	–	(1,313)
	<u> </u>	<u> </u>

Note:

For the six months ended 30 September 2022, COVID-19 related government grants under “Employment Support Scheme” of the Hong Kong government, amounting to HK\$456,000, has been offset against employee benefit expenses.

8. INCOME TAX EXPENSE/(CREDIT)

	Unaudited	
	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	348	270
Deferred income tax	<u>(89)</u>	<u>(8,918)</u>
	<u>259</u>	<u>(8,648)</u>

Under the two-tiered Hong Kong Profits Tax rates regime, the first HK\$2 million of assessable profits of the qualifying group entity are taxed at 8.25%, and assessable profits above HK\$2 million are taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime are charged at a flat rate of 16.5%.

The Group has no assessable profit in PRC during the reporting periods and is not subject to any PRC corporate income tax. The PRC corporate income tax rate during the reporting periods is 25%.

9. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company for share award scheme.

	Unaudited	
	Six months ended 30 September	
	2023	2022
Loss attributable to owners of the Company (<i>HK\$'000</i>)	<u>(32,913)</u>	<u>(68,972)</u>
Weighted average number of ordinary shares in issue	<u>528,787,997</u>	<u>439,953,570</u>
Basic loss per share	<u>HK(6.22) cent</u>	<u>HK(15.68) cent</u>

(b) Diluted

Diluted loss per share for the Current Period and the Last Corresponding Period was same as the basic loss per share as there were no potential dilutive ordinary shares in existence during the reporting periods.

10. DIVIDENDS

The Board does not recommend any interim dividend for the Current Period (Last Corresponding Period: nil).

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

- a) During the Current Period, there was no additions (Last Corresponding Period: approximately HK\$3,000) for property, plant and equipment.

Also, during the Current Period, there was no disposal of property, plant and equipment. During the Last Corresponding Period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$350,000 resulting in a gain on disposal of HK\$307,000.

- b) During the period ended 30 September 2023, the Group recognised HK\$nil (30 September 2022: HK\$1,264,000) of right-of-use assets and HK\$nil (30 September 2022: HK\$1,238,000) of lease liabilities. As at 30 September 2023, the balance of right-of-use assets and lease liabilities are HK\$9,230,000 (31 March 2023: HK\$11,120,000) and HK\$9,770,000 (31 March 2023: HK\$11,520,000) respectively.

12. INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Money lending license <i>HK\$'000</i>	Contractual customer relationship <i>HK\$'000</i>	Total <i>HK\$'000</i>
30 September 2023				
Opening carrying amount	8,035	–	4,055	12,090
Amortisation	<u>–</u>	<u>–</u>	<u>(420)</u>	<u>(420)</u>
Closing carrying amount	<u>8,035</u>	<u>–</u>	<u>3,635</u>	<u>11,670</u>
At 30 September 2023				
Cost	64,689	1,703	6,950	73,342
Accumulated amortisation and impairment	<u>(56,654)</u>	<u>(1,703)</u>	<u>(3,315)</u>	<u>(61,672)</u>
Net carrying amount	<u>8,035</u>	<u>–</u>	<u>3,635</u>	<u>11,670</u>
31 March 2023				
Opening carrying amount	3,391	–	–	3,391
Acquisition of subsidiaries	8,035	–	4,194	12,229
Amortisation	–	–	(139)	(139)
Impairment	<u>(3,391)</u>	<u>–</u>	<u>–</u>	<u>(3,391)</u>
Closing carrying amount	<u>8,035</u>	<u>–</u>	<u>4,055</u>	<u>12,090</u>
At 31 March 2023				
Cost	64,689	1,703	6,950	73,342
Accumulated amortisation and impairment	<u>(56,654)</u>	<u>(1,703)</u>	<u>(2,895)</u>	<u>(61,252)</u>
Net carrying amount	<u>8,035</u>	<u>–</u>	<u>4,055</u>	<u>12,090</u>

For the six months ended 30 September 2023, amortisation charge of HK\$420,000 (31 March 2023: HK\$139,000) was included in general and administrative expenses in the consolidated income statement.

During the Current Period, there was no additions for intangible assets (Last Corresponding Period: nil).

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

13. LOAN RECEIVABLES

	Unaudited 30 September 2023 <i>HK\$'000</i>	Audited 31 March 2023 <i>HK\$'000</i>
Loan receivables	145,488	151,057
Less: Impairment		
– Stage 1	–	–
– Stage 2	–	–
– Stage 3	(132,503)	(130,695)
	<u>12,985</u>	<u>20,362</u>
Loan receivables, net	<u>12,985</u>	<u>20,362</u>

The Group's loan receivables, which arise from its money lending business in Hong Kong, are denominated in Hong Kong dollars, unsecured, bearing fixed interest rate from 8% to 18%, and recoverable within one year from the dates of inception of the loan agreements.

