



**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

INTERIM REPORT
2022



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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Zhang Jinbing (*Chairman*)
Mr. Tian Wenxi
(resigned on 17 October 2022)
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
Bank of Communications
Hang Seng Bank Limited
Public Bank (Hong Kong)

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
Level 54, Hopewell Centre
183 Queen's Road East
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 2022, together with the comparative figures for the corresponding period in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2022 (the “**Reporting Period**”), the Group is principally engaged in sourcing, subcontracting, marketing and selling of garments and sportswear products (the “**Garment Business**”), property investment (the “**Property Investment Business**”), the provision of marketing services (the “**Marketing Services**”) and wholesale of timepieces and accessories (the “**Watch Business**”).

GARMENT BUSINESS

The Group carries on the business of sourcing, subcontracting and trading of garments and sportswear products in the PRC which are then exported to overseas market. The Group has started the export of wax print clothes to Africa, which are fabric mostly used for traditional clothing in Africa, since December 2017 (the “**Africa Business**”). During the Reporting Period, the Africa Business had shown a decrease due to the unstable COVID-19 pandemic situation.

The Group also carries the garment business to sourcing, subcontracting, designing, selling and distribution of outwear garments and sportswear products in Hong Kong, especially licensed products under the brand of bearing the brand names “ACCAPI”, an Italian brand and distribution of sportswear products under the brand name of “Super X”, a Hong Kong brand respectively (the “**ACCAPI Business**”). During the Reporting Period, the ACCAPI Business had been seen a drop in view of the dampened consumer sentiment in general.

PROPERTY INVESTMENT BUSINESS

As at 30 September 2022, 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 2022, other than one car parking space, all remaining investment properties were fully leased out.

As at 30 September 2022, the value of the Investment Properties amounted to approximately HK\$106.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKETING SERVICES

Since 2020, leveraging on the experience of the marketing division of the Garment Business of the Group in promoting its licensed brands ACCAPI and Super X, the Group has commenced to offer marketing and promotional services at online and offline platforms for external customers and a related company. The Company expanded its marketing division, targeting to provide services including market analysis, planning of marketing and promotional campaigns, new product launching, product development and market positioning, setting up and management of online shops, design of advertisements and promotional materials, product packaging designs, and displays of physical and online shops, etc. The marketing division is also engaged in organising events such as annual meetings, product launch or marketing conferences, roadshows and exhibitions for external customers. During the Reporting Period, the Marketing Services had seen a decrease due to COVID-19 pandemic situation in the PRC.

WATCH BUSINESS

On 24 May 2022, the Company entered into a sale and purchase agreement to acquire the entire issued shares of Sinoforce Group Limited (“**Sinoforce**”) at a total consideration of HK\$50,000,000 (the “**Acquisition**”). The Acquisition was completed on 14 June 2022, the date on which the control of Sinoforce was passed to the Company. Sinoforce and its subsidiaries (“**Sinoforce Group**”) are engaging in Watch Business, being the exclusive distributor of the timepieces and accessories bearing the trademarks of GIRARD-PERREGAUX and JEANRICHARD, in Hong Kong, Taiwan and the PRC.

FINANCIAL REVIEW

TURNOVER

The Group recorded revenue of approximately HK\$136.7 million for the Reporting Period, representing an increase of approximately HK\$22.9 million (20.1%) as compared to that of approximately HK\$113.8 million for the six months ended 30 September 2021 (the “**Previous Period**”).

Revenue derived from the Garment Business decreased by approximately HK\$22.2 million (22.6%) from approximately HK\$98.4 million for the Previous Period to approximately HK\$76.2 million for the Reporting Period mainly due to dampened consumer sentiment in general as a result of decreasing number of orders.

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

Revenue derived from the Marketing Services was in the sum of approximately HK\$7.3 million for the Reporting Period representing a decrease of 45.5% as compared to HK\$13.4 million for the Previous Period.

Revenue derived from the Watch Business was in the sum of approximately HK\$51.4 million for the period from the completion of the Acquisition to the end of the Reporting Period.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately HK\$8.9 million in respect of the Garment Business for the Reporting Period, representing a decrease of approximately HK\$3.8 million (29.9%) compared to approximately HK\$12.7 million for the Previous Period. The gross profit margin of the Garment Business was approximately 11.7% for the Reporting Period compared to approximately 12.9% for the Previous Period. The decrease was due to the orders of products with higher profit margin has slightly decreased during the Reporting Period.