14. ACCOUNT RECEIVABLES

	Unaudited 30 September 2023 <i>HK\$'000</i>	Audited 31 March 2023 <i>HK\$'000</i>
Trade receivables (<i>Note</i>)	120,192	130,857
Cash client receivables	240,780	241,290
	<u>360,972</u>	<u>372,147</u>
Less: Impairment	(320,683)	(313,204)
	<u>40,289</u>	<u>58,943</u>

Account receivables are denominated in the following currencies:

	Unaudited 30 September 2023 <i>HK\$'000</i>	Audited 31 March 2023 <i>HK\$'000</i>
HK\$	14,021	24,835
US\$	26,268	34,108
	<u>40,289</u>	<u>58,943</u>

Note:

The Group generally grants credit periods up to 60 days to the customers of trading business. The aging analysis of relevant trade receivables based on invoice date is as follows:

	Unaudited 30 September 2023 HK\$'000	Audited 31 March 2023 HK\$'000
1 – 30 days	8,555	41,772
31 – 60 days	1,871	1,264
61 – 90 days	144	–
Over 90 days	<u>109,622</u>	<u>87,821</u>
	120,192	130,857
Less: Impairment	<u>(87,998)</u>	<u>(87,879)</u>
	<u>32,194</u>	<u>42,978</u>

No aging analysis is disclosed for account receivables from cash clients and clearing house as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the business.

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited 30 September 2023 HK\$'000	Audited 31 March 2023 HK\$'000
Non-current		
Other non-current deposits	1,272	1,290
Other assets	<u>205</u>	<u>205</u>
	<u>1,477</u>	<u>1,495</u>
Current		
Prepayments	1,148	2,595
Deposits and other receivables	<u>49,540</u>	<u>43,233</u>
	<u>50,688</u>	<u>45,828</u>
Total deposits, prepayments and other receivables	<u>52,165</u>	<u>47,323</u>

Deposits, prepayments and other receivables are denominated in the following currencies:

	Unaudited 30 September 2023 HK\$'000	Audited 31 March 2023 HK\$'000
HK\$	6,168	7,931
RMB	875	995
US\$	<u>45,122</u>	<u>38,397</u>
	<u>52,165</u>	<u>47,323</u>

16. SHARE CAPITAL

Authorised shares:

As at 30 September 2023, the total authorised number of ordinary shares is 9,600 million shares (31 March 2023: 9,600 million shares) with a par value of HK\$0.008333 per share (31 March 2023: HK\$0.008333 per share).

	Number of shares '000	Amount HK\$'000
As at 1 April 2022	438,478	3,654
Issuance of shares upon placement (<i>Note a</i>)	<u>87,684</u>	<u>731</u>
As at 31 March 2023, 1 April 2023	526,162	4,385
Issuance of shares upon placement (<i>Note b</i>)	<u>105,228</u>	<u>877</u>
As at 30 September 2023	<u>631,390</u>	<u>5,262</u>

Notes:

- (a) On 19 September 2022, the Group completed a placing of new shares under general mandate the “Placing”. 87,684,000 ordinary shares were issued by the Company. Shares were issued at a price of HK\$0.25 per share giving the gross proceeds of approximately HK\$21.9 million. The net proceeds of approximately HK\$21.6 million from the Placing are intended to be used for trading business of the Group for the payment for procurement of computer and peripheral products. As at 31 March 2023, all of the net proceeds of approximately HK\$21.6 million had been fully utilised as intended for the payment for procurement of computer and peripheral products for trading business.
- (b) On 19 September 2023, the Group completed a placing of new shares under general mandate the “Placing”. 105,228,000 ordinary shares were issued by the Company. Shares were issued at a price of HK\$0.25 per share giving the gross proceeds of approximately HK\$26.3 million. The net proceeds of approximately HK\$25.5 million from the Placing are intended to be used for general working capital of the Group. As of 30 September 2023, approximately HK\$9.9 million have been utilised as intended for general working capital of the Group. The remaining unutilised balance of approximately HK\$15.6 million will be utilised as intended before 31 December 2023.

17. ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	Unaudited 30 September 2023 HK\$'000	Audited 31 March 2023 HK\$'000
Trade payables (<i>Note b</i>)	51,816	54,334
Cash client payables (<i>Note a</i>)	<u>1,940</u>	<u>2,314</u>
Total account payables	-----53,756-----	-----56,648-----
Accrued expenses	2,664	3,431
Other payables	<u>6,667</u>	<u>5,981</u>
Total other payables and accrued expenses	-----9,331-----	-----9,412-----
Total account payables, other payables and accrued expenses	-----63,087-----	-----66,060-----

Notes:

- (a) The settlement terms of payables arising from securities brokerage business are normally two to three days after trade date or specific terms agreed. The majority of the cash client payables are unsecured, non-interest-bearing and repayable on demand, except where certain balances represent trades pending settlement or cash received from clients for their trading activities under the normal course of business.
- (b) The aging analysis of relevant trade payables based on invoice date is as follows:

	Unaudited 30 September 2023 HK\$'000	Audited 31 March 2023 HK\$'000
1 – 30 days	1,731	54,334
31 – 60 days	23,036	–
61 – 90 days	7,824	–
91 – 180 days	<u>19,225</u>	<u>–</u>
	-----51,816-----	-----54,334-----

No aging analysis is disclosed for cash client payables as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the business.