The Group recorded a gross profit of approximately HK\$2.0 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 loss of approximately HK\$7.3 million in respect of the Marketing Services for the Reporting Period representing a decrease of 314.7% as compared to a gross profit of approximately HK\$3.4 million for the Previous Period.

The Group recorded a gross profit and gross profit margin of approximately HK\$14.4 million and 28.2% respectively in respect of the Watch 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 increased by approximately 189.5% from approximately HK\$1.9 million for the Previous Period to approximately HK\$5.5 million for the Reporting Period. The increase was mainly due to the newly acquired Watch Business as discussed above during the Reporting Period.

ADMINISTRATIVE EXPENSES

Administrative expense increased by approximately 44.1% from approximately HK\$5.9 million for the Previous Period to approximately HK\$8.5 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 386.3% from approximately HK\$0.3 million for the Previous Period to approximately HK\$12.6 million for the Reporting Period. The increase was mainly due to the increased uncertainty on the recoverability of those receivables under the current pandemic situation assessed by the management.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The change in fair value change of investment properties of approximately HK\$1.3 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 2022.

FINANCE COST

Finance cost was steady with approximately HK\$0.2 million for both the Reporting Period and the Previous Period.

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 boarden the source of income of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

During the six months ended 30 September 2022, 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\$44.9 million as at 30 September 2022 (31 March 2022: approximately HK\$66.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Bank and other borrowings

As of 30 September 2022, bank borrowings of the Group amounted to approximately HK\$29.8 million (31 March 2022: approximately HK\$5.0 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 1.7 as at 30 September 2022 compared to approximately 2.5 as at 31 March 2022. Decrease in current ratio was mainly due to the increase in bank borrowings. The Group's gearing ratio as at 30 September 2022 was approximately 10.2% (31 March 2022: approximately 1.7%), which is calculated based on the Group's bank borrowings of approximately HK\$29.8 million (31 March 2022: approximately HK\$5.0 million) and the Group's total equity of approximately HK\$291.5 million (31 March 2022: approximately HK\$300.3 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 2022 (for the six months ended 30 September 2021: 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 2022. 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 2022 and 2021, 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 Garment Business, the Property Investment Business, the Marketing Services and the Watch Business. As at 30 September 2022, trade receivables and trade payables of the Group were approximately HK\$191.5 million and HK\$155.3 million (31 March 2022: approximately HK\$134.6 million and approximately HK\$76.4 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 2022, bank borrowings of approximately HK\$21.0 million and HK\$8.8 million (31 March 2022: approximately HK\$5.0 million and HK\$Nil) were denominated in HK\$ and US\$ 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 2022, the investment properties and leasehold land and buildings in Hong Kong held by the Group with an aggregate carrying value of approximately HK\$110.4 million (31 March 2022: approximately HK\$103.3 million) were pledged as first legal charges for the Group's banking facilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 24 May 2022, the Company entered into a sale and purchase agreement to acquire the entire issued shares of 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. 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 2022 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 2022.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 30 September 2022, the utilised facilities amounted to approximately HK\$29.8 million (31 March 2022: approximately HK\$8.4 million).

Except for the foregoing, as at 30 September 2022, the Group had no other significant contingent liabilities or pending litigation.

STAFF AND REMUNERATION POLICIES

As at 30 September 2022, the Group had a total of 73 employees (31 March 2022: 27 employees). Total staff costs (including Directors' emoluments) for the six months ended 30 September 2022 amounted to approximately HK\$3.4 million (for the six months ended 30 September 2021: approximately HK\$3.6 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 2022, 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 2022.

OTHER INFORMATION

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

During the six months ended 30 September 2022, 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 2022 and no share options were outstanding as at 30 September 2022.