Account payables, other payables and accrued expenses of the Group are denominated in the following currencies:

	Unaudited 30 September 2023 HK\$'000	Audited 31 March 2023 HK\$'000
HK\$	11,034	13,750
RMB	3	3
US\$	52,050	52,307
	<u>63,087</u>	<u>66,060</u>

Other than those disclosed in Note (a) above, account payables and other payables are unsecured, non-interest-bearing and repayable on demand.

18. BORROWINGS

	Unaudited 30 September 2023 HK\$'000	Audited 31 March 2023 HK\$'000
Bank borrowings	151,580	163,052
Other borrowings	10,000	10,000
	<u>161,580</u>	<u>173,052</u>
Analysed as:		
– Secured	141,062	151,250
– Unsecured	20,518	21,802
	<u>161,580</u>	<u>173,052</u>

As at 30 September 2023, the Group's bank borrowings of HK\$141,062,000 (31 March 2023: HK\$151,250,000) are secured by the Group's leasehold properties situated in Hong Kong of HK\$190,982,000 (31 March 2023: HK\$195,022,000).

As at 30 September 2023, the Group's bank borrowings of HK\$10,518,000 (31 March 2023: HK\$11,802,000) and other borrowings of HK\$10,000,000 (31 March 2023: HK\$10,000,000) were guaranteed by a shareholder of the Company and the spouse of a substantial shareholder of the Company.

The Group's secured bank borrowings, which contain a clause giving the lender an unconditional right to demand repayment at any time, have been classified as current liabilities irrespective of the probability that the lenders will invoke the clause without cause.

The maturities of the bank borrowings that contain repayable on demand clause and other borrowings in accordance with the scheduled repayment dates are as follows:

	Unaudited 30 September 2023 <i>HK\$'000</i>	Audited 31 March 2023 <i>HK\$'000</i>
The carrying amounts of other borrowings are repayable:		
– Within one year	<u>10,000</u>	<u>10,000</u>
	<u>10,000</u>	<u>10,000</u>

The carrying amounts of bank borrowings that contain a repayment on demand clause (shown under current liabilities) are repayable:

– Within one year	132,683	138,355
– Between one and two years	13,868	7,217
– Between two and five years	<u>5,029</u>	<u>17,480</u>
	<u>151,580</u>	<u>163,052</u>
	<u>161,580</u>	<u>173,052</u>

The exposure of the Group's borrowings are as follows:

	Unaudited 30 September 2023 <i>HK\$'000</i>	Audited 31 March 2023 <i>HK\$'000</i>
Variable-rate borrowings	151,580	155,651
Fixed-rate borrowings	<u>10,000</u>	<u>17,401</u>
	<u>161,580</u>	<u>173,052</u>

As at 30 September 2023, the Group's variable-rate bank borrowings carry interest at a floating interest rate plus credit spread per annum (31 March 2023: same).

As at 30 September 2023, the Group's variable rate bank borrowings of approximately HK\$125,540,000 (31 March 2023: HK\$131,250,000) and HK\$26,040,000 (31 March 2023: HK\$24,401,000) are carrying interest at 3-month USD LIBOR plus premium and 3-month HIBOR plus premium respectively.

As at 30 September 2023, the Group's fixed rate bank borrowings of Nil (31 March 2023: HK\$7,401,000) other borrowings of HK\$10,000,000 (31 March 2023: HK\$10,000,000) are guaranteed, interest bearing at a fixed rate per annum and repayable within one year.

Borrowings of the Group are denominated in the following currencies:

	Unaudited 30 September 2023 <i>HK\$'000</i>	Audited 31 March 2023 <i>HK\$'000</i>
HK\$	36,040	41,802
US\$	125,540	131,250
	<u>161,580</u>	<u>173,052</u>

19. CAPITAL COMMITMENTS

The Group had no capital commitments at the end of the reporting period (31 March 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group was principally engaged in (i) computer and electronic products trading business, (ii) food trading business and (iii) financial services business.