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

As at 30 September 2022, 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>)	552,238,938 (<i>Note 1</i>)	71.38%
Mr. Tian Wenxi ("Mr. Tian")	Interest in controlled corporation (<i>Note 2</i>)	13,774,277 (<i>Note 2</i>)	1.78%

Note:

- 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.
- 8,608,923 out of 13,774,277 shares were held by Wenxi Investment Management Co., Ltd. ("Wenxi Investment") and 5,165,354 out of 13,774,277 shares were held by Dye Culture Development Limited ("Dye Culture"). Both Wenxi Investment and Dye Culture were wholly-owned by Mr. Tian. Hence Mr. Tian was deemed to be interested in the 13,774,277 Shares in the Company held by Wenxi Investment and Dye Culture pursuant to the SFO. Mr. Tian was an executive director of the Company until he has resigned as a director of the Company on 17 October 2022.

(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 552,238,938 Shares of the Company (representing 71.38% 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 2022.

Save as disclosed above, as at 30 September 2022, 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.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTEREST

So far as is known to the Directors and the chief executives of the Company, as at 30 September 2022, 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	552,238,938	71.38%

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 2022.

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 2022.

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 2022.

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

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

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

AUDIT COMMITTEE

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

REVIEW OF THE INTERIM FINANCIAL RESULTS

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

By Order of the Board

State Energy Group International Assets Holdings Limited

Zhang Jinbing

Chairman

Hong Kong

21 November 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		For the six months ended 30 September	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
	Notes		
Turnover	4	136,748	113,821
Cost of sales		(118,715)	(95,799)
		18,033	18,022
Gross profit			
Other net (loss) gain	5	(2,744)	168
Other income	5	155	35
Selling and distribution expenses		(5,450)	(1,876)
Administrative expenses		(8,525)	(5,861)
Impairment losses under expected credit loss model, net of reversal		(12,564)	(317)
Fair value gain on investment properties	13	1,327	687
		(9,768)	10,858
Operating (loss) profit			
Finance costs	6	(197)	(182)
		(9,965)	10,676
(Loss) profit before taxation	7		
Income tax expense	9	(1,516)	(1,361)
		(11,481)	9,315
(Loss) profit for the period			
Other comprehensive (expense) income for the period (net of tax)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(293)	241
Item that will not be reclassified to profit or loss:			
Gain on revaluation of land and building held for own use	12	2,988	—
		(8,786)	9,556
Total comprehensive (expense) income for the period			

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		For the six months ended 30 September	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
	<i>Notes</i>		
(Loss) profit for the period attributable to:			
Owners of the Company		(11,481)	9,315
Total comprehensive (expense) income attributable to:			
Owners of the Company		(8,786)	9,556
(Loss) earnings per share	<i>10</i>		
— basic (HK cents)		(1.48)	2.93
— diluted (HK cents)		(1.48)	2.93

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	12	34,586	32,291
Investment properties	13	106,306	104,979
Right-of-use assets	12	143	130
Goodwill	14	696	—
Other intangible asset	14	7,561	—
		149,292	137,400
Current assets			
Inventories		83,862	39,045
Trade and other receivables	15	232,955	166,455
Financial assets at fair value through profit or loss		606	—
Bank balances and cash		44,930	66,145
Tax recoverable		2,802	—
		365,155	271,645
Total assets		514,447	409,045
Current liabilities			
Trade and other payables	18	179,281	89,300
Contract liabilities		3,834	5,241
Bank borrowings	19	29,773	5,000
Lease liabilities		163	413
Tax payable		7,356	6,625
		220,407	106,579
Net current assets		144,748	165,066
Total assets less current liabilities		294,040	302,466

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
	Notes		
Non-current liabilities			
Rental deposit received	18	535	175
Deferred tax liabilities		2,025	2,025
		2,560	2,200
		291,480	300,266
Net assets		291,480	300,266
EQUITY			
Equity attributable to the owners of the Company			
Share capital	17	7,737	7,737
Reserves		283,743	292,529
		291,480	300,266
Total equity		291,480	300,266

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 2022

	Attributable to equity holders of the Company										Total
	Share capital	Share premium	Revaluation reserve	Consolidation reserve	PRC Statutory Reserve	Translation Reserve	Capital reserve	Contributed surplus reserve	Other reserve	Retained earnings/(Accumulated losses)	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 1 April 2021 (Audited)	96,631	129,957	11,373	2,214	821	263	10,254	–	(5,578)	(129,673)	116,262
Profit for the period	–	–	–	–	–	–	–	–	–	9,315	9,315
Other comprehensive income for the period	–	–	–	–	–	241	–	–	–	–	241
Total comprehensive income for the period	–	–	–	–	–	241	–	–	–	9,315	9,556
Capital reorganisation	(83,718)	(129,957)	–	–	–	–	–	93,718	–	129,957	–
Issue of share pursuant to the rights issue	5,738	195,098	–	–	–	–	–	–	–	–	200,826
Transaction costs for the rights issue	–	(2,591)	–	–	–	–	–	–	–	–	(2,591)
Balance at 30 September 2021 (Unaudited)	7,651	192,497	11,373	2,214	821	504	10,254	93,718	(5,578)	10,599	324,053
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

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 2022

	For the six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash flows used in operating activities	(42,196)	(23,437)
Investing activities		
Bank interest received	13	1
Acquisition of a subsidiary, net of cash acquired	(8,214)	—
Net cash flows (used in) generated from investing activities	(8,201)	1
Financing activities		
Proceeds from bank borrowings	29,773	—
Repayment of bank borrowings	(5,000)	—
Repayment of loans from a shareholder	—	(156,627)
Interest paid	(189)	(182)
Repayment of lease liabilities	(674)	(961)
Proceeds from issue of shares pursuant to rights issue	—	200,826
Transaction costs for rights issue	—	(2,591)
Net cash flows from financing activities	23,910	40,465
Net (decrease) increase in cash and cash equivalents	(26,487)	17,029
Cash and cash equivalents at beginning of period	66,145	7,609
Effects of exchange rate changes, net	5,272	231
Cash and cash equivalents at end of period	44,930	24,869
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	44,930	24,869

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 2022

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 sourcing, subcontracting, marketing and selling of garments and sportswear products, property investment, the provision of marketing services and wholesale of timepieces and accessories.

The condensed consolidated financial statements were approved for issue by the board of directors of the Company (the “**Board**”) on 21 November 2022.

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 2022 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 2022, 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 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Additional policies adopted upon the completion of the Acquisition

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

2. BASIS OF PREPARATION (CONTINUED)

Additional policies adopted upon the completion of the Acquisition

(Continued)

Business combinations and goodwill (Continued)

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 September. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

2. BASIS OF PREPARATION (CONTINUED)

Additional policies adopted upon the completion of the Acquisition (Continued)

Business combinations and goodwill (Continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The Group's intangible asset represent distribution right, which is stated at cost less any impairment losses and is amortised on the straight-line basis over the period of the right granted under the relevant distribution agreements.

The adoption of amendments to the standards

Several amendments apply for the first time during the six months ended 30 September 2022, 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 2022.

3. ACCOUNTING POLICIES

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

Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

3. ACCOUNTING POLICIES (CONTINUED)

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 operates mainly in Hong Kong, Taiwan and the PRC and in the following business segments:

- i. Garment business – Sales of garments to both local and overseas customers

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

- ii. Property investment – Investing and letting of properties

- iii. Marketing services – Provision of marketing services.

The Group organises marketing and promotional events. The Group satisfies its performance obligations upon completion of the events. In addition, the Group also provides promotional services for the advertised products specified by the customers in a wide range of online channels. The Group satisfies its obligations upon releases of the promotional products to the online channels.

- iv. Watch business – wholesale of timepieces and accessories.

On 24 May 2022, the Company entered into a sale and purchase agreement to acquire the entire equity interest in Sinoforce Group Limited ("**Sinoforce**") at a total consideration of HK\$50,000,000 (the "**Acquisition**"). The Acquisition was completed on 14 June 2022, the date on which the control of Sinoforce was passed to the Company. Sinoforce and its subsidiaries ("**Sinoforce Group**") are engaging in wholesale of timepieces and accessories in Hong Kong, Taiwan and the PRC.

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 2022

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 2022 and 2021, respectively.