(i) Computer and electronic products trading business

During the period under review, there are various factors such as the increase of interest rates by major economies, the continuous trade disputes between the PRC and the USA and the geopolitical tension in various regions, all these factors affect the overall economic and business environment which slowed down global economy and hampered international trade. It has continuously generated unprecedented challenges and uncertainties to the overall trading business environment in which the Group operates during the period under review. Attributed to these market conditions, despite the Group's overall revenue in the computer and electronic products trading business segment during the period under review, increased by approximately HK\$18.4 million from approximately HK\$122.6 million to approximately HK\$141.0 million, representing an increasing of approximately 15.0%, the Group recorded a segment loss of approximately HK\$28.5 million (Last Corresponding Period: approximately HK\$1.6 million) for the period. In view of such market conditions, the Group continuously keeps on tight control of its operations. The Group focused on enhancing operation efficiency and implementing various cost control measures. The Group also managed to further enhance its long-term and close business relationships with suppliers and customers. The Group continues to monitor the market trends and takes prompt and appropriate actions to adjust our business strategies and allocates resources effectively under different market conditions.

(ii) Food trading business

On 11 January 2023, Excel Goal Limited, an indirectly wholly-owned subsidiary of the Company, completed the acquisition of 100% equity interest in Shag Mei International Food Limited ("Shag Mei") and Legend International Food Limited ("Legend"). Shag Mei and Legend are principally engaged in trading of food products and provision of food processing in Hong Kong respectively.

The acquisition presents a great opportunity for the Group to increase its overall competitiveness and strengthen its growth momentum by expanding its trading business layout to meet the ever-changing demands which are crucial in facing market uncertainty.

The acquisition would allow the Group to accelerate business expansion in the trading segment. Upon completion of the acquisition, the Group further expand its trading products to food products. Given the difference in consumer demand between the Group's current computer products trading business and those operated by the new acquired food trading business (fast-moving nature of products), it is an opportunity for the Group to broaden its revenue streams.

Revenue and segment profit from this new food trading business contributed approximately HK\$55.6 million and 5.3 million respectively for the period ended 30 September 2023.

(iii) Financial services business

The financial services business segment that the Group operates mainly includes securities brokerage business, advisory services business and money lending business. For the Current Period, the Group recorded an overall revenue of approximately HK\$0.6 million (Last Corresponding Period: approximately HK\$3.3 million) and a segment loss of approximately HK\$9.6 million (Last Corresponding Period: approximately HK\$63.8 million) for the business segment of financial services business.

During the period under review, the local economic and financial market was weak and sluggish, the Group recorded a revenue of HK\$nil (Last Corresponding Period: approximately HK\$0.4 million) and a segment loss of approximately HK\$8.4 million (Last Corresponding Period: segment loss of approximately HK\$60.5 million) respectively in respect of the Group's securities brokerage business. The Group recorded a revenue of HK\$nil (Last Corresponding Period: HK\$nil) and a segment loss of HK\$nil (Last Corresponding Period: approximately HK\$0.1 million) respectively in respect of the Group's advisory services business. The Group recorded a revenue of approximately HK\$0.6 million (Last Corresponding Period: approximately HK\$2.9 million) and a segment loss of approximately HK\$1.2 million (Last Corresponding Period: segment loss of approximately HK\$3.2 million) respectively in respect of the Group's money lending business.

LOOKING AHEAD

The Company's management has been dedicated to exploiting new business opportunities and new business segment from time to time, including business opportunities in the trading business and financial services business.

In respect of the financial services business, while the Company's has weathered difficult business conditions in the past years due to a number of extrinsic factors and notwithstanding the Group was receptive to proposals to downsize or terminate its financial services business as stated in the Company's Annual Report 2023, since October 2023, the Board has shifted to a more optimistic view towards the potential for growth of the financial services business of the Group, as the general economic environment has begun to show signs of stabilising and resumption of its normal pace. Further, the Board anticipates that many countries and jurisdictions would consider and adopt flexible and accommodative monetary policies and may introduce fiscal stimuli to jump-start and sustain economic recovery. Notably, the Hong Kong Government has made a number of beneficial proposals in the Policy Address published on 25 October 2023, including (i) reducing the rate of the Hong Kong stamp duty chargeable for stock transfers from 0.13% to 0.1% per side, (ii) facilitate the set-up or expansion of 200 family offices from 2022 to 2025, and (iii) the implementation of the Capital Investment Entrant Scheme, allowing entry for eligible investors with HK\$30 million or more invested in assets such as stocks, funds and bonds. Therefore, the Board believes that it is an opportune time to raise funds to equip the Group with the capacity to expand and/or make investments in relation to its existing businesses to take advantage of a rebound from prior years.