	For the six months ended 30 September 2022				
	Garment business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Marketing services (Unaudited) HK\$'000	Watch business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue					
- Sales of garments: recognised at a point in time					
- Africa	40,342	—	—	—	40,342
- Hong Kong	35,837	—	—	—	35,837
- Sales of watches: recognised at a point in time					
- Hong Kong	—	—	—	18,618	18,618
- PRC	—	—	—	24,259	24,259
- Taiwan	—	—	—	8,483	8,483
- Marketing services income: recognised at a point in time					
- PRC	—	—	7,255	—	7,255
- Rental income:					
- Hong Kong	—	1,062	—	—	1,062
- PRC	—	892	—	—	892
	76,179	1,954	7,255	51,360	136,748
Segment operating profit (loss)	(6,089)	3,692	(9,177)	6,605	(4,969)
Unallocated corporate income					155
Unallocated corporate expenses					(4,954)
Operating loss					(9,768)
Finance costs					(197)
Loss before taxation					(9,965)
Income tax expense					(1,516)
Loss for the period					(11,481)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 September 2021			
	Garment business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Marketing services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue				
– Sales of garments: recognised at a point in time				
– Africa	51,499	–	–	51,499
– Hong Kong	46,909	–	–	46,909
– Marketing services income: recognised at a point in time				
– PRC	–	–	13,409	13,409
– Rental income: – Hong Kong	–	1,064	–	1,064
– PRC	–	940	–	940
	<u>98,408</u>	<u>2,004</u>	<u>13,409</u>	<u>113,821</u>
Segment operating profit	9,187	1,592	2,375	13,154
Unallocated corporate expenses				<u>(2,296)</u>
Operating profit				10,858
Finance costs				<u>(182)</u>
Profit before taxation				10,676
Income tax expense				<u>(1,361)</u>
Profit for the period				<u>9,315</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following table presents asset and liability information for the Group's operating segments as at 30 September 2022 and 31 March 2022, respectively:

	As at 30 September 2022				
	Garment business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Marketing services (Unaudited) HK\$'000	Watch Business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets	210,584	111,517	53,649	103,532	479,282
Unallocated assets					35,165
Total assets					514,447
Segment liabilities	(105,203)	(732)	(46,004)	(58,961)	(210,900)
Unallocated liabilities					(2,686)
Tax payable					(7,356)
Deferred tax liabilities					(2,025)
Total liabilities					(222,967)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	As at 31 March 2022			
	Garment business <i>(Audited)</i> <i>HK\$'000</i>	Property investment <i>(Audited)</i> <i>HK\$'000</i>	Marketing Services <i>(Audited)</i> <i>HK\$'000</i>	Total <i>(Audited)</i> <i>HK\$'000</i>
Segment assets	231,575	107,531	50,549	389,655
Unallocated assets				19,390
Total assets				409,045
Segment liabilities	(65,955)	(175)	(32,531)	(98,661)
Unallocated liabilities				(1,468)
Tax payable				(6,625)
Deferred tax liabilities				(2,025)
Total liabilities				(108,779)

By geographical segments:

	Revenue For the six months ended 30 September	
	2022 <i>(Unaudited)</i> <i>HK\$'000</i>	2021 <i>(Unaudited)</i> <i>HK\$'000</i>
Africa	40,342	51,499
Hong Kong	55,517	47,973
PRC	32,406	14,349
Taiwan	8,483	—
	136,748	113,821

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

5. OTHER NET (LOSS) GAIN AND OTHER INCOME

	For the six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Other net (loss) gain		
Net exchange (loss) gain	(2,515)	168
Loss on fair value change in financial assets at fair value through profit or loss	(229)	—
	(2,744)	168
Other income		
Bank interest income	13	1
Government grants	142	—
Sundry income	—	34
	155	35

6. FINANCE COSTS

	For the six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on bank borrowings and overdrafts	189	160
Interest on lease liabilities	8	22
	197	182

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

7. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation is stated after charging the following:

	For the six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Cost of inventories sold	104,133	95,799
Depreciation of property, plant and equipment	746	795
Depreciation of right-of-use-assets	130	260
Amortisation of other intangible asset	581	—
Legal and professional fees	478	469
Staff costs, including directors' emoluments (Note 8)	3,403	3,596

8. STAFF COSTS

	For the six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	3,206	3,467
Retirement benefit costs	197	129
	3,403	3,596

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

9. 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 tax rate of the PRC subsidiaries is 25%.