In respect of the trading business of computer and peripheral products and electronics products, we are confident in the future development of the Group in the electronic and semi-conductor industry which the group operates. We are confident about the mid-to-long-term recovery of the Mainland market. In Mainland China, it is expected that the economy will be stable with growth and we believe the central government will continue to provide accommodative monetary policy and fiscal stimulus necessary to support economic growth. In view of (i) the continuing economic recovery in the PRC, and continued vitality in new consumer electronics, developments in 5G-networks and the internet-of-things, (ii) the general demand for electronic and semi-conductor components used in different sectors of manufacturing (from phones and personal electronics to new vehicles with navigation aids, etc.), and (iii) the risk of impact to the supply of electronic and semi-conductor components due to political and trade disputes between the United States of America and the PRC, as well as geopolitical tensions in various regions, the Board believes this presents opportunities in the electronics and semi-conductor industry, as well as the businesses supporting it in the PRC. The Board believes that having sufficient funds on hand would enable the Group to better verify and perform due diligence on potential investment opportunities, and allow the Group to represent itself as a genuinely interested party.

The Group has been actively exploring business opportunities in the electronics and semiconductor industry, including but not limited to acquisition of appropriate business. The Group has been commencing discussions and due diligence on relevant business opportunities of interest. It is the Group's objective to leverage suitable business opportunities to create synergies with the Group's existing electronics trading business, enabling the Group to achieve steady expansion within the electronics and semiconductor industry. As at the date of this announcement, the Group has not entered into any binding commitment with respect to any business opportunities. Should any relevant business acquisition materializes, the Company will comply with the requirements under the Listing Rules.

In respect of the food trading business, the Group took a positive view of the future prospects of the food trade business. Unlike other consumer discretionary products (such as durable goods and personal electronic products), food products enjoy a stable demand across a broad range of economic conditions. Based on the financial results of the business for the past few years, notwithstanding the social unrest experienced in Hong Kong in 2019 and the impact of the COVID-19 pandemic, this business performed steadily and continued to record profits even when broad sections of the economy in Hong Kong suffered. Looking ahead, as Hong Kong economic activities recover, the Group anticipates higher levels of consumer consumption, and higher demand from the local restaurants/catering service providers, resellers and retailers, which is expected to benefit the financial performance of the business.

Looking ahead, the management is confident with the future development of the Group. The Group will continue to adhere to our principle of steady development and positively cope with any challenges and capture suitable opportunities. The Group will continue to dedicate to exploiting new business opportunities in other sectors from time to time in order to further diversify and broaden revenue sources of the Group and generate fabulous returns and long-term values for the Shareholders.

FINANCIAL REVIEW

Revenue and Gross Profit Margin

Revenue by business segments for the Group's revenue for the six months ended 30 September 2023 is as follows:

- Computer and electronic products trading business: approximately HK\$141.0 million, being an increase of approximately HK\$18.4 million when compared to the Last Corresponding Period of approximately HK\$122.6 million
- Food trading business: approximately HK\$55.6 million, being an increase of approximately HK\$55.6 million when compared to the Last Corresponding Period of HK\$nil
- Financial services business (including securities brokerage business, advisory services business and money lending business): approximately HK\$0.6 million, being a decrease of approximately HK\$2.7 million when compared to the Last Corresponding Period of approximately HK\$3.3 million

The Group's total revenue for the Current Period was approximately HK\$197.3 million, being an increase of approximately HK\$71.4 million when compared to the Last Corresponding Period of approximately HK\$125.9 million. The increase was mainly attributable to increase in revenue derived from computer and electronic products trading business and the acquisition of food trading business.

Gross loss margin for the Current Period was approximately 3.1% (Last Corresponding Period: Gross profit margin of approximately 5.1%). Decrease in gross profit margin was mainly caused by the relatively lower gross profit earned from financial services business and computer and electronic products trading business for the Current Period.

Selling Expenses

Selling expenses of approximately HK\$0.9 million was mainly incurred for the food trading business.

General and Administrative Expenses

General and administrative expenses for the Current Period increased by approximately HK\$0.5 million from the Last Corresponding Period, which was mainly attributable to the newly acquired food trading business, which was partially offset by a decrease impairment of goodwill of the Group for the Current Period.

Expected Credit Loss on Financial Assets, net

Expected Credit Loss (“ECL”) on financial assets for the Current Period was approximately HK\$9.2 million, being a decrease of approximately HK\$52.0 million when compared to the Last Corresponding Period of approximately HK\$61.2 million, which was mainly attributed to the change in ECL incurred from cash client receivables. During the Current Period, the rates of stock market volatility and deterioration in economy were slower compared to the Last Corresponding Period, the provision of ECL on cash client receivables decreased by approximately HK\$47.6 million compared to the Last Corresponding Period. The Group did not engage any independent external valuers to perform the assessment of ECL on financial assets, instead, conducted an internal assessment and evaluation to support the impairment made. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Expected credit loss on financial assets, net are as follows:

	Unaudited	
	Six months ended	
	30 September	
	2023	2022
	HK\$’000	HK\$’000
Loan receivables (i)	1,807	3,017
Cash client receivables (ii)	7,360	55,003
Interest receivables (i)	–	3,130
	<hr/>	<hr/>
Total ECL on financial assets recognised in profit or loss	<u>9,167</u>	<u>61,150</u>

The basis for determining the impairment of the Company is based on the ECL model according to HKFRS 9. Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the impairment allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the impairment allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the impairment allowance is measured at an amount equal to lifetime ECLs

In addition to the above three-stage framework, if there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery, the relevant amount will be written off.

The assessment of the impairment is conducted based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The management of the Group regularly reviews the change of the factors in the ECL formula (if any), and determines whether the credit risk of financial assets has changed.

The Group always recognised lifetime ECL for trade receivables which are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information. For all other instruments, the Group measures the impairment equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, where the Group would then consider recognising lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk on the financial assets has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of a default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(i) Expected credit loss on loan receivables and interest receivables

Loan receivables and interest receivables are arising from the money lending business. The business model of the money lending business is targeted to provide short-term loan financing to individual and corporate clients through its business network in Hong Kong. The term of loans is within one year. The interest rate is within a range from 8% to 18% by reference to the market.

Credit risk assessments were performed by the Group before each loan was advanced. Identity checks, financial background checks, relevant public searches (such as company search and land search) were conducted on the borrowers (where applicable). In credit assessment, the Company will normally take into account factors including, but not limited to personal financial background and repayment ability of the borrowers, internal and external credit checking results, and the borrowers' repayment record to assure the clients have the financial capacity to meet loan obligations.

Subsequent to the drawdown of loans, to ensure that loan repayments are punctual and past due accounts are handled efficiently, the Group actively reviews and monitors the loan repayment status on a regular basis.

The Group has closely monitored the loans receivables for the purpose of assessing credit risk and has put effort into the collection procedures of the loan receivables, such as making phone calls and sending reminders to the relevant customers from time to time. The Group may also negotiate with customers on the repayment arrangements on a case-by-case basis according to the circumstances of the customers, especially during the COVID-19 pandemic. Legal actions may be brought against the relevant customers depending on the actual circumstances on a case-by-case basis.

ECL assessment is done based on the Group's historical credit loss experience, latest financial capabilities of the borrowers, general economic and financial conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group performs collective assessments on impairment allowance for the loan receivables and respective interest receivables on a regular basis by dividing its loans receivables into different groups according to the loan types, with each loan type sharing similar credit risk characteristics, and calculates the ECL for each loan type. The measurement of impairment allowance for collective assessment is mainly based on the amount of loans receivables and interest receivables of each loan type at a point of time and will take into the past-due status, the probability of default (which may be affected by the duration of delinquency), loss given default (i.e. the magnitude of the loss if there is a default), historical repayment performance and adjusted by forwarding-looking information such as the economic and financial environment, etc.

The Group also performs individual assessments on impairment allowance for the loan receivables and interest receivables. For individual assessment, the amount of impairment allowance on loans receivables and interest receivables will be considered on a case-by-case basis by way of expected cash flow, taking into account, among other factors, the expected date of recovery.

The Group considers the loan and respective interest receivables as a loss if the repayment of principal and/or interest has been overdue for a pro-longed period and the collection of principal and interest in full is considered improbable after exhausting all collection efforts such as initiation of legal proceedings.

For the six months ended 30 September 2023, the Group recorded an ECL on loans receivables of approximately HK\$1.8 million (Last Corresponding Period: provision of approximately HK\$3.0 million) and recorded a provision of ECL on interest receivables of HK\$Nil (Last Corresponding Period: approximately HK\$3.1 million), after assessing all the borrowers' financial background, repayment abilities and expected future cash flows. During the year, the repayment of loan receivables and interest receivables were approximately HK\$5.6 million and HK\$0.6 million respectively.

(ii) Expected credit loss on cash client receivables

Cash client receivables are arising from the securities brokerage business. For cash client receivables, the Group considers there has been a significant increase in credit risk when clients cannot meet the loan call requirement and use the loan-to-collateral value (“LTV”) to make its assessment.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers a cash client receivable is in default when LTV is larger than a defined benchmark. However, in certain cases, the Group may also consider a cash client receivable to be in default when there is a significant shortfall which indicates the Group is unlikely to receive the outstanding contractual amounts in full taking into account the pledged securities held by the Group. A cash client receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

For the six months ended 30 September 2023, the Group recorded an ECL on cash client receivables of approximately HK\$7.4 million (Last Corresponding Period: approximately HK\$55.0 million). The change was mainly due to the slower rates of stock market volatility and deterioration in economy during the period. The decrease in market value of the pledged securities of each client was relatively steady during the Current Period.

Other Income and Gains, net

The Group’s other income and gains for the Current Period was approximately HK\$0.6 million (Last Corresponding Period: approximately HK\$0.7 million). The amount mainly represents sundry income generated during the period.