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

	2022 <i>(Unaudited)</i> HK\$'000	2021 <i>(Unaudited)</i> HK\$'000
Current tax		
– Hong Kong Profits Tax	–	650
– PRC Enterprise Income Tax	1,517	711
Overprovision in respect of prior years:		
– Hong Kong Profits Tax	(1)	–
Deferred tax	–	–
	1,516	1,361

10. (LOSS) EARNINGS PER SHARE

BASIC (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share attributable to owners of the Company during the six months ended 30 September 2022 is based on the loss for the period attributable to owners of the Company of HK\$11,481,000 (2021: profit for the period attributable to the owners of the Company of HK\$9,315,000) and the weighted average number of ordinary shares in issue during the year of 773,659,000 shares (2021: 318,060,000 shares).

DILUTED (LOSS) EARNINGS PER SHARE

There was no dilutive potential ordinary shares outstanding during both periods as the Company did not have potential ordinary shares outstanding during the six months ended 30 September 2022 and 2021. Accordingly, the diluted (loss) earnings per share is same as basic (loss) earnings per share for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

11. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2022 (2021: Nil).

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

During the six months ended 30 September 2022, the Group acquired plant and equipment of approximately HK\$78,000 (2021: Nil).

During the six months ended 30 September 2022, the Group did not entered into any new lease agreements (2021: Nil).

The valuation of a land and building held for own use carried at fair value was updated at 30 September 2022 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 2022 valuations.

As a result of the update, a gain of approximately HK\$2,988,000 (six months ended 30 September 2021: Nil) has been recognised in other comprehensive income for the period in respect of land and buildings held for own use.

13. INVESTMENT PROPERTIES

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
At the beginning of the period/year	104,979	118,471
Changes in fair value included in profit or loss for the period/year	1,327	(13,420)
Exchange adjustment	—	(72)
At the end of the period/year	106,306	104,979

The valuation of investment properties carried at fair value were updated at 30 September 2022 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 2022 valuations.

As a result of the update, a net gain of approximately HK\$1,327,000 (six months ended 30 September 2021: net gain of approximately HK\$687,000) 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 2022

14. GOODWILL AND OTHER INTANGIBLE ASSET

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

	Goodwill <i>HK\$'000</i>	Other intangible asset – Distribution right <i>HK\$'000</i>
Six months ended 30 September 2022		
Opening net book amount	–	–
Acquisition of a subsidiary (Note 16)	696	8,142
Amortisation charge for the period	–	(581)
	<hr/>	<hr/>
Closing net book amount	696	7,561
	<hr/>	<hr/>
At 30 September 2022		
Cost	696	8,142
Accumulated amortisation	–	(581)
	<hr/>	<hr/>
Net book amount	696	7,561
	<hr/>	<hr/>

15. TRADE AND OTHER RECEIVABLES

	30 September 2022 <i>(Unaudited)</i> <i>HK\$'000</i>	31 March 2022 <i>(Audited)</i> <i>HK\$'000</i>
Trade receivables	216,233	154,619
Less: Allowance for credit losses	(24,735)	(20,066)
	<hr/>	<hr/>
Trade receivables, net	191,498	134,553
	<hr/>	<hr/>
Deposits paid to suppliers	21,875	29,066
Other receivables, net	17,573	1,431
Prepayments	213	389
Rental, utility and sundry deposits	1,796	1,016
	<hr/>	<hr/>
	41,457	31,902
	<hr/>	<hr/>
Total trade and other receivables	232,955	166,455
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

15. TRADE AND OTHR RECEIVABLES (CONTINUED)

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

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Within 1 month	50,224	27,569
1 to 3 months	24,011	24,520
3 to 6 months	25,261	29,896
Over 6 months	92,002	52,568
	191,498	134,553

The trade receivables were denominated in United States Dollars (“US\$”), HK\$ and Renminbi (“RMB”) (31 March 2022: US\$, HK\$ and RMB).

The majority of the Group’s sales to overseas customers are generally on open account of 120 days (31 March 2022: 120 days) from the date of invoice. The credit period granted to local customers is 30 to 90 days (31 March 2022: 90 days). The credit period granted to marketing service customers is ranging from 0 to 5 days (31 March 2022: 0 to 5 days) from the date of completion and due on date of invoice.