Finance Costs

Finance costs for the Current Period was approximately HK\$6.3 million, being an increase of approximately HK\$3.2 million when compared to the Last Corresponding Period of approximately HK\$3.1 million. The increment was mainly attributable to the increase in interest rate during the Current Period.

Income Tax Expense/Credit

Income tax expense for the Current Period was approximately HK\$0.3 million (Last Corresponding Period: income tax credit approximately HK\$8.6 million). The change was mainly due to the assessable profits generated from food trading business for the Current Period.

Loss for the Period

The Group recorded a loss of approximately HK\$42.2 million for the Current Period, as compared to loss of approximately HK\$67.9 million for the Last Corresponding Period.

Loss for the Period Attributable to Owners of the Company

The loss for the Current Period attributable to the owners of the Company amounted to approximately HK\$32.9 million (Last Corresponding Period: approximately HK\$69.0 million), resulted in a basic loss per share for the Current Period of HK6.22 cent (Last Corresponding Period: HK15.68 cent (after share consolidation)) and diluted loss per share for the Current Period of HK6.22 cent (Last Corresponding Period: HK15.68 cent (after share consolidation)).

Inventories, Loan Receivables and Account Receivables

The Group has enhanced the inventory control policy to manage business risks associated with its principal activities. Inventories as at 30 September 2023 was approximately HK\$19.5 million (31 March 2023: approximately HK\$27.7 million). The overall inventories turnover days remained healthy and reasonable for the period under review.

As at 30 September 2023, the Group's loan receivables amounted to HK\$13.0 million (31 March 2023: approximately HK\$20.4 million), which arise from its money lending business in Hong Kong. The Group recorded an ECL of approximately HK\$1.8 million for the Current Period.

The Group continues to closely monitor the settlements from its customers on an ongoing basis to manage the credit risk from time to time. As at 30 September 2023, included in the account receivables are trade receivables and cash client receivables, which amounted to approximately HK\$32.2 million (31 March 2023: approximately HK\$43.0 million) and approximately HK\$8.1 million (31 March 2023: approximately HK\$16.0 million), respectively. Trade receivables are arising from its trading business. Cash client receivables are arising from its securities brokerage business. The Group recorded no ECL on trade receivables and recorded an ECL on cash client receivables of approximately HK\$7.4 million (30 September 2023: approximately HK\$55.0 million) for the Current Period.

Liquidity, Financial Resources, Working Capital and Treasury Policy

As at 30 September 2023, cash and cash equivalents of the Group amounted to approximately HK\$35.9 million (31 March 2023: approximately HK\$31.0 million), and the Group's net assets amounted to approximately HK\$169.5 million (31 March 2023: approximately HK\$186.3 million). As at 30 September 2023, there was approximately HK\$161.6 million outstanding borrowings balance (31 March 2023: approximately HK\$173.1 million).

As at 30 September 2023, non-current assets of the Group amounted to approximately HK\$242.4 million (31 March 2023: approximately HK\$250.4 million), the Group's current assets amounted to approximately HK\$162.6 million (31 March 2023: approximately HK\$187.5 million), and net current liabilities as at 30 September 2023 amounted to approximately HK\$65.9 million (31 March 2023: approximately HK\$55.2 million). As at 30 September 2023, the current ratio was approximately 0.7 (31 March 2023: approximately 0.8) (calculated by dividing the total current assets by the total current liabilities).

The Group's gearing ratio is calculated as net debt divided by total capital (the sum of total equity and net debt), as shown in the consolidated statement of financial position. Net debt is calculated as total borrowings less cash and cash equivalents. The gearing ratio as at 30 September 2023 was approximately 42.6% (31 March 2023: approximately 43.3%).

The Group funds its business and working capital requirements by using a balanced mix of internal resources, borrowings and funds from the Company's equity fund raising exercises. In order to release the Group's liquidity stress, the Group will resolve different approaches including but not limited to reduction of overall operating cost of in all aspects and endeavor to obtain both long-term and short-term credit facilities. The Group will strive to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. The Group would also be receptive to any feasible proposals to dispose of the low utilizing properties as suitable opportunities arise. The Group will continue to make efforts to improve the Group's liquidity and financial position by any ways including actively and regularly reviewing its capital structure negotiating with banks and other institutions for roll-over or re-financing its existing borrowings and will consider raising additional fundings by bank borrowings and by issuing bonds or new shares, where appropriate.

Capital Structure and Fund Raising Activities

The capital of the Company comprises only ordinary shares.

On 19 September 2023, 105,228,000 ordinary shares were issued by the Company. Shares were issued at a price of HK\$0.25 per share giving the gross proceeds of approximately HK\$26.3 million. The net proceeds of approximately HK\$25.5 million from the Placing are intended to be used for general working capital of the Group. As of 30 September 2023, approximately HK\$9.9 million have been utilised as intended for general working capital of the Group. The remaining unutilised balance of approximately HK\$15.6 million will be utilised as intended before 31 December 2023.