16. BUSINESS COMBINATIONS

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 Acquisition has been accounted for using the acquisition method. This condensed consolidated financial statements include the results of Sinoforce Group for the period from 14 June 2022 to 30 September 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

16. BUSINESS COMBINATIONS (CONTINUED)

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

	Fair value recognised on acquisition <i>HK\$'000</i>
Assets	
Property, plant and equipment	78
Other intangible asset	8,142
Right-of-use assets	453
Financial assets at fair value through profit or loss	835
Inventories	59,777
Trade and other receivables	34,223
Tax recoverable	1,131
Bank balances and cash	41,786
	<hr/>
	146,425
Liabilities	
Trade and other payables	(96,710)
Lease liabilities	(411)
	<hr/>
	(97,121)
Total identifiable net assets at fair value	<hr/> 49,304
Goodwill arising on acquisition (provisional)	<hr/> 696
Purchase consideration transferred	<hr/> 50,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	41,786
Cash paid	(50,000)
	<hr/>
Net cash flow on acquisition	(8,214)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

17. SHARE CAPITAL

	Number of shares	Ordinary shares HK\$'000
Authorised:		
At 31 March 2022, 1 April 2022 and 30 September 2022		
Ordinary shares of HK\$0.01 each	30,000,000,000	300,000
	<hr/>	<hr/>
Issued and fully paid:		
At 31 March 2022, 1 April 2022 and 30 September 2022		
	773,659,139	7,737
	<hr/>	<hr/>

18. TRADE AND OTHER PAYABLES

	30 September 2022 <i>(Unaudited)</i> HK\$'000	31 March 2022 <i>(Audited)</i> HK\$'000
Trade payables	155,295	72,961
Bills payables	—	3,393
	<hr/>	<hr/>
Trade and bills payables	155,295	76,354
	<hr/>	<hr/>
Deposits received	4,470	3,237
Accrued expenses	8,397	4,028
Other tax payable	650	1,273
Other payables	11,004	4,583
	<hr/>	<hr/>
	24,521	13,121
	<hr/>	<hr/>
Total trade and other payables	179,816	89,475
Less: Current portion	179,281	89,300
	<hr/>	<hr/>
Non-current portion	535	175
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

18. TRADE AND OTHER PAYABLES (CONTINUED)

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

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Within 1 month	8,481	7,623
1 to 3 months	27,882	16,829
3 to 6 months	43,187	10,347
Over 6 months	75,745	41,555
	155,295	76,354

All trade and bills payables were mainly denominated in HK\$, US\$, and RMB (31 March 2022: HK\$, US\$, and RMB).

For purchases from overseas suppliers, trade payables are normally settled on terms of 30 to 60 days (31 March 2022: 30 to 60 days) from the date of bill of lading. For purchases from local suppliers, the credit period was 30 days (31 March 2022: 30 days). For marketing service providers, the credit period was 0 day (31 March 2022: 0 day) from the date of completion or date of invoice.

19. BANK BORROWINGS

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Variable rate and secured borrowings, repayable within one year	29,773	5,000
	29,773	5,000

At 30 September 2022, variable-rate HK\$ denominated bank borrowings carry interests at a range of Hong Kong InterBank Offered Rate (“**HIBOR**”) +1.8% to HIBOR+2% (31 March 2022: HIBOR+2%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

19. BANK BORROWINGS (CONTINUED)

The bank borrowings are 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\$110,400,000 (31 March 2021: 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.

20. BANKING FACILITIES

As at 30 September 2022, the Group's banking facilities amounting to approximately HK\$75,000,000 (31 March 2022: 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 2022 amounted to approximately HK\$29,773,000 (31 March 2022: approximately HK\$8,393,000).

21. CAPITAL COMMITMENTS

At 30 September 2022, the Group has no material capital commitments (31 March 2022: Nil).

22. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	360	748

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) 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”)	(10,241)	(11,588)
– Prepayment from 廣州市睿意品牌策劃有限公司 (“廣州睿意”)	13,399	14,839
– Trade payables from 廣州酷影文化傳媒有限公司 (“廣州酷影”)	(490)	(555)
– Other receivables from 廣州裕德投資合夥企業 (有限合夥)	—	37
– Other receivables from 廣州萬燕	789	914
– Other receivables from 廣州睿意	1,800	-
	1,800	-

(c) Related party transactions

	Six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Transactions with related companies in which the executive director of the Company is a director		
(i) Cost of marketing services: (note)		
– 廣州萬燕	—	5,670
	—	5,670

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