On 19 September 2022, 87,684,000 ordinary shares were issued by the Company. Shares were issued at a price of HK\$0.25 per share giving the gross proceeds of approximately HK\$21.9 million. The net proceeds of approximately HK\$21.6 million from the Placing are intended to be used for trading business of the Group for the payment for procurement of computer and peripheral products. As at 31 March 2023, all of the net proceeds of approximately HK\$21.6 million had been fully utilised as intended for the payment for procurement of computer and peripheral products for trading business.

As at 30 September 2023, the number of ordinary shares of the Company issued and fully paid was 631,390,200 (31 March 2023: 526,162,200).

Capital Commitments

The Group had no capital commitments as at 30 September 2023.

Pledge of Assets

As at 30 September 2023, the Group's bank borrowings of approximately HK\$141.1 million is secured by Group's leasehold properties situated in Hong Kong of approximately HK\$191.0 million.

As at 31 March 2023, the Group's bank borrowings of approximately HK\$151.3 million is secured by Group's leasehold properties situated in Hong Kong of approximately HK\$195.0 million.

Foreign Currency Exposure

The Group is exposed to certain foreign currency risk primarily with respect to Renminbi ("RMB") and United States dollar ("US\$") as most of the transactions are denominated in Hong Kong dollar ("HK\$"), RMB and US\$. The Group is exposed to foreign exchange risk primarily through expenses transactions that are denominated in currencies other than the functional currencies of the group companies. During the Current Period, the Group recorded a foreign exchange gain of approximately HK\$0.1 million (Last Corresponding Period: foreign exchange loss of approximately HK\$0.4 million). The Group manages its exposure to foreign currency transactions by monitoring the level of foreign currency receipts and payments and ensures that the net exposure to foreign exchange risk is kept to an acceptable level. During the Current Period, the Group has not used any forward exchange contract to hedge against foreign exchange risk as management considers its exposure as not significant. The Group will continue to manage the net exposure of foreign exchange risk to keep it at an acceptable level from time to time.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2023.

Employees and Emolument Policy

As at 30 September 2023, the Group had a total of 38 employees. Employee benefits expenses, including Directors' remuneration for the Current Period, totally amounted to approximately HK\$7.2 million (Last Corresponding Period: approximately HK\$5.2 million). The Group's remuneration policy is based on the position, duties and performance of the employees. The employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. In addition, the Group has adopted a share option scheme and a share award scheme for providing incentives and rewards to eligible persons who contribute to the success of the Group's operations. The Group has also adopted other employee benefits including a provident fund scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance, and has participated in employee pension schemes organised and governed by the relevant local governments for its employees in the PRC.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Current Period.

Subsequent Event after the Reporting Period

On 17 November 2023, the Company proposed to raise not more than HK\$56,825,118 before expenses by way of the Rights Issue to the Shareholders. The Rights Issue is not underwritten and involves the issue of up to 315,695,100 Rights Shares at the Subscription Price of HK\$0.18 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares in issue. The Company entered into the placing agreement with the placing agent, pursuant to which the placing agent has conditionally agreed to procure independent placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and Non-Qualifying Shareholders Unsold Rights Shares. Reference is made to the announcements of the Company dated 17 November 2023 and 29 November 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings according to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company had made specific enquiries of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the Current Period.

CHANGES IN THE COMPOSITION OF THE BOARD

Change in the composition of the Board during the six months ended 30 September 2023 and up to the date of this announcement are as follows:

Mr. Chan Wing Sum was appointed as an executive Director and Chief Executive Officer of the Company on 24 August 2023.

Ms. Kwok Ling Yee Pearl Elizabeth was appointed as an executive Director of the Company on 24 August 2023.

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

During the Current Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company’s shareholders and to enhance corporate value and accountability. During the Current Period, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference set out in the CG Code. The principal duties of the audit committee include the review and supervision of the Group’s financial reporting matters, risk management and internal control procedures. The audit committee of the Board (the “**Audit Committee**”) comprises three independent Non-Executive Directors, namely Mr. Loo Hong Shing Vincent (Chairman of the Audit Committee), Mr. Zhu Shouzhong and Mr. Li Huaqiang. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim condensed consolidated financial information of the Group for the Current Period with the Directors of the Company.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This unaudited interim results announcement is published on the websites of the Stock Exchange and the Company, and the interim report of the Company for the Current Period containing all the 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
Huabang Technology Holdings Limited
Qu Hongqing
Executive Director

Hong Kong, 30 November 2023

As at the date of this announcement, the Executive Directors of the Company are Mr. Qu Hongqing, Mr. Chan Wing Sum and Ms. Kwok Ling Yee Pearl Elizabeth; and the independent Non-Executive Directors of the Company are Mr. Loo Hong Shing Vincent, Mr. Zhu Shouzhong and Mr. Li Huaqiang.